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, 2003

OR

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

For the transition period from to

Commission file number 1-4174

THE WILLIAMS COMPANIES, INC.

(Exact name of registrant as specified in its charter)

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

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

NO CHANGE

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

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

Yes X No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes X No

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

Class	Outstanding at July 31, 2003
Common Stock, $1 par value	517,954,889 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," "could,"

"continues," "estimates," "forecasts," "might," "potential," "projects" 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 2002 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,	
	2003	2002*	2003	2002*
Revenues:				
Energy Marketing & Trading	$ 2,940.2	$ (195.6)	$ 6,721.7	$ 145.3
Gas Pipeline	312.0	290.5	635.3	595.5
Exploration & Production	200.2	221.0	444.1	442.8
Midstream Gas & Liquids	737.8	438.0	1,868.5	838.0
Other	20.1	26.0	48.1	52.7
Intercompany eliminations	(446.5)	(32.8)	(1,004.2)	(55.3)
Total revenues	3,763.8	747.1	8,713.5	2,019.0
Segment costs and expenses:				
Costs and operating expenses	3,169.0	612.1	7,750.6	1,203.3
Selling, general and administrative expenses	116.8	162.6	232.2	294.6
Other (income) expense - net	(225.2)	146.7		

(224.6) 146.9

Total segment costs and expenses
3,060.6 921.4
7,758.2
1,644.8 -----
------- -----
------- -----
------- -----

General corporate expenses 21.8
34.1 44.7
72.3 --------
---- --------
---- --------
---- --------

Operating income (loss):
Energy Marketing & Trading 364.7
(414.5) 234.2
(141.5) Gas Pipeline
111.8 101.7
261.2 216.9
Exploration & Production
176.2 91.4
287.9 198.3
Midstream Gas & Liquids
58.9 48.1
179.4 100.8
Other (8.4)
(1.0) (7.4)
(.3) General corporate expenses
(21.8) (34.1)
(44.7) (72.3)

Total operating income (loss)
681.4 (208.4)
910.6 301.9
Interest accrued
(406.0)
(253.7)
(758.8)
(457.7)
Interest capitalized
11.2 6.3 23.2
11.1 Interest rate swap loss (6.1)
(83.2) (8.9)
(73.0)
Investing income (loss)
(43.1) 38.5
3.2 (178.2)
Minority interest in income and preferred returns of consolidated subsidiaries
(6.0) (11.5)
(9.5) (23.5)
Other income - net 14.0
23.8 36.0
18.5 --------
---- --------

---- --------
---- --------
---- Income
(loss) from
continuing
operations
before income
taxes and
cumulative
effect of
change in
accounting
principles
245.4 (488.2)
195.8 (400.9)
Provision
(benefit) for
income taxes
127.4 (156.4)
116.6 (116.3)

Income (loss)
from
continuing
operations
118.0 (331.8)
79.2 (284.6)
Income (loss)
from
discontinued
operations
151.7 (17.3)
137.3 43.2 --
---------- --
---------- --
---------- --

Income (loss)
before
cumulative
effect of
change in
accounting
principles
269.7 (349.1)
216.5 (241.4)
Cumulative
effect of
change in
accounting
principles --
-- (761.3) --

Net income
(loss) 269.7
(349.1)
(544.8)
(241.4)
Preferred
stock
dividends
22.7 6.8 29.5
76.5 --------
---- --------
---- --------
---- --------
---- Income
(loss)
applicable to
common stock
$ 247.0 $
(355.9) $
(574.3) $
(317.9)
============
============
============
============
Basic
earnings
(loss) per
common share:
Income (loss)
from
continuing

operations $ .19 $ (.65) $ .09 $ (.69)
Income (loss) from discontinued operations .29 (.03) .27 .08 ---------- --- ---------- --- ---------- --- ---------- --- Income (loss) before cumulative effect of change in accounting principles .48 (.68) .36 (.61)
Cumulative effect of change in accounting principles -- -- (1.47) -- ---------- ---------- ---------- ---------- Net income (loss) $ .48 $ (.68) $ (1.11) $ (.61) ========== ========== ========== ========== Weighted-average shares (thousands) 518,090 520,427 517,872 519,829 Diluted earnings (loss) per common share: Income (loss) from continuing operations $ .18 $ (.65) $ .09 $ (.69)
Income (loss) from discontinued operations .28 (.03) .26 .08 ---------- --- ---------- --- ---------- --- ---------- --- Income (loss) before cumulative effect of change in accounting principles .46 (.68) .35 (.61)
Cumulative effect of change in accounting principles -- -- (1.45) -- ---------- ---------- ---------- ---------- Net income (loss) $ .46 $ (.68) $ (1.10) $ (.61)

Weighted-average shares (thousands)			
534,839			
520,427			
523,553			
519,829	Cash dividends per common share		
$ .01	$ .20	$ .02	$ .40

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

See accompanying notes.

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

(Dollars in millions, except per-share amounts) June 30, December 31,		
	2003	2002*
ASSETS		
Current assets: Cash and cash equivalents	$ 3,227.1	$ 1,650.4
Restricted cash	56.5	102.8
Restricted investments	160.9	--
Accounts and notes receivable less allowance of $116.2 ($111.8 in 2002)	1,696.5	2,415.4
Inventories	299.5	380.5
Energy risk management and trading assets	--	296.7
Derivative assets	6,934.3	5,024.3
Margin deposits	609.5	804.8
Assets of discontinued operations	465.8	1,251.1
Deferred income taxes	527.2	569.2
Other current assets and deferred charges	306.0	390.9
Total current assets	14,283.3	12,886.1
Restricted cash	175.2	188.1
Restricted investments	300.3	--
Investments	1,424.9	1,468.6
Property, plant and		

equipment, at cost 15,984.8 15,810.6 Less accumulated depreciation and depletion (3,796.0) (3,677.5) ---------- ---------- 12,188.8 12,133.1 Energy risk management and trading assets -- 1,821.6 Derivative assets 3,667.9 1,865.1 Goodwill 1,059.5 1,059.5 Assets of discontinued operations -- 2,834.0 Other assets and deferred charges 753.1 732.4 ---------- ---------- Total assets $ 33,853.0 $ 34,988.5 ========== ========== LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities: Notes payable $ 9.8 $ 934.8 Accounts payable 1,434.4 1,939.8 Accrued liabilities 1,153.8 1,406.4 Liabilities of discontinued operations 88.4 532.1 Energy risk management and trading liabilities -- 244.4 Derivative liabilities 6,906.0 5,168.3 Long-term debt due within one year 1,806.5 1,082.7 ---------- ---------- Total current liabilities 11,398.9 11,308.5 Long-term debt 11,209.7 11,076.7 Deferred income taxes

2,842.8
3,353.6
Liabilities and minority interests of discontinued operations -
- 1,258.0
Energy risk management and trading liabilities
-- 680.9
Derivative liabilities
3,249.8
1,209.8
Other liabilities and deferred income
1,057.9
968.3
Contingent liabilities and commitments (Note 11)
Minority interests in consolidated subsidiaries
92.4 83.7
Stockholders' equity:
Preferred stock, $1 per share par value, 30 million shares authorized, 1.5 million issued in 2002 --
271.3 Common stock, $1 per share par value, 960 million shares authorized, 520.9 million issued in 2003, 519.9 million issued in 2002 520.9
519.9
Capital in excess of par value
5,191.0
5,177.2
Accumulated deficit
(1,469.0)
(884.3)
Accumulated other comprehensive income (loss)
(174.8) 33.8
Other (28.0)
(30.3) -----
------- ----

4,040.1
5,087.6 Less treasury stock (at cost), 3.2 million shares of common stock in 2003 and 2002 (38.6)
(38.6) -----
------- ----

Total stockholders' equity	4,001.5	5,049.0
Total liabilities and stockholders' equity	$ 33,853.0	$ 34,988.5

*Certain amounts have been 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,	2003	2002*
-- OPERATING ACTIVITIES: Income (loss) from continuing operations	$ 79.2	$ (284.6)
Adjustments to reconcile to cash provided (used) by operations:		
Depreciation, depletion and amortization	339.6	320.2
Provision (benefit) for deferred income taxes	80.8	(153.0)
Payments of guarantees and payment obligations related to WilTel	--	(753.9)
Provision for loss on investments, property and other assets	120.8	98.4
Net gain on disposition of assets	(100.6)	(7.8)
Provision for uncollectible accounts: WilTel	--	247.0
Other	13.8	7.6
Minority interest in income and preferred returns of consolidated subsidiaries	9.5	23.5
Amortization and taxes associated with stock-based awards	14.7	15.4
Payment of deferred set-up fee and fixed rate interest on RMT note payable	(265.0)	--
Accrual for fixed rate interest included in the RMT note payable	99.3	--
Amortization of deferred set-up fee and fixed rate interest on RMT note payable	154.5	--
Cash provided (used) by changes in current assets and liabilities:		
Restricted cash	(.5)	(140.9)
Accounts and notes receivable	675.2	(561.4)
Inventories	39.9	(116.0)
Margin deposits	195.2	(174.8)
Other current assets and deferred charges	(66.5)	(6.0)
Accounts payable	(470.6)	597.4
Accrued liabilities	(186.7)	(93.9)
Changes in current and noncurrent derivative and energy risk		

management and trading assets and liabilities (356.8) 105.2 Changes in noncurrent restricted cash (2.4) (101.1) Other, including changes in noncurrent assets and liabilities (29.2) (88.8) ------ ------ ------------ Net cash provided (used) by operating activities of continuing operations 344.2 (1,067.5) Net cash provided by operating activities of discontinued operations 124.7 152.6 ------------ ------------ Net cash provided (used) by operating activities 468.9 (914.9) ------ ------ ------------ FINANCING ACTIVITIES: Payments of notes payable (892.8) (1,714.1) Proceeds from long-term debt 1,776.5 3,162.2 Payments of long-term debt (920.4) (1,028.5) Proceeds from issuance of common stock .1 11.4 Dividends paid (42.9) (206.5) Proceeds from issuance of preferred stock -- 272.3 Repurchase of preferred stock (275.0) -- Payments of debt issuance costs (54.9) (100.4) Payments/dividends to minority and preferred interests (.7) (31.4) Changes in restricted cash 62.2 -- Changes in cash overdrafts (25.9) 54.0 Other--net (.1) -- -------- ---- ------------ Net cash provided (used) by financing activities of continuing operations (373.9) 419.0 Net cash provided (used) by financing activities of discontinued operations (92.0) 684.9 ------------ ------------ Net cash provided (used) by financing activities (465.9) 1,103.9 ---- -------- ------------ - INVESTING ACTIVITIES: Property, plant and equipment: Capital expenditures (452.1) (799.8) Proceeds from dispositions 467.9 105.6 Purchases of investments/advances to affiliates (13.3) (289.3) Purchases of restricted investments (463.3) -- Proceeds from

sales of businesses	1,943.6	440.6
Proceeds from disposition of investments and other assets	33.3	.6
Other--net	(3.5)	16.5
Net cash provided (used) by investing activities of continuing operations	1,512.6	(525.8)
Net cash used by investing activities of discontinued operations	(21.9)	(191.0)
Net cash provided (used) by investing activities	1,490.7	(716.8)
Increase (decrease) in cash and cash equivalents	1,493.7	(527.8)
Cash and cash equivalents at beginning of period**	1,736.0	1,301.1
Cash and cash equivalents at end of period**	$ 3,229.7	$ 773.3

* 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 $2.6 million, $85.6 million, $71.3 million and $60.7 million at June 30, 2003, December 31, 2002, June 30, 2002 and December 31, 2001, respectively.

See accompanying notes.

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

1. General

Company outlook

As discussed in The Williams Companies, Inc.'s (Williams or the Company) Form 10-K for the year ended December 31, 2002, events in 2002 and the last half of 2001 significantly impacted the Company's operations, both past and future. On February 20, 2003, Williams outlined its planned business strategy for the next several years which management believes to be a comprehensive response to the events which have impacted the energy sector and Williams during 2002. The plan focuses on retaining a strong, but smaller, portfolio of natural gas businesses and bolstering Williams' liquidity through additional asset sales, strategic levels of financing at the Williams and subsidiary levels and additional reductions in its operating costs. The plan is designed to provide Williams with a clear strategy to address near-term and medium-term liquidity issues and further de-leverage the company with the objective of returning to investment grade status, while retaining businesses with favorable returns and opportunities for growth in the future. As part of this plan, Williams expects to generate proceeds, net of related debt, of nearly $4 billion from asset sales during 2003 and 2004. During the first half of 2003, Williams received $2.4 billion in net proceeds from the sales of assets and businesses, including the retail travel centers, the Midsouth refinery, Texas Gas Transmission Corporation, Williams' general partnership interest and limited partner investment in Williams Energy Partners, Williams' interest in Williams Bio-Energy L.L.C., certain natural gas exploration and production properties in Kansas, Colorado and New Mexico and Williams' interest in the Rio Grande Pipeline. As previously announced, the Company intends to reduce its commitment to the Energy Marketing & Trading business, which may be realized by entering into a joint venture with a third party or through the sale of a portion or all of the marketing and trading portfolio. Additionally, through the six month period ended June 30, 2003, Energy Marketing & Trading has sold contracts for proceeds totaling approximately $206 million.

During second-quarter 2003, Williams issued $300 million of 5.5 percent junior subordinated convertible debentures due 2033 and $800 million of 8.625 percent notes due 2010, and a Williams subsidiary received proceeds from a $500 million term loan due 2007. Portions of the proceeds from these debt issues, borrowings and asset sales were used to redeem $275 million of preferred stock, the RMT note payable (including deferred fees and interest) (see Note 10) and $888 million of other long-term debt that matured or required payments from the proceeds of asset sales.

As of June 30, 2003, the Company has maturing notes payable and long-term debt through first-quarter 2004 totaling approximately $1.8 billion, consisting largely of $1.4 billion of Williams senior unsecured 9.25 percent notes. The Company anticipates that cash on hand, proceeds from additional asset sales and cash flows from retained businesses will enable the Company to meet its liquidity needs.

Other

The accompanying interim consolidated financial statements of 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' Annual Report on Form 10-K. The accompanying unaudited financial statements include all normal recurring adjustments and others, including asset impairments, loss accruals, and the change in accounting principles which, in the opinion of Williams' management, are necessary to present fairly its financial position at June 30, 2003, its results of operations for the three and six months ended June 30, 2003 and 2002 and cash flows for the six months ended June 30, 2003 and 2002.

During the second quarter of 2003 Energy Marketing & Trading corrected the accounting treatment previously given to certain third party derivative contracts during 2002 and 2001. As a result, Energy Marketing & Trading recognized $80.7 million of revenue for the second quarter 2003 attributable to prior periods. Approximately $46.6 million of this revenue relates to a correction of net energy trading assets for certain derivative contract terminations occurring in 2001. The remaining $34.1 million relates to net gains on certain other derivative contracts entered into in 2002 and 2001 which the Company now believes that it should not have deferred as a component of other comprehensive income due to the incorrect designation of these contracts as cash flow hedges. Management, after consultation with its independent auditor, concluded that the effect of the previous accounting treatment was not material to prior periods, expected 2003 results and trend of earnings.

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

Notes (Continued)

2. Basis of presentation

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

- Kern River Gas Transmission (Kern River), previously one of Gas Pipeline's segments
- Two natural gas liquids pipeline systems, Mid-American Pipeline and Seminole Pipeline, previously part of the Midstream Gas & Liquids segment
- The Colorado soda ash mining operations, part of the previously reported International segment
- Central natural gas pipeline, previously one of Gas Pipeline's segments
- Retail travel centers concentrated in the Midsouth, part of the previously reported Petroleum Services segment
- Refining and marketing operations in the Midsouth, including the Midsouth refinery, part of the previously reported Petroleum Services segment
- Bio-energy operations, part of the previously reported Petroleum Services segment
- Texas Gas Transmission Corporation, previously one of Gas Pipeline's segments
- Williams' general partnership interest and limited partner investment in Williams Energy Partners, previously the Williams Energy Partners segment
- Refining, retail and pipeline operations in Alaska, part of the previously reported Petroleum Services segment
- Gulf Liquids New River Project LLC, previously part of the Midstream Gas & Liquids segment
- Natural gas properties in the Hugoton and Raton basins, previously part of the Exploration & Production segment.

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

Certain other statement of operations, balance sheet and cash flow amounts have been reclassified to conform to the current classifications.

3. Changes in accounting policies and cumulative effect of change in accounting principles

Energy commodity risk management and trading activities and revenues

Effective January 1, 2003, Williams adopted Emerging Issues Task Force (EITF) Issue No. 02-3, "Issues Related to Accounting for Contracts Involved in Energy Trading and Risk Management Activities." The Issue rescinded EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." Issue No. 02-3 precludes fair value accounting for energy trading contracts that are not derivatives pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and for commodity trading inventories. As a result of initial application of this Issue in first-quarter 2003, Williams reduced energy risk management and trading assets (including inventories) by $2,159.2 million, energy risk management and trading liabilities by $925.3 million and net income by $762.5 million (net of a $471.4 million benefit for income taxes). Of this amount, approximately $755 million relates to Energy Marketing & Trading's portion with the remainder relating to Midstream Gas & Liquids. The reduction of net income is reported as a cumulative effect of a change in accounting principle. The change resulted primarily from power tolling, load serving, transportation and storage contracts not meeting the definition of a derivative and no longer being reported at fair value.

The power tolling, load serving, transportation and storage contracts are now accounted for on an accrual basis. Under this model, revenues for sales of products are recognized in the period of delivery. Revenues and costs associated

with these non-derivative energy contracts, other non-derivative activities and physically settled derivative contracts are reflected gross in revenues and costs and operating expenses in the Consolidated Statement of Operations beginning January 1, 2003. This change significantly impacts the presentation of revenues and costs and operating expenses. Physical commodity inventories previously reflected at fair value are now stated at average cost, not in excess of market. Derivative energy contracts are reflected at fair value, and gains and losses due to changes in fair value of derivatives not designated as hedges under SFAS No. 133 are reflected net in revenues. Derivative energy contracts are classified in the Consolidated Balance Sheet as current and noncurrent assets and current and noncurrent liabilities based on the timing of expected future cash flows used in determining fair value of individual contracts. In addition, derivative assets and liabilities on the Consolidated Balance Sheet include a net asset representing the fair value of certain derivative contracts at the time that Energy Marketing & Trading elected the normal purchases and sales exclusion in accordance with SFAS No. 133. The approximately $500 million fair value of these contracts at the time the election was made will be realized into earnings over the remaining periods of the contracts' term in accordance with the estimated cash flows of the contracts at the time of election. As of June 30, 2003, the remaining terms of contracts for which the normal purchases and sales exclusion has been elected ranges from approximately 4 to 8 years.

Asset retirement obligations

Effective January 1, 2003, Williams adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." This Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made, and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. The Statement also amends SFAS No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies." As required by the new standard, Williams recorded liabilities equal to the present value of expected future asset retirement obligations at January 1, 2003. The obligations relate to producing wells, offshore platforms, underground storage caverns and gas gathering well connections. At the end of the useful life of each respective asset, Williams is legally obligated to plug both producing wells and storage caverns and remove any related surface equipment, to dismantle offshore platforms, and to cap certain gathering pipelines at the wellhead connection and remove any related surface equipment. The liabilities are partially offset by increases in property, plant and equipment, net of accumulated depreciation, recorded as if the provisions of the Statement had been in effect at the date the obligation was incurred. As a result of the adoption of SFAS No. 143, Williams recorded a long-term liability of $33.4 million; property, plant and equipment, net of accumulated depreciation, of $24.8 million and a credit to earnings of $1.2 million (net of a $.1 million benefit for income taxes) reflected as a cumulative effect of a change in accounting principle. Williams also recorded a $9.7 million regulatory asset for retirement costs of dismantling offshore platforms expected to be recovered through regulated rates. In connection with adoption of SFAS No. 143, Williams changed its method of accounting to include salvage value of equipment related to producing wells in the calculation of depreciation. The impact of this change is included in the amounts discussed above. Williams has not recorded liabilities for pipeline transmission assets, processing and refining assets, and gas gathering systems pipelines. A reasonable estimate of the fair value of the retirement obligations for these assets cannot be made as the remaining life of these assets is not currently determinable. Had the Statement been adopted at the beginning of 2002, the impact to Williams' income from continuing operations and net income would have been immaterial. There would have been no impact on earnings per share.

4. Asset sales, impairments and other items

Williams evaluates its equity investments for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may have experienced an other-than-temporary decline in value. When evidence of loss in value has occurred, management's estimate of fair value of the investment is compared to the carrying value of the investment to determine whether an impairment has occurred. If the estimated fair value is less than the carrying cost and the decline in value is considered other than temporary, the excess of the carrying cost over the fair value is recognized in the financial statements as an impairment.

Judgments and assumptions are inherent in management's assessment of whether there has been any evidence of a loss in value that warrants an estimation of fair value. Judgments and assumptions are also inherent in management's estimate of an investment's fair value used to determine whether a loss in value has occurred and to measure the amount of impairment to recognize. In addition, judgements and assumptions are involved in determining if the decline in value is other than temporary. The use of alternate judgments and/or assumptions could result in the recognition of different levels of impairment charges in the financial statements.

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

(Millions)	Three months ended June 30, 2003	Three months ended June 30, 2002	Six months ended June 30, 2003	Six months ended June 30, 2002
OTHER (INCOME) EXPENSE-NET:				
ENERGY MARKETING & TRADING				
Net loss accruals and write-offs	$ --	$ 83.7	$ --	$ 83.7
Impairment of goodwill	--	57.5	--	57.5
Gain on sale of Jackson power contract	(175.0)	--	(175.0)	--
Commodity Futures Trading Commission settlement (see Note 11)	20.0	--	20.0	--
GAS PIPELINE				
Write-off of software development costs due to cancelled implementation	25.5	--	25.5	--
EXPLORATION & PRODUCTION				
Net gain on sale of natural gas properties	(91.5)	--	(91.5)	--
INVESTING INCOME (LOSS):				
GAS PIPELINE				
Write-down of investment in cancelled Independence Pipeline				

project -- (12.3) -- (12.3) Contractual construction completion fee received by equity investee -- 27.4 -- 27.4 MIDSTREAM GAS & LIQUIDS Impairment of Aux Sable investment (8.5) -- (8.5) -- OTHER Impairment of cost based investment (13.5) -- (13.5) -- Impairment of Longhorn Partners Pipeline, L.P. investment/debt securities (42.4) -- (42.4) -- Impairment of Algar Telecom S.A. investment -- -- (12.0) -- Provision for loss on estimated recoverability of WilTel Communications Group, Inc. receivables -- (15.0) -- (247.0)

Notes (Continued)

5. Provision (benefit) for income taxes

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

	Three months ended June 30,		Six months ended June 30,	
	(Millions)			
	2003	2002	2003	2002
Current:				
Federal	$ 6.2	$ 29.1	$ 12.4	$ 36.7
State	8.5	(2.6)	13.2	--
Foreign	10.2	(3.6)	10.2	--
	24.9	22.9	35.8	36.7
Deferred:				
Federal	103.2	(156.6)	86.6	(142.4)
State	(2.2)	(16.1)	(5.1)	(10.7)
Foreign	1.5	(6.6)	(.7)	.1
	102.5	(179.3)	80.8	(153.0)
Total provision (benefit)	$ 127.4	$ (156.4)	$ 116.6	$ (116.3)

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

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 benefit of the pretax loss.

6. Discontinued operations

During 2002, Williams began the process of selling assets and/or businesses to address liquidity issues. The businesses discussed below represent components of Williams that have been sold or approved for sale by the board of directors as of June 30, 2003; therefore, their results of operations (including any impairments, gains or losses), financial position and cash flows have been reflected in the consolidated financial statements and notes as discontinued operations.

Summarized results of discontinued operations for the three and six months ended June 30, 2003 and 2002 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	(Millions)			
	2003	2002	2003	2002
Revenues	$ 466.9	$ 1,398.8	$ 1,490.3	$ 2,639.2
Income from discontinued operations before income taxes	$ 17.0	$ 45.4	$ 107.7	$ 181.9
(Impairments) and gain (loss) on sales - net	232.9	(71.1)	115.6	(109.2)
(Provision) benefit for income taxes	(98.2)	8.4	(86.0)	(29.5)
Total income (loss) from discontinued operations	$ 151.7	$ (17.3)	$ 137.3	$ 43.2

Notes (Continued)

Summarized assets and liabilities of discontinued operations as of June 30, 2003 and December 31, 2002, are as follows:

(Millions)	June 30, 2003	December 31, 2002
Total current assets	$ 163.9	$ 711.4
Property, plant and equipment - net	300.0	3,105.2
Other noncurrent assets	1.9	268.5
Total noncurrent assets	301.9	3,373.7
Total assets	$ 465.8	$ 4,085.1
Reflected on balance sheet as:		
Current assets	$ 465.8	$ 1,251.1
Noncurrent assets	--	2,834.0
Total assets	$ 465.8	$ 4,085.1
Long-term debt due within one year	$ --	$ 68.7
Other current liabilities	85.8	445.1
Total current liabilities	85.8	513.8
Long-term debt	-	828.3
Minority interests	-	340.0
Other noncurrent liabilities	2.6	108.0

- Total noncurrent liabilities	2.6 1,276.3
--- Total liabilities	$ 88.4 $ 1,790.1
Reflected on balance sheet as:	
Current liabilities	$ 88.4 $ 532.1
Noncurrent liabilities	-- 1,258.0
--- Total liabilities	$ 88.4 $ 1,790.1

HELD FOR SALE AT JUNE 30, 2003

Soda ash operations

In March 2002, Williams announced its intention to sell its soda ash mining facility located in Colorado. During third-quarter 2002, Williams' board of directors approved a plan authorizing management to negotiate and facilitate a sale of its interest in the soda ash operations pursuant to terms of a proposed sales agreement. The soda ash facility was previously written-down to its estimated fair value less cost to sell at December 31, 2002. This estimate was reflective of terms of the negotiations to sell the operations. During 2003, ongoing sale negotiations continue to provide new information regarding estimated fair value. As a result, additional impairment charges of $5 million and $11.1 million were recognized during the first and second quarters of 2003, respectively. These impairments and a $44.1 million second-quarter 2002 impairment are included in (impairments) and gain (loss) on sales in the preceding table. Williams believes that these ongoing negotiations provide sufficient evidence that it remains committed to its plan to sell the soda ash operations within one year. Therefore, soda ash operations continue to be presented as held for sale. The soda ash operations were part of the previously reported International segment.

Alaska refining, retail and pipeline operations

The company is currently engaged in negotiations to sell its Alaska refinery and related assets. During first-quarter 2003, management revised its assessment of the estimated fair value of these assets, reflective of recent information obtained through continuing sales negotiations, using a probability-weighted approach. As a result, an impairment charge of $8 million was recognized in first-quarter 2003 and is included in (impairments) and gain

(loss) on sales in the preceding table. During second-quarter 2003, Williams' board of directors approved a plan authorizing management to negotiate and facilitate a sale of these operations. A sale is expected to be completed within one year. These operations were part of the previously reported Petroleum Services segment.

Gulf Liquids New River Project LLC

Williams' Gulf Liquids operations have been identified as assets not related to the new, more narrowly focused business. During second-quarter 2003, Williams' board of directors approved a plan authorizing management to negotiate and facilitate a sale of these assets. An impairment charge of $92.6 million was recognized during second-quarter 2003 to reduce the carrying cost of the long-lived assets to management's estimate of fair value less estimated costs to sell the assets, and is included in (impairments) and gain (loss) on sales in the preceding table. Fair value was estimated based on a discounted cash flow analysis. The sale of these operations is expected to be completed within one year. These operations were part of the Midstream Gas & Liquids segment.

2003 COMPLETED TRANSACTIONS

Williams Energy Partners

On June 17, 2003, Williams completed the sale of its 100 percent general partnership interest and 54.6 percent limited partner investment in Williams Energy Partners for approximately $512 million in cash and assumption by the purchasers of $570 million in debt. Williams recognized a gain of $275.6 million on the sale, which is included in (impairments) and gain (loss) on sales in the preceding table, and deferred an additional $113 million associated with Williams' indemnifications of the purchasers under the sales agreement. Williams has indemnified the purchasers for a variety of matters, including obligations that may arise associated with environmental contamination relating to operations prior to April 2002 and identified prior to April 2008 (see Note 11).

Bio-energy facilities

On May 30, 2003, Williams completed the sale of its bio-energy operations to Morgan Stanley Capital Partners for approximately $59 million in cash. The December 31, 2002 carrying value reflected the estimated fair value less cost to sell. During second-quarter 2003, Williams recognized an additional loss on the sale of $6.4 million which is included in (impairments) and gain (loss) on sales in the preceding table. These operations were part of the previously reported Petroleum Services segment.

Texas Gas

On May 16, 2003, Williams completed the sale of its Texas Gas Transmission Corporation for $795 million in cash and the assumption by the purchaser of $250 million in existing Texas Gas debt. This business was evaluated for recoverability on a held-for-use basis pursuant to SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," at March 31, 2003. A $109 million impairment charge was recorded in first-quarter 2003 reflecting the excess of the carrying cost of the long-lived assets over management's estimate of fair value, and is included in (impairments) and gain (loss) on sales in the preceding table. Fair value was based on management's assessment of the expected sales price pursuant to the purchase and sale agreement. No significant gain or loss was recognized on the sale. Texas Gas was a segment within Gas Pipeline.

Natural gas properties

During second-quarter 2003, Williams completed the sale of natural gas exploration and production properties in the Raton Basin in southern Colorado and the Hugoton Embayment of the Anadarko Basin in southwestern Kansas. This sale included all of Williams' interests within these basins. A $39.9 million gain on the sale was recognized in the second quarter of 2003 and is included in (impairments) and gain (loss) on sale in the preceding table. These properties were part of the Exploration & Production segment.

Midsouth refinery and related assets

On March 4, 2003, Williams completed the sale of its refinery and other related operations located in Memphis, Tennessee to Premcor, Inc. for approximately $455 million in cash. These assets were previously written down by $240.8 million to their estimated fair value less cost to sell at December 31, 2002. A gain on sale of $4.7 million was recognized in the first quarter of 2003. During the second quarter of 2003, Williams recognized a $24.7 million gain on the sale of an earn-out agreement retained by Williams in the sale of the refinery. This agreement would have allowed Williams to potentially receive up to an additional $75 million over the next seven years depending on refining margins. These gains are included in (impairments) and gain (loss) on sale in the preceding table. These operations were part of the previously reported Petroleum Services segment.

Williams travel centers

On February 27, 2003, Williams completed the sale of the travel centers to Pilot Travel Centers LLC for approximately $189 million in cash. The December 31, 2002 carrying value reflected the estimated fair value less cost to sell. A second-quarter 2002 impairment of $27 million is reflected in (impairments) and gain (loss) on sale in the preceding table. No significant gain or loss was recognized on the sale. These operations were part of the previously reported Petroleum Services segment.

2002 COMPLETED TRANSACTIONS

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 was recognized as income from discontinued operations in third-quarter 2002. Included as a component of (impairments) and gain (loss) on sales in the preceding table is a pre-tax loss of $38.1 million for the six months ended June 30, 2002. Kern River was a segment within Gas Pipeline.

Mid-America and Seminole Pipelines

On August 1, 2002, Williams completed the sale of its 98 percent interest in Mid-America Pipeline and 98 percent of its 80 percent ownership interest in Seminole Pipeline for $1.2 billion. The sale generated net cash proceeds of $1.15 billion. These assets were part of the Midstream Gas & Liquids segment.

Central

On November 15, 2002, Williams completed the sale of its Central natural gas pipeline for $380 million in cash and the assumption by the purchaser of $175 million in debt. Central was a segment within Gas Pipeline.

7. 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,		Six months ended June 30,	
	2003	2002	2003	2002
Income (loss) from continuing operations	$ 118.0	$ (331.8)	$ 79.2	$ (284.6)
Convertible preferred stock dividends	(22.7)	(6.8)	(29.5)	(76.5)
Income (loss) from continuing operations available to common stockholders for basic earnings per share	95.3	(338.6)	49.7	(361.1)
Effect of dilutive securities:				
Interest on convertible debentures (see Note 10)	.9	--	--	--
Income (loss) from continuing operations				

available to common stockholders for diluted earnings per share	$ 96.2	$ (338.6)	$ 49.7	$ (361.1)			
Basic weighted-average shares	518,090	520,427	517,872	519,829			
Effect of dilutive securities:							
Stock options	3,889	--	2,814	--			
Deferred shares unvested	2,567	--	2,867	--			
Convertible debentures (see Note 10)	10,293	--	--	--			
Diluted weighted-average shares	534,839	520,427	523,553	519,829			
Earnings (loss) per share from continuing operations:							
Basic	$ .19	$ (.65)	$ .09	$ (.69)			
Diluted	$ .18	$ (.65)	$ .09	$ (.69)			

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

For the six months ended June 30, 2003, approximately 5.2 million weighted-average shares related to the assumed conversion of convertible debentures, as well as the related interest, were excluded from the computation of diluted earnings per common share as their inclusion would be antidilutive.

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.

Notes (Continued)

8. Stock-based compensation

Employee stock-based awards are accounted for under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations. Fixed-plan common stock options generally do not result in compensation expense because the exercise price of the stock options equals the market price of the underlying stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS No. 123 "Accounting for Stock-Based Compensation."

	Three months ended June 30,		Six months ended June 30,	
(Millions)	2003	2002	2003	2002
Net income (loss), as reported	$ 269.7	$ (349.1)	$ (544.8)	$ (241.4)
Add: Stock-based employee compensation included in the Consolidated Statement of Operations, net of related tax effects	3.3	4.3	13.9	8.1
Deduct: Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(6.3)	(8.2)	(21.0)	(15.5)
Pro forma net income (loss)	$ 266.7	$ (353.0)	$ (551.9)	$ (248.8)

Earnings (loss) per share:				
Basic-as reported	$ .48	$ (.68)	$ (1.11)	$ (.61)
Basic-pro forma	$ .47	$ (.69)	$ (1.12)	$ (.63)
Diluted-as reported	$ .46	$ (.68)	$ (1.10)	$ (.61)
Diluted-pro forma	$ .46	$ (.69)	$ (1.11)	$ (.63)

Pro forma amounts for 2003 include compensation expense from Williams awards made in 2003, 2002 and 2001. Pro forma amounts for 2002 include compensation expense from certain Williams awards made in 1999 and compensation expense from Williams awards made in 2002 and 2001.

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

On May 15, 2003, Williams' shareholders approved a stock option exchange program. Under this exchange program, eligible Williams employees were given a one-time opportunity to exchange certain outstanding options for a proportionately lesser number of options at an exercise price to be determined at the grant date of the new options. Surrendered options were cancelled June 26, 2003, and replacement options will be granted no earlier than six months and one day after the cancellation date of each surrendered option. Under APB 25, Williams will not recognize any expense pursuant to the stock option exchange. However, for purposes of pro forma disclosures, Williams will recognize additional expense related to these new options and the remaining expense on the cancelled options.

9. Inventories

Inventories at June 30, 2003 and December 31, 2002 are as follows:

(Millions)	June 30, 2003	December 31, 2002
Raw materials:		
Crude oil	$ 8.7	$ 3.8
	8.7	3.8
Finished goods:		
Refined products	27.7	47.7
Natural gas liquids	78.3	115.3
General merchandise	1.1	1.1
	107.1	164.1
Materials and supplies	67.2	87.2
Natural gas in underground storage	116.5	125.4
	$ 299.5	$ 380.5

Effective January 1, 2003, Williams adopted EITF Issue No. 02-3 (see Note 3). As a result, Williams reduced the recorded value of natural gas in underground storage by $37 million, refined products by $2.9 million and natural gas liquids by $1 million.

Notes (Continued)

10. Debt and banking arrangements

NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt at June 30, 2003 and December 31, 2002, are as follows:

(Millions)	Weighted-Average Interest Rate(1)	June 30, 2003	December 31, 2002
Secured notes payable	6.57%	$ 9.8	$ 934.8
Long-term debt:			
Secured long-term debt			
Revolving credit loans	--%	$ --	$ 81.0
Debentures, 9.875%, payable through 2020	9.9	28.7	28.7
Notes, 9.17%-9.45%, payable through 2013	9.4	124.6	256.8
Notes, adjustable rate, payable through 2007	5.1	584.7	5.2
Other, payable through 2003	6.7	8.3	20.9
Unsecured long-term debt			
Debentures, 5.5%-10.25%, payable through 2033	7.1	1,749.6	1,449.0
Notes, 6.125%-9.25%, payable through 2032(2)	7.8	10,440.9	9,349.9
Notes, adjustable rate	--	--	669.9
Other, payable through 2005	7.5	79.4	158.1
Capital leases	--	--	139.9
		13,016.2	

12,159.4		
Long-term debt due within one year		
(1,806.5)		
(1,082.7)	--	--
Total long-term debt	$ 11,209.7	$ 11,076.7

(1) At June 30, 2003.

(2) Includes $1.1 billion of 6.5 percent notes, payable 2007 subject to remarketing in 2004 (FELINE PACS). If a remarketing is unsuccessful in 2004 and a second remarketing in February 2005 is unsuccessful as defined in the offering document for the FELINE PACS, then Williams could exercise its right to foreclose on the notes in order to satisfy the obligation of the holders of the equity forward contracts requiring the holder to purchase Williams common stock.

Notes payable at December 31, 2002, included a $921.8 million secured note (the RMT note payable) of Williams Production RMT Company (RMT), which was repaid in May 2003 with proceeds from asset sales and proceeds from a $500 million new long-term debt obligation (described below under "Issuances and Retirements").

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

REVOLVING CREDIT AND LETTER OF CREDIT FACILITIES

On June 6, 2003, Williams entered into a two-year $800 million revolving credit facility, primarily for the purpose of issuing letters of credit. Williams, Northwest Pipeline and Transco have access to all unborrowed amounts. The facility must be secured by cash and/or acceptable government securities with a market value of at least 105 percent of the then outstanding aggregate amount available for drawing under all letters of credit, plus the aggregate amount of all loans then outstanding. The restricted cash and investments used as collateral are classified on the balance sheet as current or non-current based on the expected termination date of the underlying debt or letters of credit. The new credit facility replaces a $1.1 billion credit line entered into in July 2002 that was comprised of a

$700 million secured revolving credit facility and a $400 million secured letter of credit facility. The previous agreements were secured by substantially all of the company's Midstream Gas & Liquids assets. The new agreement releases these assets as collateral. The interest rate on the new agreement is variable at the London InterBank Offered Rate (LIBOR) plus .75 percent. At June 30, 2003, letters of credit totaling $387 million have been issued by the participating financial institutions under this facility and no revolving credit loans were outstanding. At June 30, 2003, the amount of restricted investments securing this facility was $461.1 million, which collateralized the facility at 119.25 percent.

ISSUANCES AND RETIREMENTS

On May 28, 2003, Williams issued $300 million of 5.5 percent junior subordinated convertible debentures due 2033. These notes, which are callable by the Company after seven years, are convertible at the option of the holder into Williams common stock at a conversion price of approximately $10.89 per share. The proceeds were used to redeem all of the outstanding 9 7/8 percent cumulative-convertible preferred shares (see Note 12).

On May 30, 2003, Williams entered into a $500 million secured, subsidiary-level note due May 30, 2007, at a floating interest rate of six-month LIBOR plus 3.75 percent (totaling 4.9 percent at June 30, 2003). This loan refinances a portion of the RMT note discussed above. Williams' Exploration & Production interests in the U.S. Rocky Mountains had secured the RMT note payable and will now serve as security on the new loan. Significant covenants on the borrowers, RMT and Williams Production Holdings LLC (Holdings) (parent of RMT), include: (i) an interest coverage ratio computed on a consolidated RMT basis of greater than 3 to 1, (ii) a ratio of the present value of future cash flows of proved reserves, discounted at ten percent, based on the most recent engineering report to total senior secured debt, computed on a consolidated RMT basis, of greater than 1.75 to 1, (iii) a limitation on restricted payments and (iv) a limitation on intercompany indebtedness.

On June 10, 2003, Williams issued $800 million of 8.625 percent senior unsecured notes due 2010. The notes were issued under the company's $3 billion shelf registration statement. Significant covenants include: i) limitation on certain payments, including a limitation on the payment of quarterly dividends to no greater than $.02 per common share, ii) limitation on additional indebtedness and issuance of preferred stock unless the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters is at least 2.0 to 1, determined on a proforma basis; iii) limitation on asset sales, unless the consideration is at least equal to fair market value and at least 75 percent of the consideration received is in the form of cash or cash equivalents; iv) a limitation on the use of proceeds from permitted asset sales; and v) a limitation on transactions with affiliates. These restrictions may be lifted if certain conditions, including Williams attaining an investment grade rating from both Moody's Investor's Services and Standard & Poor's, are met.

A summary of significant long-term debt, including capital leases, issuances and retirements, as well as the items listed above, for the six months ended June 30, 2003, are as follows:

Principal Issue/Terms	Due Date	Amount
		(Millions)
Issuances of long-term debt in 2003:		
8.125% senior notes (Northwest Pipeline)	2010	$ 175.0
RMT Term B loan (Exploration & Production)	2007	$ 500.0
5.5% junior subordinated convertible debentures	2033	$ 300.0
8.625% senior unsecured notes	2010	$ 800.0
Retirements/prepayments of long-term debt in 2003:		
Preferred interests	2003-2006	$ 302.5
Various capital leases	2005	$ 139.8
Various notes, 6.65% - 9.45%	2003	$ 28.6
Various notes, adjustable rate	2003-2004	$ 448.2

11. 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 $11 million for potential refund as of June 30, 2003.

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 2002, the FERC issued an order which provided that, for the period between October 2, 2000 and December 31, 2002, the FERC may order refunds from Williams and other similarly situated companies if the FERC finds that the wholesale markets in California were unable to produce competitive, just and reasonable prices or that market power or other individual seller conduct was exercised to produce an unjust and unreasonable rate. The judge issued his findings in the refund case on December 12, 2002. Under these findings, Williams' refund obligation to the California Independent System Operator (ISO) is $192 million, excluding emissions costs and interest. The judge found that Williams' refund obligation to the California Power Exchange (PX) is $21.5 million, excluding interest. However, the judge found that the ISO owes Williams $246.8 million, excluding interest, and that the PX owes Williams $31.7 million, excluding interest, and $2.9 million in charge backs. The judge's findings do not include the $18 million in emissions costs that the judge found Williams is entitled to use as an offset to the refund liability, and the judge's refund amounts are not based on final mitigated market clearing prices. On March 26, 2003, the FERC acted to largely adopt the judge's order with a change to the gas methodology used to set the clearing price. As a result, Energy Marketing & Trading recorded, in the first quarter of 2003, a charge for refund obligations of $37 million and recorded interest income related to amounts due from the counterparties of $33 million. Pursuant to an order from the 9th Circuit, FERC permitted the California parties to conduct additional discovery into market manipulation by sellers in the California markets. The California parties sought this discovery in order to potentially expand the scope of the refunds. On March 3, 2003, the California parties submitted evidence from this discovery on market manipulation. Williams and other sellers submitted comments to the additional evidence on March 20, 2003. The FERC is considering this evidence and is expected to issue further guidance later this year.

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 was in effect from June 20, 2001 through September 30, 2002, established a market clearing price for spot sales in all hours of the day that was based on the bid of the highest-cost gas-fired California generating unit that was needed to serve the ISO's load. When generation operating reserves fell below seven percent in California (a "reserve deficiency period"), absent cost-based justification for a higher price, the maximum price that Williams could charge for wholesale spot sales in the WSCC was the market clearing price. When generation operating reserves rose to seven percent or above in California, absent cost-based justification for a higher price, Williams' maximum price was 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. 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 order 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 would 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 expired September 30, 2002, but the cap was later extended by FERC to October 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) a requirement that the ISO 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 FERC reaffirmed these elements in an order issued October 9, 2002, with the following clarification: (a) generators may bid above the ISO cap, but their bids cannot set the market clearing price and they will be subject to justification and refund, (b) if the market clearing price is projected to be above $91.87 per MWh in any zone, automatic mitigation will be triggered in all zones, (c) the 10 percent creditworthiness adder will be removed effective October 31, 2002. On January 17, 2003, FERC clarified that bids below $91.87 per MWh are not entitled to a safe harbor from mitigation, and where a seller is subject to the must-offer obligation but fails to submit a bid, the ISO may impose a proxy bid. On October 31, 2002, FERC found that the ISO has not explained how it will treat generators that are running at minimum load and dispatched for instructed energy. On December 2, 2002, the ISO proposed to pay for energy at minimum load the uninstructed energy price even when a unit is dispatched for instructed energy. Williams protested on January 2, 2003, arguing that the ISO's proposal fails to keep sellers whole.

In a separate but related proceeding, 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.

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 California Electricity Oversight Board (CEOB) 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. The settlement discussions noted above resulted in Williams entering into a settlement agreement with the State of California and other non-Federal parties that includes renegotiated long-term energy contracts. These contracts are made up of block energy sales, dispatchable products and a gas contract. The original contract contained only block energy sales. The settlement does not extend to criminal matters or matters of willful fraud, but will resolve civil 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 is intended to resolve ongoing investigations by the States of California, Oregon and Washington. The settlement was reduced to writing and executed on November 11, 2002. The settlement closed on December 31, 2002, after FERC issued an order granting Williams' motion for partial dismissal from the refund proceedings. The dismissal affects Williams' refund obligations to the settling parties, but not to other parties, such as investor-owned utilities. Pursuant to the settlement, the CPUC and CEOB filed a motion on January 13, 2003 to withdraw their complaints against Williams regarding the original block energy sales contract. On June 26, 2003, the FERC granted the CPUC and CEOB joint motion to withdraw their respective complaints against Williams. Private class action and other civil plaintiffs also executed the settlement. Various court filings and approvals are necessary to make the settlement effective as to plaintiffs and to terminate the class actions as to Williams. As of June 30, 2003, pursuant to the terms of the settlement, Williams has transferred ownership of six LM6000 gas powered electric turbines, has made one payment of $42 million to the California Attorney General, and has funded a $15 million fee and expense fund associated with civil actions that are subject to the settlement. An additional $105 million remains to be paid to the California Attorney General (or his designee) over the next seven years, with the final payment of $15 million due on January 1, 2010.

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. The FERC set a refund effective date of July 1, 2002. The hearing was conducted December 13 through December 20, 2002, at FERC. The judge issued an initial decision on February 27, 2003 dismissing the complaints. This decision was appealed to the FERC and FERC affirmed the Administrative Law Judge (ALJ).

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 have been investigated by a California Grand Jury, and the investigation has been closed without the Grand Jury taking any action. As a result of federal court orders, FERC released the data it obtained from Williams that gave rise to the show cause order.

On December 11, 2002, the FERC staff informed Transcontinental Gas Pipe Line Corporation (Transco) of a number of issues the FERC staff identified during the course of a formal, nonpublic investigation into the relationship between Transco and its marketing affiliate, Energy Marketing & Trading. The FERC staff asserted that Energy Marketing & Trading personnel had access to Transco data bases and other information, and that Transco had failed to accurately post certain information on its electronic bulletin board. Williams, Transco and Energy Marketing & Trading did not agree with all of the FERC staff's allegations and furthermore believe that Energy Marketing & Trading did not profit from the alleged activities. Nevertheless, in order to avoid protracted litigation, on March 13, 2003, Williams, Transco and Energy Marketing & Trading executed a settlement of this matter with the FERC staff. An Order approving the settlement was issued by the FERC on March 17, 2003. No requests for rehearing of the March 17, 2003 order were filed; therefore, the order became final on April 16, 2003. Pursuant to the terms of the settlement agreement, Transco will pay a civil penalty in the amount of $20 million, beginning with a payment of $4 million within thirty (30) days of the date the FERC Order approving the settlement becomes final. The first payment was made on May 16, 2003, and the subsequent $4 million payments are due on or before the first, second, third and fourth anniversaries of the first payment. Transco recorded a charge to income and established a liability of $17 million in 2002 on a discounted basis to reflect the future payments to be made over the next four years. In addition, Transco has provided notice to its merchant sales service customers that it will be terminating such services when it is able to do so under the terms of any applicable contracts and FERC certificates authorizing such services. Most of these sales are made through a Firm Sales (FS) program, and under this program Transco must provide two-year advance notice of termination. Therefore, Transco notified the FS customers of its intention to terminate the FS service effective April 1, 2005. As part of the settlement, Energy Marketing & Trading has agreed, subject to certain exceptions, that it will not enter into new transportation agreements that would increase the transportation capacity it holds on certain affiliated interstate gas pipelines, including Transco. Finally, Transco and certain affiliates have agreed to the terms of a compliance plan designed to ensure future compliance with the provisions of the settlement agreement and the FERC's rules governing the relationship of Transco and Energy Marketing & Trading.

On August 1, 2002, the FERC issued a Notice of Proposed Rulemaking (NOPR) that proposed restrictions on various types of cash management programs employed by companies in the energy industry, such as 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 have precluded 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 maintains stockholders equity of at least 30 percent of total capitalization. Williams' and its regulated gas pipelines' current credit ratings are not investment grade. Williams participated in comments in this proceeding on August 28, 2002, by the Interstate Natural Gas Association of America. On September 25, 2002, the FERC convened a technical conference to discuss the issues raised in the comments filed by parties in this proceeding. On June 26, 2003, the FERC issued an Interim Rule (Order No. 634), which requires FERC-regulated entities to have their cash management programs in writing and to have all such programs specify (i) the duties and responsibilities of administrators and participants, (ii) the methods for calculating interest and for allocating interest and expenses, and (iii) restrictions on borrowing from the programs. The Interim Rule was effective on August 7, 2003. The Interim Rule also seeks industry comment on new reporting requirements that would require FERC-regulated entities to file their cash management programs with the FERC and to notify the FERC when their proprietary capital ratio drops below 30 percent of total capitalization and when it

subsequently returns to or exceeds 30 percent. This Interim Rule replaces the earlier NOPR on cash management described above.

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 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 Williams 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) and the U.S. Department of Justice (DOJ) are conducting an investigation regarding gas and power trading and have requested information from Williams in connection with this investigation.

Williams disclosed on October 25, 2002, that certain of its gas traders had reported inaccurate information to a trade publication that published gas price indices. On November 8, 2002, Williams received a subpoena from a federal grand jury in Northern California seeking documents related to Williams' involvement in California markets, including its reporting to trade publications for both gas and power transactions. Williams is in the process of completing its response to the subpoena. The DOJ's investigation into this matter is continuing. On July 29, 2003, Williams reached a settlement with the CFTC where in exchange for $20 million, the CFTC closed its investigation and Williams did not admit or deny allegations that it had engaged in false reporting or attempted manipulation.

On March 26, 2003, FERC issued an order addressing Enron trading practices, the allegation of cornering the gas market, and the gas price index issue. The March 26, 2003 order cleared Williams on the issue of cornering the market and contemplated or established further proceedings on the other two as to Williams and numerous other market participants. These proceedings resulted in a show cause order to Williams and others regarding specific practices alleged by an ISO report that various companies engaged in.

On May 31, 2002, Williams received a request from the Securities and Exchange Commission (SEC) to voluntarily produce documents and information regarding "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 has responded to the SEC's requests.

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.

On December 3, 2002, an administrative law judge at the FERC issued an initial decision in Transco's general rate case which, among other things, rejects the recovery of the costs of Transco's Mobile Bay expansion project from its shippers on a "rolled-in" basis and finds that incremental pricing for the Mobile Bay expansion project is just and reasonable. The initial decision does not address the issue of the effective date for the change to incremental pricing, although Transco's rates reflecting recovery of the Mobile Bay expansion project costs on a "rolled-in" basis have been in effect since September 1, 2001. The administrative law judge's initial decision is subject to review by the FERC. Energy Marketing & Trading holds long-term transportation capacity on the Mobile Bay expansion project. If the FERC adopts the decision of

the administrative law judge on the pricing of the Mobile Bay expansion project and also requires that the decision be implemented effective September 1, 2001, Energy Marketing & Trading could be subject to surcharges of approximately $32 million, excluding interest, through June 30, 2003, in addition to increased costs going forward.

ENVIRONMENTAL MATTERS

Continuing operations

Since 1989, Transco has had studies under way to test certain of its facilities for the presence of toxic and hazardous substances to determine to what extent, if any, remediation may be necessary. Transco has responded to data requests regarding such potential contamination of certain of its sites. The costs of any such remediation will depend upon the scope of the remediation. At June 30, 2003, Transco had accrued liabilities totaling approximately $30 million for these costs.

Transco has identified polychlorinated biphenyl contamination (PCB) in air compressor systems, soils and related properties at certain compressor station sites. Transco has also been involved in negotiations with the U.S. Environmental Protection Agency (EPA) and state agencies to develop screening, sampling and cleanup programs. In addition, Transco commenced negotiations with certain environmental authorities and other programs concerning investigative and remedial actions relative to potential mercury contamination at certain gas metering sites. Transco had accrued liabilities for these costs which are included in the $30 million liability mentioned above.

Williams and its subsidiaries also accrue environmental remediation costs for its natural gas gathering and processing facilities primarily related to soil and groundwater contamination. At June 30, 2003, Williams and its subsidiaries had accrued liabilities totaling approximately $10 million for these costs.

Actual costs incurred for these matters 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.

Former operations, including operations classified as discontinued

In connection with the sale of certain assets and businesses, Williams has retained responsibility through indemnification of the purchasers for environmental liabilities existing at the time the sale was consummated, including former fertilizer operations, propane marketing operations, retail petroleum and refining operations, petroleum products pipelines and related facilities, exploration and production operations and mining operations.

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, 2003, Williams had approximately $9 million accrued for such excess costs.

At June 30, 2003, Williams had accrued environmental liabilities totaling approximately $15 million related to its (1) Alaska refining, retail and pipeline operations currently classified as held for sale, (2) potential indemnification obligations to purchasers of its former retail petroleum and refining operations, and (3) former propane marketing operations, petroleum products and natural gas pipelines, a discontinued petroleum refining facility and exploration and production and mining operations. These costs include (1) certain conditions at specified locations related primarily to soil and groundwater contamination and (2) any penalty assessed on Williams Refining & Marketing, LLC (Williams Refining) associated with noncompliance with EPA's benzene waste "NESHAP" regulations. In 2002, Williams Refining submitted to the EPA a self-disclosure letter indicating noncompliance with those regulations. This unintentional noncompliance had occurred due to a regulatory interpretation that resulted in under-counting the total annual benzene level at Williams Refining's Memphis refinery. Also in 2002, the EPA conducted an all-media audit of the Memphis refinery. The EPA anticipates releasing a report of its audit findings in 2003. The EPA will likely assess a penalty on Williams Refining due to the benzene waste NESHAP issue, but the amount of any such penalty is not known. In connection with the sale of the Memphis refinery in March 2003, Williams indemnified the purchaser for any such penalty.

As part of its June 17, 2003 sale of Williams Energy Partners (see Note 6), Williams indemnified the purchaser for (1) environmental cleanup costs resulting from certain conditions, primarily soil and groundwater contamination, at specified locations, to the extent such costs exceed a specified amount and (2) currently unidentified environmental contamination relating to operations prior to April of 2002 and identified prior to April of 2008. No amounts have been accrued by Williams for such costs as of June 30, 2003; however, Williams deferred approximately $113 million of the gain on the sale associated with Williams' indemnifications, including environmental indemnifications, of the purchaser under the sales agreement.

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 from July 1, 1998 through July 2, 2001. In November 2001, Williams furnished its response.

Certain Williams' subsidiaries have been identified as potentially responsible parties (PRP) at various Superfund and state waste disposal sites. In addition, these subsidiaries have incurred, or are alleged to have incurred, various other hazardous materials removal or remediation obligations under environmental laws. 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.

Actual costs incurred for these matters 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.

OTHER LEGAL MATTERS

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

As a result of these settlements, Transco has been sued by certain producers seeking indemnification from Transco. Transco is currently defending two lawsuits in which producers have asserted damages, including interest calculated through June 30, 2003, of approximately $18 million. In one of these cases, at the conclusion of a trial on July 11, 2003, the judge ruled from the bench in Transco's favor. It is expected that the judge will enter a formal judgment reflecting his bench ruling in the near future. This case accounts for approximately $10 million of the $18 million claimed in the two cases.

On June 8, 2001, fourteen Williams entities were named as defendants in a nationwide class action lawsuit which had been pending against other defendants, generally pipeline and gathering companies, for more than one year. The plaintiffs allege that the defendants, including 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 January 2002, most of the Williams defendants, along with a group of Coordinating Defendants, filed a motion to dismiss for lack of personal jurisdiction and other grounds. On August 19, 2002, the defendants' motion to dismiss on nonjurisdictional grounds was denied. On September 17, 2002, the plaintiffs filed a motion for class certification. The Williams entities joined with other defendants in contesting certification of the class. On April 10, 2003, the court denied the plaintiffs' motion for class certification. The motion to dismiss for lack of personal jurisdiction remains pending. On May 13, 2003, plaintiffs filed a motion for leave to file a fourth amended petition and on July 29, 2003, the court granted the motion. The amended petition deletes all but two of the Williams defendants.

In 1998, the 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 sales of Kern River and Texas Gas, the Company agreed to indemnify the purchasers for any liability relating to this claim, including legal fees. The maximum amount of future payments that Williams could potentially be required to pay under these indemnifications depends upon the ultimate resolution of the claim and cannot currently be determined. No amounts have been accrued for these indemnifications. Grynberg has also filed claims against approximately 300 other energy companies and alleged that the defendants violated the False Claims Act in connection with the measurement, royalty valuation and purchase of hydrocarbons. The relief sought was 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. On October 9, 2002, the court granted a motion to dismiss Grynberg's royalty valuation claims. Grynberg's measurement claims remain pending against Williams and the other defendants.

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. On October 7, 2002, the Williams defendants filed a motion to stay the proceedings in this case based on the pendency of the False Claims Act litigation discussed in the preceding paragraph.

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 WilTel Communications Group, Inc. (WilTel) installed fiber-optic cable without the permission of the landowners. Williams and its subsidiaries have been dismissed from all of the cases.

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 administratively consolidated in San Diego County Superior Court. As part of a comprehensive settlement with the State of California and other parties, Williams and the lead plaintiffs in these suits have resolved the claims. While the settlement is final as to the State of California, the San Diego Superior Court must still approve it as to the plaintiff ratepayers.

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 Williams 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 administratively consolidated with the other class actions in San Diego Superior Court. As part of a comprehensive settlement with the State of California and other parties, Williams and the lead plaintiffs in these suits have resolved the claims. While the settlement is final as to the State of California, the San Diego Superior Court must still approve it as to the plaintiffs in this suit.

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. Private plaintiffs have also brought five similar cases 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. In January 2003, the federal district court granted the plaintiffs' motion to remand the case to San Diego Superior Court, but on February 20, 2003, the United States Court of Appeals for the Ninth Circuit, on its own motion, stayed the remand order pending its review of an appeal of the remand order by certain defendants. As part of a comprehensive settlement with the State of California and other parties, Williams and the lead plaintiffs in these suits have resolved the claims. While the settlement is final as to the State of California, once the jurisdictional issue is resolved, either the San Diego Superior Court or the United States District Court for the Southern District of California must still approve the settlement as to the plaintiff ratepayers and taxpayers.

Numerous shareholder class action suits have been filed against Williams in the United States District Court for the Northern District of Oklahoma. The majority of the suits allege that Williams and co-defendants, WilTel 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 Williams' board of directors and all of the offerings' underwriters. These cases have all been consolidated and an order has been issued requiring separate amended consolidated complaints by Williams and WilTel equity holders. The amended

complaint of the WilTel securities holders was filed on September 27, 2002, and the amended complaint of the WMB securities holders was filed on October 7, 2002. This amendment added numerous claims related to Energy Marketing & Trading. In addition, four class action complaints have been filed against Williams, the members of its board of directors and members of Williams' Benefits and Investment Committees under the Employee Retirement Income Security Act (ERISA) by participants in Williams' 401(k) plan. A motion to consolidate these suits has been approved. Williams and other defendants have filed motions to dismiss each of these suits. Oral arguments on the motions were held in April 2003. On July 14, 2003, the Court dismissed Williams and its Board, but not the members of the Benefits and Investment Committees. A decision in the shareholder suits is pending. 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.

On April 26, 2002, the Oklahoma Department of Securities issued an order initiating an investigation of Williams and WilTel regarding issues associated with the spin-off of WilTel and regarding the WilTel 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 Gulf Coast Gathering Company (WGCGC), Williams Field Services Company (WFS) and Transco, alleging concerted actions by the affiliates frustrating the FERC's regulation of Transco. The alleged actions are related to offers of gathering service by WFS and its subsidiaries on the recently spundown and deregulated North Padre Island offshore gathering system. On September 5, 2002, the FERC issued an order reasserting jurisdiction over that portion of the North Padre Island facilities previously transferred to WFS. The FERC also determined an unbundled gathering rate for service on these facilities which is to be collected by Transco. Transco, WGP, WGCGC and WFS believe their actions were reasonable and lawful and sought rehearing of the FERC's order which was denied by the FERC on May 15, 2003. Transco, WGP, WGCGC and WFS have each filed petitions for review of the FERC's orders with the U.S. Court of Appeals for the District of Columbia. They also filed a joint motion to consolidate their appeals.

On October 23, 2002, Western Gas Resources, Inc. and its subsidiary, Lance Oil and Gas Company, Inc., filed suit against Williams Production RMT Company in District Court for Sheridan, Wyoming, claiming that the merger of Barrett Resources Corporation and Williams triggered a preferential right to purchase a portion of the coal bed methane development properties owned by Barrett in the Powder River Basin of northeastern Wyoming. In addition, Western claims that the merger triggered certain rights of Western to replace Barrett as operator of those properties. Mediation efforts are continuing and a trial date has been set for July 2004. The Company believes that the claims have no merit.

Williams Alaska Petroleum, Inc. (WAPI) is actively engaged in administrative litigation being conducted jointly by the FERC and the Regulatory Commission of Alaska concerning the Trans-Alaska Pipeline System (TAPS) Quality Bank. Primary issues being litigated include the appropriate valuation of the naphtha, heavy distillate, vacuum gas oil and residual product cuts within the TAPS Quality Bank as well as the appropriate retroactive effects of the determinations. WAPI's interest in these proceedings is material as the matter involves claims by crude producers and the State of Alaska for retroactive payments plus interest from WAPI in the range of $150 million to $200 million aggregate. Because of the complexity of the issues involved, however, the outcome cannot be predicted with certainty nor can the likely result be quantified.

Energy Marketing & Trading has paid and received various settlement amounts in conjunction with the liquidation of trading positions during 2002 and the first six months of 2003. One counterparty, American Electric Power Company, Inc. (AEP), disputed a settlement amount related to the liquidation of a trading position with Energy Marketing & Trading that was initially calculated to be in excess of $100 million payable to Energy Marketing & Trading. Arbitration was initiated to resolve this dispute. On June 5, 2003, Energy Marketing & Trading and AEP executed a settlement agreement resolving the dispute, pursuant to which AEP paid Energy Marketing & Trading $90 million. AEP is a related party as a result of a director who serves on both Williams' and AEP's board of directors.

Pursuant to various purchase and sale agreements relating to divested businesses and assets, Williams has indemnified certain purchasers against liabilities that they may incur with respect to the businesses and assets acquired from Williams. The indemnities provided to the purchasers are customary in sale transactions and are contingent upon the purchasers incurring liabilities that are not otherwise recoverable from third parties. The indemnities generally relate to breach of warranties, tax, historic litigation, personal injury, environmental matters, right of way and other representations provided by Williams. At June 30, 2003, Williams does not expect any of the indemnities provided pursuant to the sales agreements to have a material impact on Williams' future financial position. However, if a claim for indemnity is brought against Williams in the future, it may have a material adverse effect on the net income of the period in which the claim is made.

In addition to the foregoing, various other proceedings are pending against

Williams or its subsidiaries which are incidental to their operations.

SUMMARY

Litigation, arbitration, regulatory matters and environmental matters are subject to inherent uncertainties. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the net income of the period in which the ruling occurs. Management, including internal counsel, currently believes that the ultimate resolution of the foregoing matters, taken as a whole and after consideration of amounts accrued, insurance coverage, recovery from customers or other indemnification arrangements, will not have a materially adverse effect upon Williams' future financial position.

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 currently in operation throughout the continental United States. At June 30, 2003, Energy Marketing & Trading's estimated committed payments under these contracts are $206 million for the remainder of 2003, range from approximately $391 million to $421 million annually through 2017 and decline over the remaining five years to $57 million in 2022. Total committed payments under these contracts over the next 20 years are approximately $7 billion.

GUARANTEES

In 2001, Williams sold its investment in Ferrellgas Partners L.P. senior common units (Ferrellgas units). As part of the sale, Williams became party to a put agreement whereby the purchaser's lenders can unilaterally require Williams to repurchase the units upon nonpayment by the purchaser of its term loan due to its lender or failure or default by Williams under any of its debt obligations greater than $60 million. The maximum potential obligation under the put agreement at June 30, 2003, was $51.5 million. Williams' contingent obligation decreases as purchaser's payments are made to the lender. Collateral and other recourse provisions include the outstanding Ferrellgas units and a guarantee from Ferrellgas Partners L.P. to cover any shortfall from the sale of the Ferrellgas units at less than face value. The proceeds from the liquidation of the Ferrellgas units combined with the Ferrellgas Partners' guarantee should be sufficient to cover any required payment by Williams. The put agreement expires December 30, 2005. There have been no events of default and the purchaser has performed as required under payment terms with the lender. No amounts have been accrued for this contingent obligation as management believes it is not probable that Williams would be required to perform under this obligation.

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

In connection with the 1987 sale of certain real estate assets associated with its Tulsa headquarters, Williams guaranteed 70 percent of the principal and interest payments through 2007 on revenue bonds issued by the purchaser to finance those assets. In the event that future operating results from these assets are not sufficient to make the principal and interest payments, Williams is required to fund that short-fall. The maximum potential future payments under this guarantee are $6.8 million, all of which is accrued at June 30, 2003. On July 14, 2003, Williams deposited its 70 percent share ($6.8 million) with the trustee, satisfying its entire remaining obligation.

In connection with the construction of a joint venture pipeline project, Williams guaranteed, through a put agreement, certain portions of the joint venture's project financing in the event of nonpayment by the joint venture. Williams' maximum potential liability under this guarantee, based on the outstanding project financing at June 30, 2003, is $29.3 million. As additional borrowings are made under the project financing facility, Williams' maximum potential exposure will increase. This guarantee expires in March 2005, and no amounts have been accrued at June 30, 2003.

Discovery Pipeline (Discovery) is a joint venture gas gathering and processing system. Williams has provided a guarantee in the event of nonperformance on 50 percent of Discovery's debt obligations, or approximately $126.9 million at June 30, 2003. Performance under the guarantee generally would occur upon a failure of payment by the financed entity or certain events of default related to the guarantor. These events of default primarily relate to bankruptcy and/or insolvency of the guarantor. The guarantee expires upon the maturity of the debt obligation at the end of 2003, and no amounts have been accrued as of June 30, 2003.

Williams has provided performance guarantees in the event of nonpayment by WilTel on certain lease performance obligations of WilTel that extend through 2042 and have a maximum potential exposure of approximately $52 million. Williams' exposure declines systematically throughout the remaining term of WilTel's obligations. At June 30, 2003, Williams has an accrued liability of $46.9 million for this guarantee.

Williams has provided guarantees on behalf of certain partnerships in which Williams has an equity ownership interest. These generally guarantee operating performance measures and the maximum potential future exposure cannot be determined. These guarantees continue until Williams withdraws from the partnerships. No amounts have been accrued at June 30, 2003.

Williams remains guarantor under certain performance guarantees for an entity sold earlier in 2003. These guarantees are expected to expire or be terminated during 2003. The maximum potential future payments under these guarantees total $144 million. No amounts have been accrued for these contingent obligations, as management believes it is highly unlikely that Williams will be required to perform under these agreements.

12. Stockholders' equity

On June 10, 2003, Williams redeemed all of the outstanding 9 7/8 percent cumulative-convertible preferred shares for approximately $289 million, plus $5.3 million for accrued dividends. These shares were repurchased with proceeds from a private placement of 5.5 percent junior subordinated convertible debentures due 2033 (see Note 10).

Notes (Continued)

13. Comprehensive income (loss)

Comprehensive income (loss) is as follows:

	Three months ended June 30,		Six months ended June 30,	
	(Millions)			
	2003	2002	2003	2002
Net income (loss)	$ 269.7	$ (349.1)	$ (544.8)	$ (241.4)
Other comprehensive loss:				
Unrealized gains (losses) on securities	4.4	(.3)	.2	.8
Unrealized gains (losses) on derivative instruments	(266.1)	12.4	(450.2)	(188.9)
Net reclassification into earnings of derivative instrument (gains) losses	8.5	(46.5)	23.8	(200.8)
Foreign currency translation adjustments	28.9	21.1	53.6	19.7
Minimum pension liability adjustment	1.6	--	1.6	--
Other comprehensive loss before taxes and minority interest	(222.7)	(13.3)	(371.0)	(369.2)
Income tax benefit on other comprehensive loss	96.2	13.0	162.4	148.0
Other comprehensive loss	(126.5)	(.3)	(208.6)	(221.2)
Comprehensive income (loss)	$ 143.2	$ (349.4)	$ (753.4)	$ (462.6)

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

Three months ended June 30,		Six months ended June 30,	
(Millions)			
2003	2002	2003	2002
Unrealized gains (losses) on derivative instruments	$ -	$ -	$ 2.0	$ (.4)
Net reclassification into earnings of derivative instruments (gains) losses	1.1	(.2)	1.7	(1.8)
Minimum pension liability adjustment	2.0	--	2.0	--
Other comprehensive income (loss) before taxes related to discontinued operations	$ 3.1	$ 1.8	$ 3.3	$ (2.5)

14. Segment disclosures

Segments

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. The Petroleum Services segment is now reported within Other as a result of the Alaska refinery and related assets being reflected as discontinued operations. Segment amounts have been restated to reflect this change. Other primarily consists of corporate operations, and certain continuing operations previously reported within the International and Petroleum Services segments.

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 including gains/losses on impairments related to investments accounted for under the equity method. Intersegment sales are generally accounted for as if the sales were to unaffiliated third parties, that is, at current market prices.

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 within the following tables. The results of interest rate swaps with external counterparties are shown as interest rate swap loss in the Consolidated Statement of Operations below operating income (loss).

The majority of energy commodity hedging by certain Williams' 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 third parties.

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).

Notes (Continued)

14. Segment disclosures (continued)

(MILLIONS)	Energy Marketing & Trading	Exploration & Production	Midstream Gas & Pipeline	Gas & Liquids	Other	Eliminations	Total
THREE MONTHS ENDED JUNE 30, 2003							
Segment revenues:							
External	$ 2,732.5	$ 301.8	$ (5.8)	$ 723.8	$ 11.5	$ --	$ 3,763.8
Internal	191.0	10.2	206.0	14.0	8.6	(429.8)	--
Total segment revenues	2,923.5	312.0	200.2	737.8	20.1	(429.8)	3,763.8
Less intercompany interest rate swap gain (loss)	(16.7)	--	--	--	--	16.7	--
Total revenues	$ 2,940.2	$ 312.0	$ 200.2	$ 737.8	$ 20.1	$ (446.5)	$ 3,763.8

Segment profit (loss)	$ 348.0	$ 113.9	$ 178.7	$ 52.4	$ (51.7)	$ --	$ 641.3
Less: Equity earnings (loss)	--	2.0	2.5	(2.8)	(.8)	--	.9
Income (loss) from investments	--	.1	--	(3.7)	(42.5)	--	(46.1)
Intercompany interest rate swap gain (loss)	(16.7)	--	--	--	--	--	(16.7)
Segment operating income (loss)	$ 364.7	$ 111.8	$ 176.2	$ 58.9	$ (8.4)	$ --	703.2
General corporate expenses							(21.8)
Consolidated operating income (loss)							$ 681.4
THREE MONTHS ENDED JUNE 30, 2002							
Segment revenues:							
External	$ 16.9	$ 275.2	$ 24.3	$ 421.7	$ 9.0	$ --	$ 747.1
Internal	(295.5)*	15.3	196.7	16.3	17.0	50.2	--
Total							

segment revenues (278.6) 290.5 221.0 438.0 26.0 50.2 747.1

Less intercompany interest rate swap gain (loss) (83.0) -- -- -- -- 83.0 --

Total revenues $ (195.6) $ 290.5 $ 221.0 $ 438.0 $ 26.0 $ (32.8) $ 747.1

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Segment profit (loss) $ (497.5) $ 141.1 $ 92.4 $ 51.7 $ (3.7) $ -- $ (216.0)

Less: Equity earnings (loss) -- 51.7 1.0 3.6 (2.7) -- 53.6

Income (loss) from investments -- (12.3) -- -- -- -- (12.3)

Intercompany interest rate swap gain (loss) (83.0) -- -- -- -- (83.0)

Segment operating income (loss) $ (414.5) $ 101.7 $ 91.4 $ 48.1 $ (1.0) $ -- $ (174.3)

General corporate expenses

(34.1)	----

Consolidated operating income (loss)	$ (208.4)
	==========

* Prior to January 1, 2003, Energy Marketing & Trading intercompany cost of sales, which were netted in revenues consistent with fair-value accounting, exceeded intercompany revenue. Beginning January 1, 2003, Energy Marketing & Trading intercompany cost of sales are no longer netted in revenues due to adoption of EITF Issue No. 02-3 (see Note 3).

14. Segment disclosures (continued)

(MILLIONS)	Energy Marketing & Trading	Exploration & Production	Midstream Gas & Pipeline	Gas & Liquids	Other	Eliminations	Total
SIX MONTHS ENDED JUNE 30, 2003							
Segment revenues:							
External	$ 6,245.0	$ 618.3	$ (12.9)	$ 1,837.0	$ 26.1	$ --	$ 8,713.5
Internal	454.1	17.0	457.0	31.5	22.0	(981.6)	--
Total segment revenues	6,699.1	635.3	444.1	1,868.5	48.1	(981.6)	8,713.5
Less intercompany interest rate swap gain (loss)	(22.6)	--	--	--	--	22.6	--
Total revenues	$ 6,721.7	$ 635.3	$ 444.1	$ 1,868.5	$ 48.1	$ (1,004.2)	$ 8,713.5

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Segment profit (loss) $ 211.6 $ 265.1 $ 292.5 $ 169.7 $ (46.9) $ -- $ 892.0
Less: Equity earnings (loss) -- 3.8 4.6 (6.0) 3.0 -- - 5.4
Income (loss) from investments -- .1 -- (3.7) (42.5) -- (46.1)
Intercompany interest rate swap gain (loss) (22.6) -- -- - -- -- -- (22.6)
---- ---- ---- ---- ---- ---- ---- ----
Segment operating income (loss) $ 234.2 $ 261.2 $ 287.9 $ 179.4 $ (7.4) $ -- $ 955.3
--- --- --- --- --- --- --- ---
General corporate expenses (44.7)
---- ----
Consolidated operating income (loss) $ 910.6
==========
SIX MONTHS ENDED JUNE 30, 2002
Segment revenues:
External $ 581.8 $ 565.2 $ 41.9 $ 808.0 $ 22.1 $ -- $ 2,019.0
Internal (505.4)* 30.3 400.9 30.0 30.6 13.6 -- ---
--- --- --- --- --- --- --- ---

Total segment revenues	76.4	595.5	442.8	838.0	52.7	13.6	2,019.0		
Less intercompany interest rate swap gain (loss)	(68.9)	--	--	--	--	--	68.9	--	
Total revenues	$ 145.3	$ 595.5	$ 442.8	$ 838.0	$ 52.7	$ (55.3)	$ 2,019.0		
Segment profit (loss)	$ (214.4)	$ 275.8	$ 198.9	$ 106.0	$ (12.4)	$ --	$ 353.9		
Less: Equity earnings (loss)	(4.0)	71.2	.6	5.2	(12.1)	--	60.9		
Income (loss) from investments	--	(12.3)	--	--	--	--	(12.3)		
Intercompany interest rate swap gain (loss)	(68.9)	--	--	--	--	--	(68.9)		
Segment operating income (loss)	$ (141.5)	$							

216.9	$								
198.3	$								
100.8	$								
(.3)	$	--							
374.2									
General corporate expenses									
(72.3)									
Consolidated operating income (loss)	$								
301.9									

* Prior to January 1, 2003, Energy Marketing & Trading intercompany cost of sales, which were netted in revenues consistent with fair-value accounting, exceeded intercompany revenue. Beginning January 1, 2003, Energy Marketing & Trading intercompany cost of sales are no longer netted in revenues due to adoption of EITF Issue No. 02-3 (see Note 3).

14. Segment disclosures (continued)

Total Assets ---		
(Millions)	June 30, 2003	December 31, 2002 -
- Energy Marketing & Trading	$ 14,271.1	$ 12,532.9
Gas Pipeline	7,177.2	6,892.1
Exploration & Production	5,416.1	5,595.1
Midstream Gas & Liquids	4,975.2	4,855.9
Other	8,688.7	7,664.3
Eliminations	(7,141.1)	(6,636.9)
	33,387.2	30,903.4
Discontinued operations	465.8	4,085.1
Total	$ 33,853.0	$ 34,988.5

15. Recent accounting standards

Effective July 1, 2003, Williams adopted FASB Interpretation No. 46, "Consolidation of Variable Interest Entities." The Interpretation defines a variable interest entity (VIE) as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The investments or other interests that will absorb portions of the VIE's expected losses if they occur or receive portions of the VIE's expected residual returns if they occur are called variable interests. Variable interests may include, but are not limited to, equity interests, debt instruments, beneficial interests, derivative instruments and guarantees. The Interpretation requires an entity to consolidate a VIE if that entity will absorb a majority of the VIE's expected losses if they occur, receive a majority of the VIE's expected residual returns if they occur, or both. If no party will absorb a majority of the expected losses or expected residual returns, no party will consolidate the VIE. The Interpretation also requires disclosure of significant variable interests in unconsolidated VIE's. The Interpretation is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of the Interpretation must be applied for the first interim or annual period beginning after June 15, 2003. The effect of the adoption of the Interpretation is not material to the consolidated financial statements.

16. Subsequent events

In August 2003, Williams announced sales of assets completed subsequent to June 30, 2003, and agreements to sell various assets for cash proceeds in excess of $80 million. These assets include:

- The West Stoddart natural gas processing plant in Western Canada, which is part of Midstream Gas & Liquids,
- Williams' 20 percent ownership interest in the West Texas LPG Pipeline Limited Partnership which transports natural gas liquids in Texas and is part of Midstream Gas & Liquids,
- Distributed-generation units and an associated third-party contract, which is part of Energy Marketing & Trading, and

- Refined products management operations, which are part of the Other segment.

In August 2003, Williams also announced it had agreed to terminate a long-term power contract with Allegheny Energy Supply Company, LLC, a subsidiary of Allegheny Energy, Inc., for cash consideration of $128 million payable to Williams. The agreement is subject to certain conditions, including a provision that Allegheny successfully complete the sale of its energy supply agreement with the California Department of Water Resources. Allegheny has announced an agreement for the sale of that contract.

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

RECENT EVENTS AND COMPANY OUTLOOK

On February 20, 2003, Williams outlined its planned business strategy for the next few years. Williams believes it to be a comprehensive response to the events that have impacted the energy sector and Williams during 2002. The plan focuses on retaining a strong, but smaller, portfolio of natural gas businesses and bolstering Williams' liquidity through additional asset sales, strategic levels of financing at the Williams and subsidiary levels and additional reductions in its operating costs. The plan is designed to provide Williams with a clear strategy to address near-term and medium-term liquidity issues and further de-leverage the company with the objective of returning to investment grade status, while retaining businesses with favorable returns and opportunities for growth in the future.

Williams, at June 30, 2003, has maturing notes payable and long-term debt totaling approximately $1.8 billion through the first quarter of 2004. The maturing notes and long-term debt are expected to be repaid with cash on hand, proceeds from asset sales and cash flows from operations. During second-quarter 2003, Williams repaid the RMT note payable of approximately $1.15 billion (which included certain contractual fees and deferred interest) which was due in July 2003. A portion of the RMT note payable was refinanced by the issuance of $500 million secured, subsidiary-level financing at a floating rate of the six-month London Interbank Offered Rate (LIBOR) plus 3.75 percent (totaling 4.9 percent at June 30, 2003). Also during second-quarter 2003, Williams issued $800 million of 8.625 percent senior unsecured notes due 2010. Williams intends to use the net proceeds from the $800 million offering to improve corporate liquidity, for general corporate purposes, and for payment of maturing debt obligations, including the partial repayment of the company's senior unsecured 9.25 percent notes due March 2004. Additionally, Williams issued $300 million of 5.5 percent junior subordinated convertible debentures due 2033 and utilized the proceeds to redeem all of the outstanding 9 7/8 percent cumulative-convertible preferred stock for approximately $289 million, plus $5.3 million for accrued dividends. The new convertible debentures provide Williams with more favorable terms, which on an annual basis result in approximately $17 million in lower after-tax carrying costs compared with the preferred convertible shares. Williams also obtained a new $800 million revolving credit facility that is collateralized by purchased government securities and/or cash and will be utilized mainly for issuance of letters of credit. This new facility enabled the release of the midstream assets that served as security for the previous credit facilities. Long-term debt, excluding the current portion, at June 30, 2003 was approximately $11.2 billion. See the Liquidity section for a maturity schedule of the long-term debt.

As part of the asset sales portion of the plan, Williams expects to generate proceeds, net of related debt, of nearly $4 billion from asset sales during 2003 and 2004. For the six months ended June 30, 2003, Williams had received approximately $2.4 billion in net proceeds from the sales of assets and businesses, including the retail travel centers, the Midsouth refinery, bio-energy operations, Texas Gas Transmission Corporation, Williams' general partnership interest and limited partner investment in Williams Energy Partners, and certain natural gas exploration and production properties in Kansas, Colorado, and New Mexico. The additional assets and/or businesses expected to be sold in 2003 and 2004 include the Alaska refinery and related assets, certain assets within Midstream Gas & Liquids, the soda ash mining operations and various other assets. The specific assets 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 Williams. While management believes it has considered all relevant information in assessing for potential impairments, the ultimate sales price for assets that may be sold and the final decisions in the future may result in additional impairments or losses and/or gains.

Williams continues its efforts to reduce its commitment to the Energy Marketing & Trading business. As part of these efforts, Energy Marketing & Trading has focused on managing its existing contractual commitments, while pursuing potential dispositions and restructuring of certain of its long-term contracts. For the six month period ended June 30, 2003, Energy Marketing & Trading has sold contracts resulting in cash proceeds of approximately $206 million. Although management currently believes that the Company has the financial resources and liquidity to meet the expected cash requirements of Energy Marketing & Trading, the Company continues to pursue several specific transactions with interested parties involving the sales of portions of Energy Marketing & Trading's portfolio and would consider the sale or joint venture of all of the portfolio.

The Company's available liquidity to meet maturing debt requirements and fund a reduced level of capital expenditures will be dependent on several factors, including available cash on hand, the cash flows of retained businesses, the amount of proceeds raised from the sale of assets previously mentioned, the price of natural gas and capital spending. Future cash flows from operations may also be affected by the timing and nature of the sale of

assets. Because of recent and anticipated asset sales, cash on hand, potential external financings, and available secured credit facilities, Williams currently believes that it has, or has access to, the financial resources and liquidity to meet future cash requirements.

GENERAL

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

- Kern River Gas Transmission (Kern River), previously one of Gas Pipeline's segments
- Central natural gas pipeline, previously one of Gas Pipeline's segments
- Texas Gas Transmission Corporation, previously one of Gas Pipeline's segments
- Natural gas properties in the Hugoton and Raton basins, previously part of the Exploration & Production segment
- Two natural gas liquids pipeline systems, Mid-American Pipeline and Seminole Pipeline, previously part of the Midstream Gas & Liquids segment
- Gulf Liquids New River Project LLC, previously part of the Midstream Gas & Liquids segment
- Refining and marketing operations in the Midsouth, including the Midsouth refinery, part of the previously reported Petroleum Services segment
- Retail travel centers concentrated in the Midsouth, part of the previously reported Petroleum Services segment
- Bio-energy operations, part of the previously reported Petroleum Services segment
- Refining, retail and pipeline operations in Alaska, part of the previously reported Petroleum Services segment
- Williams' general partnership interest and limited partner investment in Williams Energy Partners, previously the Williams Energy Partners segment
- Colorado soda ash mining operations, part of the previously reported International segment

Unless indicated otherwise, the following discussion and analysis of results of operations, financial condition and liquidity relates to the current 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 Williams' Annual Report on Form 10-K.

CRITICAL ACCOUNTING POLICIES & ESTIMATES

As noted in the 2002 Annual Report on Form 10-K, Williams' financial statements reflect the selection and application of accounting policies that require management to make significant estimates and assumptions. One of the critical judgment areas in the application of our accounting policies noted in the Form 10-K is the revenue recognition of energy risk management and trading operations. As a result of the application of the conclusions reached by the Emerging Issues Task Force in Issue No. 02-3, "Issues related to Accounting for Contracts Involved in Energy Trading and Risk Management Activities," the methodology for revenue recognition related to energy risk management and trading activities changed January 1, 2003. Williams initially applied the consensus effective January 1, 2003 and reported the initial application as a cumulative effect of a change in accounting principle. See Note 3 for a discussion of the impacts to Williams' financial statements as a result of applying this consensus.

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 following this consolidated overview discussion.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
	(MILLIONS)			
Revenues	$ 3,763.8	$ 747.1	$ 8,713.5	$ 2,019.0
Costs and expenses:				
Costs and operating expenses	3,169.0	612.1	7,750.6	1,203.3
Selling, general and administrative expenses	116.8	162.6	232.2	294.6
Other (income) expense-net	(225.2)	146.7	(224.6)	146.9
General corporate expenses	21.8	34.1	44.7	72.3
Total costs and expenses	3,082.4	955.5	7,802.9	1,717.1
Operating income (loss)	681.4	(208.4)	910.6	301.9
Interest accrued-net	(394.8)	(247.4)	(735.6)	(446.6)
Interest rate swap loss	(6.1)	(83.2)	(8.9)	(73.0)
Investing income (loss)	(43.1)	38.5	3.2	(178.2)
Minority interest in income and preferred returns of consolidated subsidiaries	(6.0)	(11.5)	(9.5)	(23.5)

Other income-net	14.0	23.8	36.0	18.5
- Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principles	245.4	(488.2)	195.8	(400.9)
(Provision) benefit for income taxes	(127.4)	156.4	(116.6)	116.3
---- Income (loss) from continuing operations	118.0	(331.8)	79.2	(284.6)
Income (loss) from discontinued operations	151.7	(17.3)	137.3	43.2
-- Income (loss) before cumulative effect of change in accounting principles	269.7	(349.1)	216.5	(241.4)
Cumulative effect of change in accounting principles	--	--	(761.3)	--
---- Net income (loss)	269.7	(349.1)	(544.8)	(241.4)
Preferred stock dividends	(22.7)	(6.8)	(29.5)	(76.5)
---- Income (loss) applicable to common stock	$ 247.0	$ (355.9)	$ (574.3)	$ (317.9)

Three Months Ended June 30, 2003 vs. Three Months Ended June 30, 2002

Williams' revenue increased $3 billion due primarily to increased revenues at Energy Marketing & Trading and Midstream Gas & Liquids as a result of the

adoption of Emerging Issues Task Force (EITF) Issue No. 02-3, "Issues Related to Accounting for Contracts Involved in Energy Trading & Risk Management Activities," which requires that revenues and cost of sales from non-derivative contracts and certain physically settled derivative contracts be reported on a gross basis. As permitted by EITF Issue No. 02-3, prior year amounts have not been restated. Prior to the adoption of EITF Issue No. 02-3 on January 1, 2003, revenues and costs of sales related to non-derivative contracts and certain physically settled derivative contracts were reported in revenues on a net basis. Revenues at Energy Marketing & Trading increased $3.1 billion and Midstream Gas & Liquids' revenues increased $300 million. During the second quarter of 2003, Energy Marketing & Trading corrected the accounting treatment previously given to certain third party derivative contracts during 2002 and 2001, resulting in the recognition of $80.7 million in revenues in the second quarter 2003 attributable to prior periods. Refer to Note 1 to the financial statements for further information. These corrections relate to the fair value of these derivative contracts and do not represent current period actual cash flows.

Costs and operating expenses increased $2.6 billion due primarily to the impact of reporting certain costs gross at Energy Marketing & Trading and Midstream Gas & Liquids, as discussed above.

Selling, general and administrative expenses decreased $45.8 million due primarily to the absence of $21 million of costs related to an enhanced benefit early retirement option offered to certain employee groups in 2002 and reduced staffing levels at Energy Marketing & Trading.

Other (income) expense - net in 2003 reflects a $175 million gain from the sale of an Energy Marketing & Trading contract and $91.5 million in net gains from the sale of Exploration & Production's interests in natural gas properties. Partially offsetting these gains in 2003 was a $25.5 million charge at Northwest Pipeline to write-off capitalized software development costs for a service delivery system following a decision not to implement the system and a $20 million charge related to a settlement by Energy Marketing & Trading with the Commodity Futures Trading Commission (CFTC) (see Note 11). Other (income) expense - net in 2002 includes $141.2 million of impairment charges, loss accruals, and write-offs within Energy Marketing & Trading, including a partial impairment of goodwill.

General corporate expenses decreased $12.3 million, or 36 percent, due primarily to lower advertising expenses and charitable contributions.

Operating income (loss) improved by $889.8 million from a $208.4 million loss in 2002 to $681.4 million of income in 2003. The increase results primarily from a $779.2 million improvement at Energy Marketing & Trading and $91.5 million in net gains on sales of certain properties at Exploration & Production.

Interest accrued - net increased $147.4 million, or 60 percent, due primarily to $120 million of interest expense, including amortization of fees, on the RMT note payable (see Note 10), $21 million higher amortization expense of deferred debt issuance costs, and $12 million of interest expense within Energy Marketing & Trading related to a FERC ruling. A $22 million decrease in interest expense reflecting lower average borrowing levels of long-term debt in 2003 was offset by a $19 million increase in interest expense reflecting higher average interest rates on long-term debt in 2003. The $21 million of higher amortization expense of deferred debt issuance costs reflects $14.5 million in accelerated amortization of costs related to the termination of the revolving credit agreement that was replaced in June 2003 (see Note 10).

In 2002, Williams began entering into interest rate swaps with external counter parties primarily in support of the energy-trading portfolio (see Note 14). The decline in market value of these swaps was $77.1 million lower in 2003 than 2002. The total notional amount of these swaps is approximately $300 million at June 30, 2003 as compared to a notional amount at June 30, 2002 of approximately $1.5 billion.

Investing income (loss) for the three months ended June 30, 2003 and 2002 consisted of the following components:

	THREE MONTHS ENDED JUNE 30,	
	2003	2002
	(MILLIONS)	
Equity earnings*	$ .9	$ 53.6
Loss provision for WCG receivables	--	(15.0)
Income (loss) from investments*:		
Gain on sale of Rio Grand equity investment	4.8	--
Impairment of investments in Longhorn Partners Pipeline, L.P.	(42.4)	--
Impairment of investment in Aux Sable	(8.5)	--
Impairment of investment in Independence Pipeline	--	(12.3)

Impairment of cost based investments	(19.1)	--
Interest income and other	21.2	12.2
Investing income (loss)	$ (43.1)	$ 38.5

* These items are also included in the measure of segment profit (loss).

Equity earnings for the three months ended June 30, 2002 includes $27.4 million of income reflecting a contractual construction completion fee received by an equity affiliate that served as the general contractor on the Gulfstream Pipeline Natural Gas System (Gulfstream) project. Additionally, the decrease in equity earnings for the three months ended June 30, 2003 as compared to 2002 reflects $16 million lower equity earnings from Gulfstream. Equity earnings for 2002 includes net equity income of $3.6 million related to equity method investments that were sold during 2002. The $15 million loss provision in 2002 is related to the estimated recoverability of receivables from WilTel Communications Group, Inc. (formerly Williams Communications Group, Inc.). The $42.4 million impairment in 2003 relates to the investment in equity and debt securities of Longhorn Partners Pipeline LP, and the $12.3 million impairment in 2002 relates to a write down of Gas Pipeline's investment in a pipeline project which was cancelled in second-quarter 2002. Impairment of cost based investments in 2003 includes a $13.5 million impairment of an investment in a company holding phosphate reserves.

Minority interest in income and preferred returns of consolidated subsidiaries in 2003 is lower than 2002 due to the absence of preferred returns totaling $5.5 million on the preferred interests in Castle Associates L.P., Arctic Fox, L.L.C., Piceance Production Holdings L.L.C., and in Williams' Risk Holdings L.L.C. which were reclassified as debt in the third-quarter of 2002 with the exception of Arctic Fox, L.L.C., which was reclassified as debt in April 2002.

Other income - net in 2003 includes a $38.2 million foreign currency translation gain on a Canadian dollar denominated note receivable offset by a $30.3 million derivative loss on a forward contract to fix the U.S. dollar principal cash flows from this note. Other income - net in 2002 includes an $11 million gain at Gas Pipeline associated with the disposition of securities received through a mutual insurance company reorganization.

The provision (benefit) for income taxes was unfavorable by $283.8 million due primarily to a pre-tax income in 2003 as compared to a pre-tax loss for 2002. The effective income tax rate for the three months ended June 30, 2003 is greater than the federal statutory rate due primarily to the financial impairment of certain investments and capital losses generated for which valuation allowances were established and nondeductible expenses. 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 reduces the tax benefit of the pretax loss.

Preferred stock dividends in 2003 includes $13.8 million associated with accounting for the premium paid on the redemption in May 2003 of the 9 7/8 percent cumulative-convertible preferred shares (see Note 12).

Six Months Ended June 30, 2003 vs. Six Months Ended June 30, 2002

Williams' revenue increased $6.7 billion due primarily to increased revenues at Energy Marketing & Trading and Midstream Gas & Liquids as a result of the adoption of EITF Issue No. 02-3, which requires that revenues and cost of sales from non-derivative contracts and certain physically settled derivative contracts be reported on a gross basis. As permitted by EITF Issue No. 02-3, prior year amounts have not been restated. Prior to the adoption of EITF Issue No. 02-3 on January 1, 2003, revenues and costs of sales related to non-derivative contracts and certain physically settled derivative contracts were reported in revenues on a net basis. Energy Marketing & Trading's revenues increased $6.6 billion and Midstream Gas & Liquids' revenues increased $1 billion. The increase in revenues at Midstream Gas & Liquids includes a $236 million higher Canadian revenues and $128 million higher domestic gathering and processing revenues. Offsetting these revenue increases at the operating units was $948.9 million higher intercompany eliminations primarily as a result of intercompany costs that were previously netted in Energy Marketing & Trading's revenues prior to EITF Issue No. 02-3. During the second quarter of 2003, Energy Marketing & Trading corrected the accounting treatment previously given to certain third party derivative contracts during 2002 and 2001, resulting in the recognition of $80.7 million in revenues in the second quarter 2003 attributable to prior periods. Refer to Note 1 to the financial statements for further information. These corrections relate to the fair value of these derivative contracts and do not represent current period actual cash flows.

Costs and operating expenses increased $6.5 billion due primarily to the impact of reporting certain costs gross at Energy Marketing & Trading and Midstream Gas & Liquids, as discussed above. Costs and operating expenses at Energy Marketing & Trading increased $6.5 billion. Costs and operating expenses at Midstream Gas & Liquids also increased due to $210 million and $59 million higher fuel and shrink costs at Canadian and domestic processing facilities, respectively.

Selling, general and administrative expenses decreased $62.4 million due primarily to reduced staffing levels at Energy Marketing & Trading and the absence of $21 million of costs related to an enhanced benefit early retirement option offered to certain employee groups in 2002.

Other (income) expense - net in 2003 reflects a $175 million gain from the sale of an Energy Marketing & Trading contract and $91.5 million in net gains from the sale of Exploration & Production's interests in natural gas properties. Partially offsetting these gains was a $25.5 million charge at Northwest Pipeline to write-off capitalized software development costs for a service delivery system following a decision not to implement and a $20 million charge related to a settlement by Energy Marketing & Trading with the CFTC (see Note 11). Other (income) expense - net in 2002 includes $141.2 million of impairment charges, loss accruals, and write-offs within Energy Marketing & Trading, including a partial impairment of goodwill.

General corporate expenses decreased $27.6 million, or 38 percent, due primarily to lower advertising costs and charitable contributions.

Operating income (loss) increased $608.7 million due primarily to a $375.7 million improvement at Energy Marketing & Trading, $91.5 million in net gains on sales of certain properties at Exploration & Production and a $78.6 million increase at Midstream Gas & Liquids primarily from domestic gathering and processing operations.

Interest accrued - net increased $289 million, or 65 percent, due primarily to $209 million of interest expense, including amortization of fees, on the RMT note payable (see Note 10), $34 million higher amortization expense of deferred debt issuance costs, and $12 million of interest expense within Energy Marketing & Trading related to a FERC ruling. The increase also reflects the $48 million effect of higher average interest rates on long-term debt in 2003 offset slightly by the $9 million effect of lower average borrowing levels of long-term debt. The $34 million higher amortization expense of deferred debt issuance costs reflects $14.5 million in accelerated amortization of costs related to the termination of the revolving credit agreement that was replaced in June 2003 (see Note 10).

In 2002, Williams began entering into interest rate swaps with external counter parties primarily in support of the energy-trading portfolio (see Note 14). The decline in market value of these swaps was $64.1 million lower in 2003 that in 2002. The total notional amount of these swaps is approximately $300 million at June 30, 2003 as compared to a notional amount at June 30, 2002 of approximately $1.5 billion.

Investing income (loss) for the six months ended June 30, 2003 and 2002 consisted of the following components:

	SIX MONTHS ENDED JUNE 30,	
	2003	2002
	(MILLIONS)	
Equity earnings*	$ 5.4	$ 60.9
Loss provision for WCG receivables	--	(247.0)
Income (loss) from investments*:		
Gain on sale of Rio Grand equity investment	4.8	--
Impairment of investment in Longhorn Partners Pipeline L.P.	(42.4)	--
Impairment of investment in Aux Sable	(8.5)	--
Impairment of investment in Independence Pipeline	--	(12.3)
Impairment of cost based investments	(31.1)	(3.1)
Interest income and other	75.0	23.3
Investing income (loss)	$ 3.2	$ (178.2)

* These items are also included in the measure of segment profit (loss).

Equity earnings decreased $55.5 million due primarily to $27 million lower equity earnings from Gulfstream and the absence of a $27.4 million benefit in 2002 related to the contractual construction completion fee received by an equity affiliate, that served as the general construction on the Gulfstream project. The $247 million loss provision in 2002 was related to the estimated recoverability of receivables from WilTel Communications Group, Inc. The $42.4 million impairment in 2003 relates to the investment in equity and debt securities of Longhorn Partners Pipeline LP, and the $12.3 million impairment in 2002 relates to a write down of Gas Pipeline's investment in a pipeline project that was cancelled in second-quarter 2002. Impairment of cost based investments in 2003 includes a $13.5 million impairment of an investment in a company holding phosphate reserves, a $12 million impairment of Algar Telecom S.A. and a $5.6 million impairment of various international investments. Each of these impairments results from management's determination that there was an other than temporary decline in the estimated fair value of each investment. Interest income and other increased $51.7 million due primarily to a $37.2 million increase at Energy Marketing & Trading comprised primarily of interest income as a result of recent FERC proceedings, a $5 million increase in interest income from advances to equity affiliates and a $3 million increase in interest from margin deposits.

Minority interest in income and preferred returns of consolidated subsidiaries in 2003 is lower than 2002 due primarily to the absence of preferred returns totaling $13 million on the preferred interests in Castle Associates L.P., Arctic Fox, L.L.C., Piceance Production Holdings L.L.C., and in Williams' Risk Holdings L.L.C. which were reclassified as debt in third-quarter 2002 with the exception of Arctic Fox, L.L.C., which was reclassified as debt in April 2002.

Other income - net in 2003 includes a $67.4 million foreign currency transaction gain on a Canadian dollar denominated note receivable offset by a $47 million derivative loss on a forward contract to fix the U.S. dollar principal cash flows from this note. Other income-net in 2002 includes an $11 million gain at Gas Pipeline associated with the disposition of securities received through a mutual insurance company reorganization offset by a $8 million loss related to early retirement of remarketable notes.

The provision (benefit) for income taxes was $232.9 million unfavorable in 2003 due primarily to pre-tax income in 2003 as compared to a pre-tax loss for 2002. The effective income tax rate for the six months ended June 30, 2003, is greater than the federal statutory rate due primarily to the financial impairment of certain investments and capital losses generated for which valuation allowances were established and nondeductible expenses.

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 reduces the tax benefit of the pre-tax loss.

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

Preferred stock dividends in 2002 reflects the impact of $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.

RESULTS OF OPERATIONS-SEGMENTS

Williams is currently organized into the following segments: Energy Marketing & Trading, Gas Pipeline, Exploration & Production, and Midstream Gas & Liquids. Due to completed and anticipated asset sales, Williams Energy Partners and Petroleum Services are no longer reportable segments as most of the operations comprising these segments are now reported in discontinued operations. Williams currently evaluates performance based upon several measures including segment profit (loss) from operations (see Note 14). Segment profit of the operating companies may vary by quarter. 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,	
	2003	2002	2003	2002
(MILLIONS)				
Segment revenues	$ 2,923.5	$ (278.6)	$ 6,699.1	$ 76.4
Segment profit (loss)	$ 348.0	$ (497.5)	$ 211.6	$ (214.4)

Three Months Ended June 30, 2003 vs. Three Months Ended June 30, 2002

ENERGY MARKETING & TRADING'S revenues and cost of sales increased by $3.2 billion and $2.7 billion, respectively, which equates to an increase in gross margin of $512.9 million. This significant increase in revenues and cost of sales is primarily a result of the adoption of EITF Issue No. 02-3, which requires that revenues and cost of sales from non-derivative energy contracts and certain physically settled derivative contracts be reported on a gross basis. Prior to the adoption of EITF Issue No. 02-3 on January 1, 2003, revenues related to non-derivative energy contracts were reported on a net basis in trading revenues. As permitted by EITF Issue No. 02-3, prior year amounts have not been restated.

On October 25, 2002, the EITF concluded on Issue No. 02-3, which rescinded

Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," under which all energy trading contracts, derivative and non-derivative energy, were required to be valued at fair value with the net change in fair value of these contracts representing unrealized gains and losses reported in income currently and recorded as revenues in the Consolidated Statement of Operations. Energy contracts include forward contracts, futures contracts, options contracts, swap agreements, commodity inventories, short-and long-term purchase and sale commitments, which involve physical delivery of an energy commodity and energy-related contracts, such as transportation, storage, full requirements, load serving and power tolling contracts. Energy-related contracts that are not considered to be derivatives under SFAS No. 133 are no longer presented on the balance sheet at fair value. These contracts are now reported under the accrual method of accounting. In addition, trading inventories are no longer marked to market but are reported on a lower of cost or market basis. Upon adoption of this new standard on January 1, 2003, Energy Marketing & Trading recorded an adjustment as a cumulative effect of change in accounting principle to remove the previously reported fair value of non-derivative energy contracts from the balance sheet. Energy Marketing & Trading's portion of this change in accounting principle was approximately $755 million on an after-tax basis (see Note 3) and was recognized in first-quarter 2003. Prior year amounts have not been restated as permitted by EITF Issue No. 02-3.

Energy Marketing & Trading's revenues increased by $3.2 billion primarily as a result of the new gross reporting requirements as discussed above. Energy Marketing & Trading's gross margin increased $512.9 million principally due to $506.4 million higher power and natural gas gross margin, $53.4 million higher petroleum products gross margin, and $6.2 million higher European gross margin, slightly offset by $53.4 million lower emerging products gross margin.

The power and natural gas gross margin increased from a margin loss of $213 million in 2002 to a $293.4 million gross margin in 2003, an increase of $506.4 million. The $293.4 million gross margin in 2003 is primarily comprised of a $57.5 million accrual loss and a $302.9 million mark-to-market gain. The accrual loss of $57.5 million is primarily related to reduced revenues resulting from narrow spark spreads on the tolling portfolio that do not exceed contractually-obligated capacity payments. Approximately $218.2 million of the $302.9 million gain is related to mark to market gains on power and gas positions that were entered into to economically hedge long-term structured transactions that are now accounted for on an accrual basis. These mark-to-market gains are primarily a result of increased gas prices on long natural gas positions. In 2002, all energy-related trading contracts, including tolling and full requirements contracts, were marked to market. In 2003, with the implementation of EITF Issue No. 02-3 as discussed above, these non-derivative energy-related trading contracts were accounted for on an accrual basis. Therefore, while in 2002 the impact of narrower spark spreads in future periods on the fair value of certain power tolling portfolios was reflected in earnings, in 2003, the earnings for these types of non-derivative contracts are reported on an accrual basis. Therefore, any forward gains or losses resulting from changes in fair value are excluded from current earnings for non-derivative contracts, whereas the changes in the forward value of certain derivatives contracts continue to be included in earnings. Additionally, in second-quarter 2003, Energy Marketing & Trading began accounting for certain of its power and gas derivatives contracts under the accrual method of accounting as a result of an election to account for the contracts under the normal purchases and sales exception available under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." These contracts were previously marked to market with changes in fair value reported within earnings. During the second quarter of 2003, Energy Marketing & Trading corrected the accounting treatment previously given to certain third party derivative contracts during 2002 and 2001, resulting in the recognition of $80.7 million in revenues in the second quarter 2003 attributable to prior periods. Refer to Note 1 to the financial statements for further information. These corrections relate to the fair value of these derivative contracts and do not represent current period actual cash flows.

The petroleum products portfolio gross margin improved from a gross margin loss of $73.7 million in 2002 to a gross margin loss of $20.3 million in 2003. This $53.4 million improvement was impacted by the implementation of EITF Issue No. 02-3. The petroleum products portfolio was adversely affected in 2002 by a decrease in the fair value of refined products storage and transportation portfolios. In second-quarter 2003, however, these non-derivative contracts were accounted for on an accrual basis and accordingly earnings do not reflect changes in fair value.

The $6.2 million increase in European gross margin is due to the absence of trading activity in second-quarter 2003 as a result of the wind-down of the European trading operations. These operations generated a $6.2 million loss in second-quarter 2002.

The $53.4 million decrease in emerging products gross margin is primarily attributable to falling interest rates on forward interest rate positions that are marked to market.

Selling, general, and administrative expenses decreased by $19.3 million, or 30 percent. This cost reduction is primarily due to the impact of staff reductions in the Energy Marketing & Trading business segment. Energy Marketing & Trading employed approximately 265 employees at June 30, 2003, compared with approximately 900 employees at June 30, 2002.

Other (income) expense -- net increased $312.2 million. This increase is due primarily to $175 million gain from the sale of an energy trading contract in 2003 and the effect in 2002 of $83.7 million of impairments and loss accruals associated with certain terminated power projects and a $57.5 million partial goodwill impairment. The increase was partially offset by a $20 million charge in 2003 for the settlement reached with the Commodity Futures Trading Commission subsequent to quarter end (see Note 11).

Segment profit increased $845.5 million due primarily to increased power, natural gas, petroleum products and European gross margins, decreased selling, general and administrative expenses and improved other (income) expense - net, partially offset by decreased emerging products gross margin as discussed above.

Energy Marketing & Trading's future results will continue to be affected by the willingness of counterparties to enter into transactions with Energy Marketing & Trading, the liquidity of markets in which Energy Marketing & Trading transacts, and the creditworthiness of other counterparties in the industry and their ability to perform under contractual obligations. Because Williams is not currently rated investment grade by credit rating agencies, Williams is required, in certain instances, to provide additional adequate assurances in the form of cash or credit support to enter into and maintain existing transactions. The financial and credit constraints of Williams will likely continue to result in Energy Marketing & Trading having exposure to market movements, which could result in future 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 and default assessment related to the future value of its forward positions and the ability of such counterparties to perform under contractual obligations. The ultimate outcome of these items could result in future operating losses for Energy Marketing & Trading or limit Energy Marketing & Trading's ability to achieve profitable operations.

In July 2003, Energy Marketing & Trading reached an agreement in principle to terminate one of its long-term energy trading contracts in exchange for a cash payment of $128 million from the counterparty to the contract. This contract is accounted for on a fair value basis. The agreement is contingent upon certain events, but if consummated in its present form, the transaction could result in realization of an amount significantly in excess of fair value as estimated at June 30, 2003.

Six Months Ended June 30, 2003 vs. Six Months Ended June 30, 2002

ENERGY MARKETING & TRADING'S revenues and cost of sales increased by $6.6 billion and $6.5 billion, respectively, which equates to an increase in gross margin of $74.9 million. This significant increase in revenues and cost of sales is primarily a result of the adoption of EITF Issue No. 02-3 and rescinding of EITF Issue No. 98-10, as discussed previously.

Energy Marketing & Trading's gross margin increased $74.9 million principally due to $227.9 million higher power and natural gas gross margin, offset by $82.1 million lower emerging products gross margin, $64.3 million lower petroleum products gross margin, and $6.5 million lower European gross margin.

The power and natural gas gross margin increased from a margin loss of $12.3 million in 2002 to a $215.6 million gross margin in 2003, an improvement of $227.9 million. The $215.6 million gross margin in 2003 is primarily comprised of a $80 million accrual loss and a $293.1 million mark to market gain. The accrual loss of $80 million is primarily related to reduced revenues resulting from narrow spark spreads on the tolling portfolio that do not exceed contractually-obligated capacity payments. Approximately $232.5 million of the $293.1 million gain is related to mark-to-market gains on power and gas positions that were entered into to economically hedge long-term structured transactions that are now accounted for on an accrual basis. These mark to market gains are primarily a result of increased gas prices on long natural gas positions. In 2002, all energy-related trading contracts, including tolling and full requirements contracts, were marked to market. In 2003, with the implementation of EITF Issue No. 02-3 as discussed previously, these non-derivative energy-related trading contracts were accounted for on an accrual basis. Therefore, while in 2002 the impact of narrower spark spreads on the fair value of certain power tolling portfolios was reflected in earnings, in 2003, the earnings for these types of contracts are reported on an accrual basis. Therefore, any forward gains or losses resulting from changes in fair value are excluded from current earnings for non-derivative contracts, whereas the changes in forward value of certain derivatives contracts continue to be included in earnings. Additionally, in second-quarter 2003, Energy Marketing & Trading began accounting for certain of its power and gas derivatives contracts under the accrual method of accounting as a result of an election to account for the contracts under the normal purchases and sales exception available under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities." These contracts were previously marked to market with changes in fair value reported within earnings. During the second quarter of 2003, Energy Marketing & Trading corrected the accounting treatment previously given to certain third party derivative contracts during 2002 and 2001, resulting in the recognition of $80.7 million in revenues in the second quarter 2003 attributable to prior periods. Refer to Note 1 to the financial statements for further information. These corrections relate to the fair value of these derivative contracts and do not represent current period actual cash flows. The effect of these events is partially offset by an $84 million decrease in power and gas revenues from the origination of significant new long-term transactions in 2002 and a $37 million adjustment in first quarter 2003 to increase the liability for rate refunds associated with 2003 FERC rulings relative to California power and natural gas markets.

The petroleum products portfolio gross margin decreased from $46.8 million in 2002 to a margin loss of $17.5 million in 2003. This decrease of $64.3 million was primarily attributable to a $118.8 million decrease in revenues from the origination of significant new long-term transactions in 2002 partially offset by the impact of the implementation of EITF Issue No. 02-3 in 2003. The petroleum products portfolio was adversely affected in 2002 by a decrease in the forward value of refined products storage and transportation portfolios. Pursuant to EITF Issue No. 02-3, these same non-derivative storage and transportation contracts were required to be treated on an accrual basis in 2003, resulting in a comparatively higher gross margin attributable to these contracts.

The $6.5 million decrease in European gross margin is due to the absence of trading activity in 2003 as a result of the wind-down of the European trading operations as compared to a $6.5 million gross margin recognized in 2002. The $82.1 million decrease in emerging products gross margin is primarily attributable to falling interest rates on forward interest rate positions that are marked to market.

Selling, general, and administrative expenses decreased by $33.9 million, or 30 percent. This cost reduction is due primarily to the impact of staff reductions in the Energy Marketing & Trading business segment.

Other (income) expense -- net increased $312.7 million. This increase is primarily due to $175.0 million gain from the sale of an energy trading contract in 2003 and the effect in 2002 of $83.7 million of impairments and loss accruals associated with certain terminated power projects and a $57.5 million partial goodwill impairment. The increase was partially offset by a $20 million charge in 2003 for the settlement reached with the CFTC subsequent to quarter end (see Note 11).

Segment profit increased $426 million due primarily to increased power and natural gas gross margin, decreased selling, general and administrative expenses and improved other (income) expense- net, partially offset by decreased petroleum products, European and emerging products gross margins as discussed above.

GAS PIPELINE

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
(MILLIONS)				
Segment revenues	$ 312.0	$ 290.5	$ 635.3	$ 595.5
Segment profit	$ 113.9	$ 141.1	$ 265.1	$ 275.8

On April 14, 2003, Williams announced that it had signed a definitive agreement to sell Texas Gas Transmission Corporation (Texas Gas) to Loews Pipeline Holding Corp., a unit of Loews Corporation. The sale closed on May 16, 2003. Williams received $793 million in cash and the buyer assumed $250 million in debt. Pursuant to current accounting guidance, the operations of Texas Gas have been classified as discontinued operations.

For the purposes of second-quarter 2003 reporting, Gas Pipeline's continuing operations include Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, a 50 percent interest in the Gulfstream Natural Gas System, L.L.C. and other joint venture interstate and intrastate natural gas pipeline systems. Certain assets sold during 2002 are included in the 2002 results. These assets include Cove Point, a general partner interest in Northern Border, and our 14.6 percent interest in Alliance Pipeline. These assets represented $2.2 million and $5.7 million of revenues for the three months and six months ended June 30, 2002, respectively, and $4.9 million and $12.4 million of segment profit for the three and six months ended June 30, 2002, respectively. Financial results related to Kern River, Central, (both sold during 2002), and Texas Gas are included in discontinued operations.

Three Months Ended June 30, 2003 vs. Three Months Ended June 30, 2002

GAS PIPELINE'S revenues increased $21.5 million, or 7 percent, due primarily to $17 million higher demand revenues on the Transco system resulting from new expansion projects (MarketLink, Momentum and Sundance) and higher transportation rates in connection with rate proceedings that became effective in late 2002, and $8 million on the Northwest Pipeline system primarily from new projects (Gray's Harbor, Centralia, and Chehalis). Partially offsetting these increases were $4 million lower storage demand revenues due to lower demand charges as a result

of lower rates in connection with Transco's rate proceedings that became effective in late 2002 and $3 million lower cash-out sales related to gas imbalance settlements (offset in costs and operating expenses).

Cost and operating expenses increased $4 million, or 2 percent, due primarily to $7 million higher depreciation expense due to increased property, plant and equipment placed into service, partially offset by $3 million lower cash-out sales related to gas imbalance settlements (offset in revenues).

General and administrative costs decreased $17 million, or 36 percent, due primarily to $11 million of early retirement pension cost in 2002.

Other (income) expense--net in 2003 includes a $25.5 million charge at Northwest Pipeline to write-off capitalized software development costs for a service delivery system following a decision not to implement. Subsequent to the implementation of the same system at Transco in the second quarter of 2003 and a determination of the unique and additional programming requirements that would be needed to complete the system at Northwest Pipeline, management determined that the system would not be implemented at Northwest Pipeline.

Segment profit, which includes equity earnings and income (loss) from investment (included in investing income), decreased $27.2 million reflecting $49.6 million lower equity earnings and the $25.5 million charge discussed previously. These items were partially offset by the higher revenues and lower general and administrative expenses discussed above and the absence of the $12.3 million 2002 write-off of Gas Pipeline's investment in a cancelled pipeline project (income (loss) from investments). The $49.6 million decrease in equity earnings is due primarily to a $27.4 million benefit in 2002 related to the contractual construction completion fee received by an equity affiliate and $16 million lower equity earnings from Gulfstream Natural Gas System primarily related to the absence in 2003 of interest capitalized on internally generated funds as allowed by FERC regulations during construction. The pipeline was placed into service during second-quarter 2002. Also, the decrease in equity earnings reflects the absence of $6 million of equity earnings following the October 2002 sale of Gas Pipeline's 14.6 percent ownership in Alliance Pipeline.

Six Months Ended June 30, 2003 vs. Six Months Ended June 30, 2002

GAS PIPELINE'S revenues increased $39.8 million, or 7 percent, due primarily to $33 million higher demand revenues on the Transco system resulting from new expansion projects (MarketLink, Momentum and Sundance) and higher rates authorized under Transco's rate proceedings that became effective in late 2002 and $10 million on the Northwest Pipeline system resulting from new projects (Gary's Harbor, Centralia, and Chehalis). In addition to these increases was a $9 million higher recovery of tracked costs which are passed through to customers (offset in costs and operating expenses). Partially offsetting these increases were $11 million lower cash-out sales related to gas imbalance settlements (offset in costs and operating expenses) and $8 million lower storage demand revenues due to lower charges as a result of lower rates in connection with Transco's rate proceedings that became effective in late 2002.

Cost and operating expenses decreased $12 million, or 4 percent, due primarily to $12 million lower fuel expense on Transco due primarily to pricing differentials on the volumes of gas used in operation and $11 million lower cash-out sales related to gas imbalance settlements (offset in revenues). These decreases were partially offset by $8 million higher depreciation expense due to increased property, plant and equipment placed into service and $7 million higher tracked costs which are passed through to customers (offset in revenues).

General and administrative costs decreased $20 million, or 24 percent, due primarily to the absence of $11 million of 2002 early retirement pension costs and reductions to employee-related benefits accruals.

Other (income) expense--net in 2003 includes a $25.5 million charge at Northwest Pipeline to write-off capitalized software development costs for a service delivery system following a decision not to implement. Subsequent to the implementation of the same system at Transco in the second quarter of 2003 and a determination of the unique and additional programming requirements that would be needed to complete the system at Northwest Pipeline, management determined that the system would not be implemented at Northwest Pipeline.

Segment profit, which includes equity earnings and income (loss) from investments (included in investing income), decreased $10.7 million, or 4 percent, due to $67.4 million lower equity earnings and the $25.5 million charge at Northwest Pipeline discussed previously. These decreases to segment profit were partially offset by $39.8 million higher revenues, $12 million lower costs and operating expenses and $20 million lower general and administrative costs discussed above, as well as the absence of a $12.3 million 2002 write-off of Gas Pipeline's investment in a cancelled pipeline project (income (loss) from investment). The $67.4 million decrease to equity earnings reflects $27 million lower equity earnings from the Gulfstream Natural Gas System, the absence of a $27.4 million benefit in 2002 related to the contractual construction completion fee received by an equity affiliate and the

absence of $12 million of equity earnings following the October 2002 sale of Gas Pipeline's 14.6 percent ownership in Alliance Pipeline. The lower earnings for Gulfstream Natural Gas System were primarily due to the absence in 2003 of interest capitalized on internally generated funds as allowed by the FERC during construction. The pipeline was placed into service during second-quarter 2002.

EXPLORATION & PRODUCTION

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
(MILLIONS)				
Segment revenues	$ 200.2	$ 221.0	$ 444.1	$ 442.8
Segment profit	$ 178.7	$ 92.4	$ 292.5	$ 198.9

On February 20, 2003, Williams announced that it was evaluating the sale of additional assets including selected Exploration & Production properties. During second-quarter 2003, Williams completed a substantial portion of the targeted asset sales from the Exploration & Production segment which included sales of properties located primarily in Kansas, Colorado and New Mexico. The targeted properties for sale, including the completed sales, represented approximately 16 percent of Williams' proved domestic reserves at December 31, 2002. Exploration & Production has received net proceeds of approximately $417 million resulting in net pre-tax gains of approximately $131.4 million, including $39.9 million of pre-tax gains reported in discontinued operations related to the interests in the Raton and Hugoton basins. The results of operations and gains on sales for the Raton and Hugoton properties have been classified as discontinued operations. The following discussion relates to the continuing operations of Exploration & Production.

Two regulatory decisions during second-quarter 2003 will allow for Williams to increase its recoverable natural gas reserves in two key areas of the U.S. Rocky Mountain region. Approval from the Colorado Oil & Gas Conservation Commission on a proposed plan for 10-acre bottom hole spacing will allow for the drilling of more than 550 natural gas wells over the next decade in Colorado's Piceance Basin. These additional wells are expected to substantially increase the company's proved undeveloped reserves for that basin. A decision by the Bureau of Land Management provides guidelines for developing coalbed natural gas on federal lands in the Powder River Basin in Wyoming. Williams plans to drill or participate in approximately 750 new Powder River wells in 2003, consistent with its current capital spending plan.

Three Months Ended June 30, 2003 vs. Three Months Ended June 30, 2002

EXPLORATION & PRODUCTION'S revenues decreased $20.8 million, or 9 percent, due primarily to $10 million lower domestic production revenues and $9 million lower domestic gas management revenues (costs related to these revenues also decreased by $9 million). The decrease in domestic production revenues reflects $16 million lower revenues related to an 11 percent decrease in net domestic production volumes, partially offset by $6 million higher revenues from increased net realized average prices for production (including the effect of hedge positions). The decrease in production volumes primarily results from the

sales of properties in 2002 and 2003, partially offset by increased production volumes for properties retained. Approximately 84 percent of all domestic production during second-quarter 2003 was hedged. Exploration & Production has contracts that hedge approximately 95 percent of estimated production for the remainder of 2003 at prices that average $3.72 per mcfe at the basin level. These contracts are entered into with Energy Marketing & Trading which in turn enters into offsetting derivative contracts with unrelated third parties. Generally, Energy Marketing & Trading bears the counterparty performance risks associated with unrelated third parties. Exploration & Production also has derivative contracts with Energy Marketing & Trading that no longer qualify for hedge accounting treatment (as a result of asset sales) or were never designated in hedge relationships. The changes in fair value of these contracts are recognized in revenues. The total impact, realized and unrealized, of these instruments on 2003 revenues was a $15 million gain as compared to a $7 million gain in 2002.

Domestic 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 non-producing 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.

Costs and expenses, including selling, general and administrative expenses, decreased $15 million, including $6 million lower depreciation, depletion and amortization expense, $9 million lower domestic gas management expenses and $2 million lower lease operating expense. The decreased depreciation, depletion and amortization expense is due to the previously discussed asset sales. These decreases were partially offset by $4 million higher operating taxes.

Other (income) expense - net includes approximately $91.5 million in net gains on sales of assets during 2003, which are discussed above.

Segment profit increased $86.3 million due to the net gains on the sales of assets which are discussed above.

Six Months Ended June 30,2003 vs. Six Months Ended June 30, 2002

EXPLORATION & PRODUCTION'S revenues increased $1.3 million, or less than one percent. A favorable change in fair value of derivative contracts with Energy Marketing & Trading that no longer qualify for hedge accounting treatment (due to asset sales) or were never designated in hedge relationships was substantially offset by $14 million lower domestic production revenues. The total impact, realized and unrealized, of the non hedge derivative contracts on 2003 revenues was a $23 million gain as compared to $7 million of gains in 2002. The $14 million lower domestic production revenues reflect $30 million lower revenues due to a 9 percent decrease in net domestic production volumes, partially offset by $16 million higher revenues from increased net realized average prices for production (including the effect of hedge positions). The decrease in production volumes primarily results from the sales of properties in 2002 and 2003, partially offset by increased production volumes for properties retained. Approximately 86 percent of all domestic production during the first six months of 2003 was hedged.

Costs and expenses, including selling, general and administrative expenses, increased $3 million including $11 million higher operating taxes and $2 million higher lease operating expenses, largely offset by $6 million lower exploration expenses. The lower exploration expenses reflect the current focus of the company on developing proved properties while reducing exploratory activities.

Other (income) expense - net includes approximately $91.5 million in net gains on sales of assets during 2003, which were discussed previously.

Segment profit increased $93.6 million due primarily to the $91.5 million in net gains on the sales of assets, which are discussed above.

MIDSTREAM GAS & LIQUIDS

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
(MILLIONS)				
Segment revenues	$ 737.8	$ 438.0	$ 1,868.5	$ 838.0
Segment profit	$ 52.4	$ 51.7	$ 169.7	$ 106.0

Williams has announced its intention to sell certain Midstream Gas &

Liquids assets, including certain operations in Canada. Future asset sales would have the effect of lowering revenues in periods following their sale. Williams' board of directors has approved a plan authorizing management to negotiate and facilitate the sale of the assets of Gulf Liquids New River Project LLC (Gulf Liquids). The operations of Gulf Liquids have been classified as discontinued operations.

Three Months Ended June 30,2003 vs. Three Months Ended June 30, 2002

MIDSTREAM GAS & LIQUIDS' revenues increased $300 million, or 68 percent, due primarily to a $194 million effect of a change in the reporting of natural gas liquids trading activities for which costs are no longer netted in revenues as a result of the application of EITF Issue No. 02-3, combined with an $83 million increase in Canadian revenues and a $16 million increase in domestic gathering and processing revenues. The increase in Canadian revenues is due primarily to $80 million higher liquids sales resulting from an increase in liquids sales prices at existing processing and fractionation facilities and increased liquids sales volumes and prices at the olefins fractionation facility that began operations at the end of the first quarter 2002. The increase in domestic gathering and processing revenues is due primarily to a $24 million increase in new deepwater fee-based and liquids sales

operations that were entering service and increasing operations during second-quarter 2002, $5 million higher revenues resulting from additional gathering volumes within the Gulf Coast regulated gathering system due primarily to higher volumes contributed from deepwater fields and a $6 million increase from new fee-based contractual arrangements around an existing Gulf Coast facility. Offsetting these increases in domestic gathering and processing were $7 million lower liquids sales from western and Gulf Coast facilities and $9 million lower gathering revenues following the sale of the Kansas-Hugoton gathering system in third-quarter 2002. The decline in liquid sales from western and Gulf Coast facilities is due primarily to lower liquids sales volumes as a result of lower processing economics partially offset by an increase in liquids sales prices within both regions.

Costs and operating expenses increased $294 million, or 84 percent, due primarily to the $194 million effect of the change in reporting certain costs of natural gas liquids trading activities discussed above. Costs and expenses were also impacted by higher fuel and shrink costs at Canadian facilities of $84 million due primarily to higher gas prices. Also contributing to the increase in costs was a $13 million increase in product feedstock costs at the ethylene production facility within the Gulf Coast and $4 million in higher depreciation expense due primarily to the new deepwater operations. Slightly offsetting these increases were $16 million lower operating, maintenance and other costs within western gathering and processing facilities due in part to the third-quarter 2002 sale of the Kansas Hugoton gathering system and an overall decrease in maintenance spending and other operating costs. Domestic fuel and shrink costs were $29 million higher at western processing facilities. This increase was substantially offset by lower fuel and shrink costs at Gulf Coast facilities primarily due to the decline in liquids production volumes.

Included in other (income) expense - net within segment costs and expenses in 2003 are $6 million in impairment charges primarily related to impairments taken on two domestic processing facilities. Included in other (income) expense - - net within segment costs and expenses in 2002, was a $4.8 million charge representing the impairment of assets to fair value associated with the sale of the Kansas Hugoton natural gas gathering system.

Segment profit, which includes income (loss) from investments (included in investment income (loss) on the Consolidated Statement of Operations), increased $.7 million. Segment profit reflects a $12 million increase in domestic gathering and processing operations, $4 million in lower general and administrative costs within trading operations and a $4.8 million gain on the sale of the equity investment in Rio Grande pipeline (income (loss) from investments). These increases to segment profit were offset by a $14 million decline in Gulf Coast olefins operating profit due primarily to higher feedstock costs and lower production volumes at the ethylene production facility and a $9 million decline in operating profits from Canadian operations due primarily to unfavorable liquids margins during the quarter. The $12 million increase in domestic gathering and processing operations is due primarily to a $17 million increase resulting from new deepwater fee-based and liquid sales operations combined with the impact of additional gathering volumes within the Gulf Coast regulated gathering system, new fee-based contractual arrangements at a Gulf Coast facility, and lower maintenance spending and other operating costs. Offsetting these increases is a $10 million decline in liquid sales margins from western processing facilities resulting from lower sales volumes and rising fuel and shrink costs, a $8.5 million impairment of an equity investment in Aux Sable and a $7 million decrease in equity earnings. The rising fuel and shrink costs in this region are attributable to the overall rising price of gas combined with a reversal of the favorable basis differential for gas in Wyoming that was experienced in first-quarter 2003 as additional transportation capacity out of Wyoming has provided new markets for gas from this region. Liquids sales margins from Gulf Coast facilities are relatively unchanged and remain at or near break even levels as a result of poor processing economics due primarily to rising gas prices. Poor processing economics in the Gulf Coast are being mitigated by new contractual arrangements and other provisions that provide compensation for processing gas in an uneconomic environment in order for customer's gas to achieve pipeline quality standards. The decrease in equity earnings is due primarily to operating losses generated from our investment in Aux Sable combined with the impact of a $4 million charge associated with an accounting adjustment recorded by Discovery.

Segment profit within Venezuela has remained relatively unchanged during the period. The economic and political situation within Venezuela remains fluid and volatile but has not significantly impacted the operations or cash flow at Midstream's owned facilities. Contracts with PDVSA at these facilities provide for payment in U.S. dollars and contain provisions that provide for adjustments for inflation and minimum volume guarantees if the plants are operational.

Six Months Ended June 30, 2003 vs. Six Months Ended June 30, 2002

MIDSTREAM GAS & LIQUIDS' revenues increased $1,031 million, or 123 percent, due primarily to a $664 million effect of a change in the reporting of natural gas liquids trading activities for which costs are no longer netted in revenues as a result of the application of EITF Issue No. 02-3, combined with a $236 million increase in Canadian revenues and a $128 million increase in domestic gathering and processing revenues. The increase in Canadian revenues is due primarily to $221 million higher liquids sales from processing and fractionation facilities resulting from higher liquids sales prices at existing processing and fractionation facilities and increased liquids sales volumes and prices at a new olefin fractionation facility that began operations at the end of the first quarter 2002. The increase in domestic gathering and processing revenues is due primarily to $88 million higher liquids sales at western processing facilities resulting from increased sales volumes and prices during the first quarter. Also contributing to the increase is $65 million from new deepwater operations which includes $24 million in liquids sales from a deepwater gas processing facility that went into service in 2002. Partially, offsetting these increases is a $20 million decline in gathering revenues resulting from the sale of the Kansas Hugoton gathering system in the third-quarter 2002.

Costs and operating expenses increased $954 million, or 144 percent, due primarily to the $664 million effect of the change in reporting certain costs of natural gas liquids trading activities discussed above. Costs and expenses were also impacted by higher fuel and shrink costs at domestic and Canadian processing facilities of $59 million and $210 million, respectively. The increase in domestic fuel and shrink prices is largely due to higher natural gas prices and production volumes. The increase in Canadian fuel and shrink costs is due primarily to higher natural gas prices and increased operations at the new olefins fractionation facility (Canada). Also contributing to the increase is $32 million in product feedstock costs at the ethylene production facility within the Gulf Coast, $17 million in Canadian depreciation and operations and maintenance costs due primarily to full operation in 2003 at the new olefins fractionation facility and $9 million in depreciation expense from domestic gathering and processing facilities due primarily to the new deepwater operations. Offsetting these increases is a $35 million decline in operating, maintenance and other costs within western gathering and processing facilities due in part to the sale of the Kansas Hugoton gathering system in third-quarter 2002 and an overall decrease in maintenance spending and other operating costs.

Segment profit, which includes income (loss) from investments (included in investment income (loss) on the Consolidated Statement of Operations), increased $63.7 million due primarily to an $81 million increase in operating profit from domestic gathering and processing operations and the $4.8 million gain on the sale of the equity investment in Rio Grande pipeline during second-quarter 2003 (income (loss) from investments). Partially offsetting these increases were a $14 million decline in Canadian operating profit, an $8 million decline in olefins operating profit and a $5 million decline in operating profit from Venezuelan operations. The increase in domestic gathering and processing profits is due primarily to a $22 million increase in liquids sales margins from domestic processing plants within the western United States as a result of higher natural gas liquids sales prices and a favorable basis differential for natural gas within Wyoming which had the effect of lower fuel and shrink prices at processing facilities in this region during the first quarter of 2003. This favorable basis differential tightened during the second quarter of 2003 as new transportation capacity for natural gas from this region had the effect of increasing fuel and shrink costs and lowering margins in the region during second-quarter 2003. Also contributing to the increase in domestic gathering and processing profits was $35 million associated with new deepwater operations, as well as the incremental profitability resulting from additional gathering volumes, new fee-based contractual arrangements, and lower maintenance spending and other operating costs. Offsetting the increases in domestic gathering and processing operating profit is a $10 million decline in equity earnings from Discovery pipeline and an $8.5 million impairment of the equity investment in Aux Sable (income loss from investments). The decline in the equity earnings of Discovery reflects a $12 million charge associated with adjustments recorded by Discovery primarily to expense certain amounts previously capitalized during periods prior to Williams becoming the operator. The decline in Canadian operating results includes $8 million bad debt expense associated with a single customer. The decline in Gulf Cost olefins profits is due primarily to higher feedstock prices and lower production volumes at the ethylene fractionation facility. The decline in Venezuelan segment profit is due primarily to curtailed operations resulting from a fire at one of the high-pressure gas compression facilities in February 2003, partially offset by an improvement in equity earnings from Accroven and lower foreign currency exchange losses in the first quarter of 2003 as a result of currency exchange controls in place within Venezuela.

OTHER

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
(MILLIONS)				
Segment revenues	$ 20.1	$ 26.0	$ 48.1	$ 52.7
Segment loss	$ (51.7)	$ (3.7)	$ (46.9)	$ (12.4)

Other segment loss for the three and six months ended June 2003 includes a $42.4 million impairment related to the investment in equity and debt securities of Longhorn Partners Pipeline, LP. The impairment results from management's determination that there has been an other than temporary decline in estimated fair value of the investments.

FAIR VALUE OF ENERGY RISK MANAGEMENT AND TRADING ACTIVITIES

The chart below reflects the fair value of energy trading derivatives for Energy Marketing & Trading and Midstream Gas & Liquids that have been assessed to be trading contracts, separated by the year in which the recorded fair value is expected to be realized. As of December 31, 2002, Energy Marketing & Trading reported a net asset of approximately $1,632 million related to the fair value of energy risk management and trading contracts. With the adoption of EITF Issue No. 02-3 on January 1, 2003, approximately $1,193 million of that pre-tax fair value pertained to non-derivative energy contracts, and this amount was reversed through a cumulative adjustment from a change in accounting principle. Trading contracts include those derivative contracts that have not been designated as or do not qualify as SFAS No. 133 hedges and that are held to provide price risk management services to third party customers. These contracts are accounted for using the mark to market accounting method. As reported in the Form 10-Q for March 31, 2003, all derivative contracts that had not been designated as or did not qualify as SFAS No. 133 hedges were presented as trading contracts. However, consistent with Williams' continued evaluation of its future involvement in the merchant power and generation business, derivative contracts have been reevaluated for trading versus non-trading classification at June 30, 2003 on a contract by contract basis. The table of trading contracts presented below includes only those contracts that do not hedge or mitigate Energy Marketing & Trading's or Midstream Gas & Liquids' own long-term structured contract positions and which were entered into to provide risk management services to third parties. Also, the table below does not reflect the fair value of non-derivative energy contracts which was reversed in the cumulative accounting change adjustment recorded in the first quarter of 2003.

(In millions)

TOTAL FAIR VALUE TO BE REALIZED	TO BE REALIZED	TO BE REALIZED	TO BE

REALIZED TO BE REALIZED VALUE OF IN 1-12 MONTHS IN MONTHS 13-36 IN MONTHS 37-60 IN MONTHS 61-120 IN MONTHS 121+ TRADING (YEAR 1) (YEARS 2-3) (YEARS 4-5) (YEARS 6-10) (YEARS 11+) DERIVATIVES
- -------- ------ --- ---------- -- ------- -------- - ---------- ----- ---- ---------- ---------- ----- $ (20.4) $ (43.8) $ 2.6 $ 11.6 $ -- $ (50.0)

Energy Marketing & Trading holds a substantial portfolio of non-trading derivative contracts. Certain of these have not been designated as or do not qualify as SFAS No. 133 hedges, and are accounted for using the mark to market method of accounting. As of June 30, 2003 the fair value of these non-trading derivative contracts was a net asset of $803.1 million. Energy Marketing & Trading also holds a number of SFAS No. 133 cash flow hedges on behalf of other business units, hedges associated with owned generation assets, and other miscellaneous hedges. As of June 30, 2003 the fair value of these hedges was a net liability of approximately $281.9 million. Various other business units within Williams also possess certain SFAS No. 133 hedge liabilities of approximately $24.9 million.

Estimates and assumptions regarding counterparty performance and credit risk considerations

Energy Marketing & Trading and Midstream Gas & Liquids include in their estimate of fair value for all derivative contracts an assessment of the risk of counterparty non-performance. Such assessment considers the credit rating of each counterparty as represented by public rating agencies such as Standard & Poor's and Moody's Investor's Service, the inherent default probabilities within these ratings, the regulatory environment that the contract is subject to, as well as the terms of each individual contract.

Risks surrounding counterparty performance and credit could ultimately impact the amount and timing of the cash flows expected to be realized. Energy Marketing & Trading and Midstream Gas & Liquids continually assess this risk and have credit protection within various agreements to call on additional collateral support in the event of changes in the creditworthiness of the counterparty. Additional collateral support could include letters of credit, payment under margin agreements, guarantees of payment by creditworthy parties, or in some instances, transfers of the ownership interest in natural gas reserves or power generation assets. In addition, Energy Marketing & Trading and Midstream Gas & Liquids enter into netting agreements to mitigate counterparty performance and credit risk.

The gross forward credit exposure from Energy Marketing & Trading's and Midstream Gas & Liquids' derivative contracts as of June 30, 2003 is summarized as below.

INVESTMENT GRADE COUNTERPARTY TYPE (a)	TOTAL
	(MILLIONS)
Gas and electric utilities	$ 1,344.6
	1,403.7
Energy marketers and traders	3,004.6
	6,159.2
Financial Institutions	1,423.3
	1,423.3
Other	1,533.9
	1,648.9
	$ 7,306.4
	10,635.1
Credit reserves	(62.9)
Gross Credit Exposure from Derivative Contracts (b)	$ 10,572.2

In addition to the gross Energy Marketing & Trading and Midstream Gas & Liquids derivative exposure discussed above, other business units within Williams possess an additional $30 million in gross derivative asset exposure.

Energy Marketing & Trading and Midstream Gas & Liquids assess their credit exposure on a net basis when appropriate and contractually allowed. The net forward credit exposure from Energy Marketing & Trading's and Midstream Gas & Liquids' derivative contracts as of June 30, 2003 is summarized as below.

INVESTMENT GRADE COUNTERPARTY

TYPE (a)	TOTAL - ---	--- -------	--- -------	--- -	---
(MILLIONS)					
Gas and electric utilities	$ 662.0	$ 663.9			
Energy marketers and traders	127.6	406.7			
Financial Institutions	45.6	45.6			
Other	7.6	14.1	------	------	----
	$ 842.8	1,130.3			
Credit reserves	(62.9)	----			
Net Credit Exposure from Derivative Contracts	(b) $ 1,067.4				

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

(b) One counterparty within the California power market represents greater than ten percent of derivative assets and is included in "investment grade." Standard & Poor's and Moody's Investor's Service do not currently rate this counterparty. This counterparty has been included in the "investment grade" column based upon contractual credit requirements in the event of assignment or novation.

The overall net credit exposure from derivative contracts of $1,067.4 million at June 30, 2003, represents an overall decrease in derivative credit exposure of approximately 13 percent on a comparable basis from December 31, 2002. In 2002 and 2003 Energy Marketing & Trading closed out various trading positions and as a result has not suffered significant losses due to recent bankruptcy filings of certain counterparties in second-quarter 2003. In addition, Energy Marketing and Trading settled a dispute with a counterparty in second-quarter 2003 and received $90 million in cash while recognizing an insignificant loss for the settlement in second-quarter 2003. Credit constraints, declines in market liquidity, and financial instability of market participants, are expected to continue and potentially worsen in 2003. Continued liquidity and credit constraints of Williams may also significantly impact Energy Marketing & Trading's ability to manage market risk and meet contractual obligations.

Electricity and natural gas markets, in California and elsewhere, continue to be subject to numerous and wide-ranging federal and state regulatory proceedings and investigations, as well as civil actions, regarding among other things, market structure, behavior of market participants, market prices, and reporting to trade publications. Energy Marketing & Trading may be liable for refunds and other damages and penalties as a part of these actions. Each of these matters as well as other regulatory and legal matters related to Energy Marketing & Trading are discussed in more detail in Note 11 to the Consolidated Financial Statements. The outcome of these matters could affect the creditworthiness and ability to perform contractual obligations of Energy Marketing & Trading as well as the creditworthiness and ability to perform contractual obligations of other market participants.

FINANCIAL CONDITION AND LIQUIDITY

LIQUIDITY

Williams' liquidity is derived from both internal and external sources. Certain of those sources are available to Williams (the parent) and others are available to certain of its subsidiaries. Williams' sources of liquidity consist of the following:

- Cash-equivalent investments at the corporate level of $2.8 billion at June 30, 2003, as compared to $1.3 billion at December 31, 2002.
- Cash and cash-equivalent investments of various international and domestic entities of $437 million at June 30, 2003 as compared to $352 million at December 31, 2002.
- Cash generated from sales of assets.
- Cash generated from operations.
- $413 million available under Williams' new revolving credit facility at June 30, 2003. This new facility is primarily for the purpose of issuing letters of credit and must be collateralized at 105 percent of the level utilized (see Note 10). At December 31, 2002, Williams had a combined $480 million available under the previous revolving and letter of credit facilities.

Williams has an effective shelf registration statement with the Securities and Exchange Commission that enables it to issue up to $3 billion of a variety of debt and equity securities. Subsequent to the $800 million issuance of senior unsecured securities on June 10, 2003, the current availability under this shelf registration is $2.2 billion.

In addition, there are outstanding registration statements filed with the Securities and Exchange Commission for Williams' wholly owned subsidiaries: Northwest Pipeline and Transcontinental Gas Pipe Line. As of August 11, 2003, approximately $350 million of shelf availability remains under these outstanding registration statements and may be used to issue a variety of debt securities. Interest rates, market conditions, and industry conditions will affect amounts raised, if any, in the capital markets. On March 4, 2003, Northwest Pipeline completed an offering of $175 million of 8.125 percent senior notes due 2010. The $350 million of shelf availability mentioned above was not affected by this offering.

Capital and investment expenditures for 2003 are estimated to total approximately $1 billion. Williams expects to fund capital and investment expenditures, debt payments and working-capital requirements through (1) cash on hand, (2) cash generated from operations, (3) the sale of assets, and/or (4) amounts available under Williams' revolving credit facility.

Outlook

Williams expects to generate proceeds, net of related debt, of nearly $4 billion from asset sales during 2003 and 2004. Through June 30, 2003, Williams has received $2.4 billion in net proceeds from asset sales and its board of directors has approved resolutions that authorized management to negotiate and facilitate the sales of the assets of Gulf Liquids New River Project LLC and Williams' Alaska operations. Williams has also reached agreements to sell certain additional natural gas exploration and production properties in Utah for $49 million. In August 2003, Williams announced sales of assets completed subsequent to June 30, 2003, and agreements to sell various assets for cash proceeds in excess of $80 million. These assets include:

- The West Stoddart natural gas processing plant in Western Canada, which is part of Midstream Gas & Liquids,
- Williams' 20 percent ownership interest in West Texas LPG Pipeline Limited Partnership which transports natural gas liquids in Texas and is part of Midstream Gas & Liquids,
- Distributed-generation units and an associated third-party contract, which is part of Energy Marketing & Trading, and
- Refined products management operations, which are part of the Other segment.

The nearly $4 billion targeted level of assets sales does not include any proceeds from sales of contracts within Energy Marketing & Trading. Any proceeds from sales of contracts would be additive to the assets sales. For the six month period ended June 30, 2003, Energy Marketing & Trading has sold contracts for proceeds totaling approximately $206 million. In August 2003, Williams also announced that it had agreed to terminate a long-term power contract with Allegheny Energy Supply Company, LLC, a subsidiary of Allegheny Energy, Inc., for cash consideration of $128 million payable to Williams. The agreement is subject to certain conditions, including a provision that Allegheny successfully complete the sale of its energy supply agreement with the California Department of Water Resources.

Based on the Company's forecast of cash flows and liquidity, Williams believes that it has, or has access to, the financial resources and liquidity to meet future cash requirements. For the remainder of 2003 and including periods through first-quarter 2004, the Company has scheduled debt retirements of approximately $1.8 billion.

OPERATING ACTIVITIES

For the six months ended June 30, 2003, Williams recorded approximately $121 million in provisions for losses on property and other assets consisting primarily of the $42.4 million impairment of Williams' investment in Longhorn Partners Pipeline L.P., $25.5 million charge related to write-off of software development costs at Northwest Pipeline, $13.5 million impairment of an investment in a company holding phosphate reserves and the $12 million impairment of Algar Telecom S.A.

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

The accrual for fixed rate interest included in the RMT note payable on the Consolidated Statement of Cash Flows represents the quarterly noncash reclassification of the deferred fixed rate interest from an accrued liability to the RMT note payable. The amortization of deferred set-up fee and fixed rate interest on the RMT note payable relates to amounts recognized in the income statement as interest expense, which were not paid until maturity. The RMT note payable was repaid in June 2003 (see Note 10).

FINANCING ACTIVITIES

For a discussion of borrowings and repayments in 2003, see Note 10 of Notes to Consolidated Financial Statements.

Dividends paid on common stock are currently $.01 per common share on a quarterly basis and total $10.3 million for the six months ended June 30, 2003. Additionally, one of the covenants under the indenture

for the new $800 million senior unsecured notes due 2010 currently limits the quarterly common stock dividends paid by Williams to not more than $.02 per common share. This restriction may be removed in the future as Williams' financial condition improves and certain requirements in the covenants are met. Williams also paid $32.6 million in dividends on the 9 7/8 percent cumulative-convertible preferred shares that were redeemed in June 2003.

INVESTING ACTIVITIES

For 2003, net cash proceeds from asset dispositions, sales of businesses and disposition of investments include the following:

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

COMMITMENTS

The table below summarizes the more significant contractual obligations and commitments by period. These amounts do not reflect debt reductions contingent upon asset sales (see Note 10).

	JULY 1-DEC. 31, 2003	2004	2005	2006	2007	THEREAFTER	TOTAL
(MILLIONS)							
Notes payable	$ 10	$ --	$ --	$ --	$ --	$ 10	
Long-term debt, including current portion	386	1,596	1,344(1)	959	905	7,826	13,016
Operating leases	35	34	24	12	10	19	134
Fuel conversion and other service contracts(2)	206	391	395	399	404	5,063	6,858
Total	$ 637						

$ 2,021	$						
1,763	$						
1,370	$						
1,319	$						
12,908	$						
20,018							

(1) Includes $1.1 billion of 6.5 percent notes, payable 2007 subject to remarketing in 2004 (FELINE PACS). If the remarketing is unsuccessful in 2004 and a second remarketing in February 2005 is unsuccessful as defined in the offering document of the FELINE PACS, then Williams could exercise its right to foreclose on the notes in order to satisfy the obligation of the holders of the equity forward contracts requiring the holder to purchase Williams common stock.

(2) Energy Marketing & Trading has entered into certain contracts giving Williams the right to receive fuel conversion services as well as certain other services associated with electric generation facilities that are either currently in operation or are to be constructed at various locations throughout the continental United States.

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 debt issuances and debt payments in both the first and second quarters of 2003. During 2003, Williams has repaid or retired the RMT note payable (see Note 10), $224 million on the variable rate debt of Snow Goose LLC, $448.2 million of variable rate debt due in 2003, $139.8 million of capitalized lease obligations and $78.5 million of variable rate debt due in 2006. During 2003, Williams, or its subsidiaries, issued the following debt:

- March 2003-Northwest Pipeline Corporation, a subsidiary of Williams, through a private debt placement, issued $175 million of 8.125 percent notes payable in 2010

- May 2003-Williams issued $300 million of 5.5 percent junior subordinated convertible debentures, due 2033.

- May 2003-Williams RMT Production Company issued a $500 million secured, subsidiary-level loan, due in 2007, at a floating interest rate of 3.75 percent over the six-month London InterBank Offered Rate

- June 2003-Williams issued $800 million of 8.625 percent senior unsecured notes due in 2010 under the company's $3 billion shelf registration statement

COMMODITY PRICE RISK

Energy Marketing & Trading and Midstream Gas & Liquids are exposed to the impact of market fluctuations in the price of natural gas, electricity, crude oil, refined products, and natural gas liquids as a result of managing risk associated with the Company's owned energy related assets and long-term energy-related contracts as well as its proprietary trading activities. Energy Marketing & Trading and Midstream Gas & Liquids manage the risks associated with these market fluctuations using various derivatives for both trading and non-trading purposes. Certain of these derivative contracts are designated as cash flow hedges under SFAS No. 133 and others are accounted for under the mark-to-market method of accounting. Derivative contracts are subject to changes in energy commodity market prices, volatility and correlation of those commodity prices, the portfolio position of the contracts, the liquidity of the market in which the contract is transacted and changes in interest rates. The risk in the trading and non-trading portfolios are measured utilizing a value-at-risk methodology to estimate the potential one-day loss from adverse changes in the fair value of the portfolios. Value at risk requires a number of key assumptions and is not necessarily representative of actual losses in fair value that could be incurred from the portfolios. The value-at-risk model assumes that, as a result of changes in commodity prices, there is a 95 percent probability that the one-day loss in fair value of the portfolios will not exceed the value at risk. The value-at-risk model uses historical simulations to estimate hypothetical movements in future market prices assuming normal market conditions based upon historical market prices. Value at risk does not consider that changing the 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 has historically been 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. Commodity contracts designated as a normal purchase or sale pursuant to SFAS No. 133 and non-derivative energy contracts have been excluded from the estimation of value at risk.

TRADING

The trading portfolio consists of derivative contracts held to provide price risk management services to third-party customers based on a contract by contract assessment. These contracts are accounted for using the mark-to-market accounting method. At June 30, 2003 and December 31, 2002, the value at risk for the derivative contracts considered to be held for trading purposes was $6.5 million and $50.2 million, respectively. The adoption of EITF Issue No. 02-3 resulted in non-derivative energy contracts no longer being accounted for and reported at fair value, therefore such contracts have not been included in the June 30, 2003 trading value at risk. For the disclosure in the Form 10-Q for March 31, 2003, Energy Marketing & Trading and Midstream Gas & Liquids considered all derivatives other than those designated as cash flow hedges under SFAS No. 133 to be trading. As previously noted, consistent with Williams' continued evaluation of its future involvement in the merchant power and generation business, in the second quarter of 2003 trading contracts were reevaluated to include only those entered into to provide risk management services to third party customers and not those contracts hedging or mitigating the market risk of Energy Marketing & Trading and Midstream Gas & Liquid's own long-term structured portfolios.

Item 3. Quantitative and Qualitative Disclosures About Market Risk (concluded)

NON-TRADING

The non-trading portfolio consists of derivative contracts held to hedge changes in energy commodity prices within Exploration & Production, the non-trading operations of Midstream Gas & Liquids and the non-trading operations of Energy Marketing & Trading. Exploration & Production is exposed to commodity price risk associated with the sales price of the natural gas and crude oil it produces. Midstream Gas & Liquids is exposed to commodity price risk related to natural gas purchases, natural gas liquids purchases and sales, and electricity costs. Energy Marketing & Trading is exposed to commodity price risk related to electricity purchased and sold and natural gas purchased for the production of electricity. At June 30, 2003, the non-trading portfolio consists of derivative contracts designated as cash flow hedges under SFAS No. 133 and non-trading derivative contracts accounted for under the mark-to-market method of accounting. The value-at-risk model did not consider the underlying commodity positions to which the cash flow hedges relate. Therefore, it is not representative of economic losses that could occur on a total non-trading portfolio basis that includes the underlying commodity positions. At June 30, 2003 and December 31, 2002, the value at risk for the non-trading derivative commodity instruments was approximately $23.6 million and $45 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

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

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

There has been no change in Williams' Internal Controls that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, Williams' Internal Controls.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information called for by this item is provided in Note 11 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

The terms of the $800 million 8.625 percent senior unsecured notes due 2010 issued on June 10, 2003 currently limits the payment of quarterly dividends to no greater than $.02 per common share. This restriction may be lifted if certain conditions, including Williams attaining an investment grade rating from both Moody's Investor's Services and Standard & Poor's, are met.

On May 28, 2003, Williams issued $300 million of 5.5 percent junior subordinated convertible debentures due 2033 in a private placement. These notes, which are not callable by the company for seven years, are convertible at the option of the holder into Williams common stock at a conversion price of $10.89 per share. The proceeds were used to redeem all of the outstanding 9 7/8 percent cumulative-convertible preferred shares.

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

The Annual Meeting of Stockholders of the Company was held on May 15, 2003. At the Annual Meeting, three individuals were elected as directors of the Company and seven individuals continue to serve as directors pursuant to their prior elections. The appointment of Ernst & Young LLP as the independent auditor of the Company for 2003 was ratified and an amendment to The Williams Companies, Inc. 2002 Incentive Plan was approved. A shareholder proposal regarding an audit services policy was not approved.

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

Election of Directors

Name	For	Withheld
William E. Green	431,452,485	36,255,783
W.R. Howell	432,029,952	35,678,316
George A. Lorch	441,520,713	26,187,555

Ratification of Appointment of Independent Auditors

For	Against	Abstain
441,880,331	21,453,148	4,374,789

Approval of an Amendment to The Williams Companies, Inc. 2002 Incentive Plan

For	Against	Abstain

374,155,662
8,414,541
5,138,065

Approval of a Policy on Audit Services

For
Against -

-- -

--
64,757,334
218,994,157

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit 4.1 - Ninth Supplemental Indenture dated June 10, 2003 between The Williams Companies, Inc. as Issuer and JPMorgan Chase Bank as Trustee.

Exhibit 4.2-- Indenture dated as of May 28, 2003, by and between The Williams Companies, Inc. and JPMorgan Chase Bank, as Trustee for the issuance of the 5.5% Junior Subordinated Convertible Debentures due 2033.

Exhibit 4.3 - Registration Rights Agreement between The Williams Companies, Inc., as Issuer, and Lehman Brothers Inc., as Initial Purchaser dated May 28, 2003.

Exhibit 10.1 - U.S. $500,000,000 Term Loan Agreement among Williams Production Holdings LLC, Williams Production RMT Company, as Borrower, the Several Lenders from time to time parties thereto, Lehman Brothers Inc. and Banc of America Securities LLC as Joint Lead Arrangers, Citigroup USA, Inc. and JPMorgan Chase Bank, as Co-Syndication Agents, Bank of America, N.A., as Documentation Agent, and Lehman Commercial Paper Inc., as Administrative Agent dated as of May 30, 2003.

Exhibit 10.2-- Guarantee and Collateral Agreement made by 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 May 30, 2003.

Exhibit 10.3 - U.S. $800,000,000 Credit Agreement dated as of June 6, 2003, among The Williams Companies, Inc., Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, as Borrowers, Citibank, N.A., as Administrative Agent and Collateral Agent, Bank of America, N.A., as Syndication Agent, JPMorgan Chase Bank, as Documentation Agreement, Citibank, N.A. and Bank of America, N.A as Issuing Banks, the banks named therein as Banks and Citigroup Global Markets Inc. and Banc of America Securities LLC as Joint Lead Arrangers and Joint Book Runners.

Exhibit 10.4-- Security Agreement dated as of June 6, 2003, among The Williams Companies, Inc., as Grantor, Citibank, N.A., as Collateral Agent and Citibank, N.A. as Securities Intermediary.

Exhibit 10.5-- Stock Purchase Agreement dated as of May 19, 2003, between MEHC Investment, Inc., MidAmerican Energy Holdings Company, and The Williams Companies, Inc.

Exhibit 10.6 - Purchase Agreement by and among Williams Energy Services, LLC, Williams Natural Gas Liquids, Inc. and Williams GP LLC collectively, as Selling Parties, and WEG Acquisitions, L.P. as Buyer for the purchase and sale of all the membership interests of WEG GP LLC, all the Common Units and Subordinated Units of Williams Energy Partners, L.P. owned by Williams Energy Services, LLC and Williams Natural Gas Liquids, Inc. and all of the Class B Common Units of Williams Energy Partners, L.P. dated as of April 18, 2003.

Exhibit 10.7 - Amendment No. 1 to the Purchase Agreement dated as of April 18, 2003 by and among Williams Energy Services, LLC, Williams Natural Gas Liquids, Inc. and Williams GP LLC collectively, as Selling Parties, and WEG Acquisitions, L.P. as Buyer for the purchase and sale of all the membership interests of WEG GP LLC, all the Common Units and Subordinated Units of Williams Energy Partners, L.P. owned by Williams Energy Services, LLC and Williams Natural Gas Liquids, Inc. and all of the Class B Common Units of Williams Energy Partners, L.P. dated as of May 5, 2003.

Exhibit 10.8 -Transition Services Agreement by and between The Williams Companies, Inc. and WEG Acquisitions, L.P. dated June 17, 2003.

Exhibit 10.9 - New Omnibus Agreement among WEG Acquisitions, L.P., Williams Energy Services, LLC, Williams Natural Gas Liquids, Inc. and The Williams Companies, Inc. dated as of June 17, 2003.

Exhibit 10.10 - Assumption Agreement dated June 17, 2003 by and between The Williams Companies, Inc. and WEG Acquisitions, L.P.

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

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

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

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

(b) During second-quarter 2003, Williams filed a Form 8-K on the following dates reporting events under the specified items: April 10, 2003 Item 9; April 15, 2003 Item 9; April 16, 2003 Item 9; April 21, 2003 Item 5 and Item 9; April 22, 2003 Item 5 and Item 7; April 25, 2003 Item 9; May 13, 2003 Item 9 and Item 12; May 19, 2003 Item 9; May 21, 2003 Item 9; May 23, 2003 Item 5 and Item 7; May 29, 2003 Item 9; May 30, 2003 Item 9; June 2, 2003 Item 9; June 5, 2003 Item 7; June 9, 2003 Item 5 and Item 7; June 10, 2003 Item 5 and Item 7; June 13, 2003 Item 7; June 19, 2003 Item 9; and June 27, 2003 Item 5 and Item 7.

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 12, 2003

INDEX TO EXHIBITS

EXHIBIT NUMBER DESCRIPTION - - ------ --------
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EXHIBIT 4.1

NINTH SUPPLEMENTAL INDENTURE

DATED AS OF JUNE 10, 2003

BETWEEN

THE WILLIAMS COMPANIES, INC.,

AS ISSUER

AND

JPMORGAN CHASE BANK,

AS TRUSTEE

ARTICLE 1
DEFINITIONS

ARTICLE 2
THE SERIES OF NOTES

ARTICLE 3
COVENANTS

ARTICLE 4
EVENTS OF DEFAULT

NINTH SUPPLEMENTAL INDENTURE, dated as of June 10, 2003 (the "NINTH SUPPLEMENTAL INDENTURE"), between The Williams Companies, Inc., a corporation duly organized and existing under the laws of the State of Delaware (the "COMPANY"), and JPMorgan Chase Bank, a New York banking corporation (as successor trustee to Bank One Trust Company, National Association (successor in interest to the First National Bank of Chicago)), as trustee (the "TRUSTEE").

WHEREAS, the Company executed and delivered the Indenture dated as of November 10, 1997 (the "BASE INDENTURE") to the Trustee to provide for the issuance from time to time of the Company's senior, unsecured debentures, notes, or other evidences of indebtedness (the "SECURITIES"), to be issued in one or more series as might be determined by the Company under the Base Indenture; and

WHEREAS, pursuant to the terms of the Base Indenture, the Company desires to provide for the establishment of a new series of its Securities to be known as its 8 5/8% Senior Notes due 2010 (the "NOTES"), the form and terms of such Notes and the terms, provisions and conditions thereof to be set forth as provided in the Base Indenture and this Ninth Supplemental Indenture (together, the "INDENTURE"); and

WHEREAS, the Company has requested that the Trustee execute and deliver this Ninth Supplemental Indenture and all requirements necessary to make this Ninth Supplemental Indenture a valid, binding and enforceable instrument in accordance with its terms, and to make the Notes, when executed, authenticated and delivered by the Company, the valid, binding and enforceable obligations of the Company, have been done and performed, and the execution and delivery of this Ninth Supplemental Indenture has been duly authorized in all respects.

NOW THEREFORE, in consideration of the purchase and acceptance of the Notes by the Holders thereof, and for the purpose of setting forth, as provided in the Base Indenture, the form and terms of the Notes, the Company covenants and agrees with the Trustee as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. Definition of Terms.Unless the context otherwise requires:

(a) except as provided in Section 1.01(c), a term defined in the Base Indenture has the same meaning when used in this Ninth Supplemental Indenture;

(b) a term defined anywhere in this Ninth Supplemental Indenture has the same meaning throughout;

(c) a term defined anywhere in this Ninth Supplemental Indenture that has a meaning inconsistent with the meaning given such term in the Base Indenture shall have the meaning given such term in this Ninth Supplemental Indenture;

(d) the singular includes the plural and vice versa;

(e) headings are for convenience of reference only and do not affect interpretation; and

(f) the following terms have the meanings given to them in this Section 1.01(f):

"ACQUIRED DEBT" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"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," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "CONTROLLING," "CONTROLLED BY" and "UNDER COMMON CONTROL WITH" have correlative meanings.

"ASSET SALE" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights; provided that the sale, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of Section 3.07 or Section 3.14 hereof and not by the provisions of Section 3.08; and

(2) the issuance of Equity Interests in any of the Company's Restricted Subsidiaries or the sale of Equity Interests in any of its Restricted Subsidiaries.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) any single transaction or series of related transactions that involves assets having a fair market value of less than $10.0 million;

(2) a transfer of assets between or among the Company and its Restricted Subsidiaries,

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(4) the sale or lease of equipment, inventory, accounts receivable or other assets in the ordinary course of business;

(5) the sale or other disposition of cash or Cash Equivalents;

(6) dispositions of accounts receivable and related assets to a Securitization Subsidiary in connection with a Permitted Receivables Financing;

(7) Sale and Leaseback Transactions;

(8) a Restricted Payment or Permitted Investment that is permitted by Section 3.03 hereof;

(9) dispositions in the ordinary course of business on arm's-length terms consummated pursuant to Oil and Gas Agreements; and

(10) (i) dispositions of property acquired after the date hereof required in connection with operating contracts, joint venture agreements and lease arrangements entered into after the date hereof in the ordinary course of business and on arm's-length terms (which disposition is with the other party to such agreement), the aggregate value of which shall not exceed $25,000,000 per fiscal year and (ii) dispositions required in connection with operating contracts, joint venture agreements and lease agreements existing on the date hereof.

"ATTRIBUTABLE DEBT" in respect of a Sale and Leaseback Transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP.

"BENEFICIAL OWNER" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial

ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "BENEFICIALLY OWNS" and "BENEFICIALLY OWNED" have a corresponding meaning.

"BOARD OF DIRECTORS" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee of such board authorized to act on its behalf;

(2) with respect to a partnership, the board of directors of the general partner of the partnership or any committee of such board authorized to act on its behalf; and

(3) with respect to any other Person, the board or committee of such Person serving a similar function.

"CAPITAL LEASE OBLIGATION" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with GAAP.

"CAPITAL STOCK" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"CASH EQUIVALENTS" means:

(1) United States dollars;

(2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (provided that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than two years from the date of acquisition;

(3) (i) demand deposits, (ii) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, (iii) bankers' acceptances with maturities not exceeding 365 days and (iv) overnight bank deposits and other similar types of investments routinely offered by commercial banks, in each case, with any lender party to the Credit Agreement or with any domestic commercial bank or trust company having capital and surplus in excess of $100.0 million;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper rated at least P-2 by Moody's or A-2 by S&P and in each case maturing within 270 days after the date of acquisition;

(6) short-term tax exempt securities, including municipal notes, commercial paper, auction rate floaters, and floating rate notes rated either P-1 by Moody's or A-1 by S&P and maturing within 270 days of acquisition;

(7) 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 Moody's or A by S&P;

(8) money market funds the assets of which constitute primarily Cash Equivalents of the kinds described in clauses (1) through (7) of this definition; and

(9) deposits available for withdrawal on demand with any commercial bank not meeting the qualifications specified in clause (3) above; provided that all such deposits are made in the ordinary course of business, do not remain on deposit for more than 30 consecutive days and do not exceed $10.0 million in the aggregate at any one time.

"CHANGE OF CONTROL" means the occurrence of any of the following:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole to

any "person" (as that term is used in Section 13(d)(3) of the Exchange Act);

(2) the adoption of a plan relating to the liquidation or dissolution of the Company;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that, any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) (other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Subsidiaries) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares;

(4) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors; or

(5) the Company consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of such Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance).

"CONSOLIDATED CASH FLOW" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus (without duplication):

(1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; plus

(2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; plus

(3) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued and whether or not capitalized (including, without limitation, amortization of

debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Related Interest Rate or Currency Hedges), to the extent that any such expense was deducted in computing such Consolidated Net Income; plus

(4) depreciation, amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash items (excluding any such non-cash item to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash items were deducted in computing such Consolidated Net Income; plus

(5) unrealized non-cash losses resulting from foreign currency balance sheet adjustments required by GAAP to the extent such losses were deducted in computing such Consolidated Net Income; plus

(6) all losses incurred as a result of EM&T Portfolio Disposition Transactions, to the extent such losses were deducted in computing such Consolidated Net Income, minus

(7) all gains as a result of EM&T Portfolio Disposition Transactions, to the extent such gains were included in computing such Consolidated Net Income; plus

(8) all extraordinary, unusual or non-recurring items of gain or loss, or revenue or expense to the extent such gains or losses were added or deducted in computing such Consolidated Net Income; minus

(9) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined (where applicable) in accordance with GAAP.

"CONSOLIDATED NET INCOME" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders;

(3) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition will be excluded; and

(4) the cumulative effect of a change in accounting principles will be excluded.

"CONSOLIDATED NET TANGIBLE ASSETS" means, with respect to any Person at any date of determination, the aggregate amount of total assets included in such Person's most recent quarterly or annual consolidated balance sheet prepared in accordance with GAAP less applicable reserves reflected in such balance sheet, after deducting the following amounts: (i) all current liabilities reflected in such balance sheet, and (ii) all goodwill, trademarks, patents, unamortized debt discounts and expenses and other like intangibles reflected in such balance sheet.

"CONTINUING DIRECTORS" means, as of any date of determination, any member of the Board of Directors of the Company who:

(1) was a member of such Board of Directors on the date hereof; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

"CREDIT AGREEMENT" means the Credit Agreement dated June 6, 2003 by and among the Company, Northwest Pipeline Corporation and Transcontinental Gas Pipe Line Corporation as Borrowers and the banks named therein as Banks, the "Issuing Banks", "Co-Lead Arrangers" and other parties referred to therein, and Citicorp USA, Inc., as Agent and Collateral Agent, including any related notes, guarantees, collateral documents, instruments and agreements executed in

connection therewith, and in each case as amended, modified, renewed, refunded, replaced or refinanced from time to time.

"CREDIT FACILITIES" means, one or more debt facilities (including, without limitation, (1) the Credit Agreement, (2) the New RMT Loan, and (3) one or more Permitted Receivables Financings) or commercial paper facilities, in each case with banks or other institutional lenders, or pursuant to intercompany loan or advance arrangements between the Company as borrower, on the one hand, and one or more of its Subsidiaries, on the other (provided that in the case of such intercompany arrangements with the Company's Subsidiaries that such arrangements are on terms consistent with practices in existence on the date hereof) providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"DEFAULT" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"DISQUALIFIED STOCK" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 3.03 hereof.

"EM&T PORTFOLIO DISPOSITION TRANSACTION" means the sale, buyout, liquidation or material restructuring, not in the ordinary course of business, of a tolling or full requirements structured transaction in existence on the date hereof, and associated Hedging Obligations; provided that in the good faith belief of an executive officer of the Company, such sale, buyout, liquidation or restructuring is consistent with the effort to reduce the risk profile and overall financial commitment of the Company's Energy Marketing & Trading business.

"EQUITY INTERESTS" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"EQUITY OFFERING" means a primary issuance, after the date hereof, of Capital Stock (other than Disqualified Stock) of the Company either through an offering pursuant to an effective registration statement under the Securities Act (other than an issuance registered on Form S-4 or S-8 or any successor thereto) or pursuant to a private placement (but excluding in any event any issuance pursuant to an exemption from the registration requirements of the Securities Act or any issuance pursuant to employee benefit plans or otherwise in compensation to officers, directors or employees).

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXISTING INDEBTEDNESS" means Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness under the Credit Facilities) in existence on the date hereof, until such amounts are repaid.

"FIXED CHARGE COVERAGE RATIO" means with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases or redeems any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "CALCULATION DATE"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations or otherwise (including acquisitions of assets used in a Permitted Business and Qualifying Expansion Projects) and including any related financing transactions (including any repayment of Indebtedness), during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect as if they had occurred or (in the case of any Qualifying Expansion Projects) have been completed and in service on the first day of the four-quarter reference period, including any Consolidated Cash Flow (including interest income reasonably anticipated by such Person to be received from Cash or Cash Equivalents held by such Person or any of its Restricted Subsidiaries) and any pro forma expense and cost reductions

that have occurred or are reasonably expected to occur, in the reasonable judgment of the chief financial officer or chief accounting officer of the Company (regardless of whether those cost savings or operating improvements could then be reflected in pro forma financial statements in accordance with Regulation S-X promulgated under the Securities Act or any other regulation or policy of the Commission related thereto) but in the case of Qualifying Expansion Projects, only to the extent of Qualifying Expansion Project Amounts;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded; and

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date.

"FIXED CHARGES" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, any premiums, fees, discounts, expenses and losses on the sale of accounts receivable (and any amortization thereof) in connection with a Permitted Receivables Financing, and net of the effect of all payments made or received pursuant to Related Interest Rate or Currency Hedges ; plus

(2) the consolidated interest of such Person and its Restricted Subsidiaries that was capitalized during such period; plus

(3) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; plus

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person

or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of the Company (other than Disqualified Stock) or to the Company or a Restricted Subsidiary of the Company, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"GAAP" means generally accepted accounting principles 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 have been approved by a significant segment of the accounting profession, all as in effect from time to time.

"GUARANTEE" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

"HEDGING OBLIGATIONS" means, with respect to any specified Person, the obligations of such Person incurred in the normal course of business and consistent with past practices and not for speculative purposes under:

(1) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements;

(2) foreign exchange contracts and currency protection agreements entered into with one or more financial institutions designed to protect the person or entity entering into the agreement against fluctuations in interest rates or currency exchanges rates with respect to Indebtedness incurred and not for purposes of speculation;

(3) any commodity futures contract, commodity option or other similar agreement or arrangement designed to protect against fluctuations in the price of commodities used by that entity at the time; and

(4) other agreements or arrangements designed to protect such person against fluctuations in interest rates or currency exchange rates.

"INDEBTEDNESS" means, with respect to any specified Person, any obligation of such Person, whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds (but not including performance or surety bonds), notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade payable;

(6) representing any Related Interest Rate or Currency Hedges, or

(7) under Permitted Receivables Financings;

if and to the extent any of the preceding items (other than letters of credit and Related Interest Rate or Currency Hedges and obligations in respect of Permitted Receivables Financings) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any indebtedness of any other Person.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) in the case of any Permitted Receivables Financing, the net unrecovered principal amount of the accounts receivable sold thereunder at such date, or other similar amount representing the principal financing amount thereof;

(3) in the case of any Related Interest Rate or Currency Hedges, the net amount payable if such Related Interest Rate or Currency Hedges is terminated at that time due to default by such Person (after giving effect to any contractually permitted set-off); and

(4) the principal amount of the Indebtedness in the case of any other Indebtedness.

"INVESTMENT GRADE DATE" has the meaning set forth in Section 3.15 hereof.

"INVESTMENT GRADE RATING" means a rating equal to or higher than Baa3 by Moody's (or its equivalent under any successor rating categories of Moody's) and BBB- by S&P (or its equivalent under any successor rating categories of S&P).

"INVESTMENTS" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees (other than Guarantees of Indebtedness of the Company or any of its Restricted Subsidiaries to the extent permitted by Section 3.04 hereof)), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business and excluding trade payables of the Company and its Subsidiaries arising in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Company or any Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Subsidiary not sold or disposed of in an amount determined as provided in paragraph (c) of Section 3.03 hereof. The acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the fair market value of the Investment held by the acquired Person in such third Person in an amount determined as provided in paragraph (c) of Section 3.03 hereof.

"LIEN" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"MAKE-WHOLE AMOUNT" with respect to a Note means an amount equal to the excess, if any, of (1) the present value of the remaining interest, premium and principal payments due on such Note (excluding any portion of such payments of interest accrued as of the redemption date), computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (2) the outstanding principal amount of such Note. "TREASURY RATE" is defined as the yield to maturity (calculated on a semi-annual bond-equivalent basis) at the time of the computation of United States Treasury securities with a constant maturity (as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519), which has become publicly available at least two Business

Days prior to the date of the related redemption notice given pursuant to Section 12.2 of the Base Indenture or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the then remaining maturity of the Notes; provided that if the Make-Whole Average Life of such Note is not equal to the constant maturity of the United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the Make-Whole Average Life of such Note is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used. "MAKE-WHOLE AVERAGE LIFE" means the number of years (calculated to the nearest one-twelfth) between the date of redemption and the Stated Maturity of the Notes.

"MAKE-WHOLE PRICE" means the sum of the Outstanding principal amount of the Notes to be redeemed plus the Make-Whole Amount of those Notes.

"MATURITY DATE" means, with respect to any Note, the date on which any principal of such Note becomes due and payable, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

"MOODY'S" means Moody's Investors Service, Inc. and its successors.

"NET INCOME" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by such Person or any of its Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Subsidiaries; and

(2) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss).

"NET PROCEEDS" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale (as reasonably estimated by the Company), in each case, after taking into

account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"NEW RMT LOAN" means the Term Loan Agreement dated as of May 30, 2003 among Williams Production Holdings LLC, Williams Production RMT Company, as borrower, the "Lenders", "Arrangers", "Co-Syndication Agents" and "Documentation Agent" referred to therein, and Lehman Commercial Paper Inc., as Administrative Agent, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and as the same may further be amended, modified, renewed, refunded, replaced or refinanced from time to time.

"NON-RECOURSE DEBT" means Indebtedness:

(1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Notes) of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"OBLIGATIONS" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"OIL AND GAS AGREEMENTS" means operating agreements, processing agreements, farm-out and farm-in agreements, development agreements, area of mutual interest agreements, contracts for the gathering and/or transportation of oil and natural gas, unitization agreements, pooling arrangements, joint bidding agreements, joint venture agreements, participation agreements, surface use agreements, service contracts, tax credit agreements, leases and subleases of oil and gas properties or other similar customary agreements; transactions, properties, interests or arrangements, howsoever designated, in each case made or entered

into in the ordinary course of business as conducted by the Company and its Restricted Subsidiaries.

"PERMITTED BUSINESS" means the lines of business conducted by the Company and its Restricted Subsidiaries on the date hereof and any business incidental or reasonably related thereto or which is a reasonable extension thereof as determined in good faith by the Board of Directors of the Company and set forth in an Officers' Certificate delivered to the Trustee.

"PERMITTED INVESTMENTS" means:

(1) any Investment in the Company or in a Restricted Subsidiary of the Company;

(2) any Investment in Cash Equivalents;

(3) any Investment by the Company or any Subsidiary of the Company in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of the Company; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 3.08 hereof, or any non-cash consideration that was excluded from the definition of Asset Sale pursuant to clause (1) or (4) (for the sale or lease of equipment) pursuant to the second paragraph of such definition;

(5) any Investment in any Person solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;

(6) any purchase or other acquisition of senior debt of the Company or any Restricted Subsidiary (other than Indebtedness that is subordinated to the Notes);

(7) any Investments received in compromise of obligations of such persons incurred in the ordinary course of trade creditors or customers that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer;

(8) Hedging Obligations incurred in the ordinary course of business;

(9) Investments in a Securitization Subsidiary that are necessary or desirable to effect any Permitted Receivables Financing;

(10) Investments by the Company or any Restricted Subsidiary in the Discovery, Gulfstream, Aux Sable and Accroven joint ventures existing on the date hereof in an aggregate amount for each such joint venture (exclusive of equity Investments therein existing on the date hereof) not in excess of the Company's direct or indirect equity percentage interest of the total Indebtedness of such joint venture on the date hereof, together with, in the case of Gulfstream, such percentage interest of additional Indebtedness incurred in accordance with expansions thereof that have been publicly announced prior to the date hereof;

(11) Investments by the Company or any Restricted Subsidiary in joint ventures operating primarily in a Permitted Business in an amount which, together with the amount of all other Investments made after the date hereof in reliance on this clause (11), does not exceed 3% of Consolidated Net Tangible Assets;

(12) reclassification of any Investment initially made in the form of equity as a loan or advance, and reclassification of any Investment initially made in the form of a loan or advance as equity; provided in each case that the amount of such Investment is not increased thereby; and

(13) other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause that are at the time outstanding not to exceed $50 million.

"PERMITTED LIENS" means:

(1) Liens of the Company and any Restricted Subsidiary securing any Credit Facility that was permitted by the terms of this Indenture to be incurred and all Obligations and Hedging Obligations relating to such Indebtedness (but excluding any Credit Facility with any Subsidiary or other Affiliate of the Company, as lender);

(2) Liens (i) in favor of the Company, or (ii) on property of a Restricted Subsidiary in favor of another Restricted Subsidiary;

(3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with or acquired by the Company or any Restricted Subsidiary of the Company or renewals or

replacement of such Liens in connection with the incurrence of Permitted Refinancing Indebtedness to refinance Indebtedness secured by such Liens; provided that such Liens were in existence prior to the contemplation of such merger, consolidation or acquisition and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Restricted Subsidiary;

(4) Liens on property existing at the time of acquisition of the property by the Company or any Restricted Subsidiary of the Company or renewals or replacement of such Liens in connection with the incurrence of Permitted Refinancing Indebtedness to refinance Indebtedness secured by such Liens; provided that such Liens were in existence prior to the contemplation of such acquisition;

(5) Liens to secure the performance of tenders, bids, statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(6) Liens to secure Indebtedness (including Capital Lease Obligations) (x) permitted by clause (4) of the second paragraph of Section 3.04 hereof covering only the assets acquired with such Indebtedness or similar assets acquired in connection with the incurrence of such Permitted Refinancing Indebtedness or (y) permitted by clause (5) of such paragraph, to the extent that such Permitted Refinancing Indebtedness is in respect of Indebtedness initially incurred under clause (4) (whether or not subsequently incurred as Permitted Refinancing Indebtedness);

(7) Liens existing on the date hereof;

(8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; provided that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(9) Liens on assets of Unrestricted Subsidiaries that secure Non-Recourse Debt of Unrestricted Subsidiaries;

(10) Liens on accounts receivable and related assets and proceeds thereof arising in connection with a Permitted Receivables Financing;

(11) Liens arising under Oil and Gas Agreements;

(12) any mortgage which is payable, both with respect to principal and interest, solely out of the proceeds of oil, gas, coal or other

minerals or timber to be produced from the property subject thereto and to be sold or delivered by the Company or one of its Restricted Subsidiaries, including any interest of the character commonly referred to as a "production payment";

(13) any mortgage created or assumed by a Restricted Subsidiary on oil, gas, coal or other mineral or timber property, owned or leased by a Restricted Subsidiary to secure loans to such Subsidiary for the purposes of developing such properties, including any interest of the character commonly referred to as a "production payment"; provided, however, that neither the Company nor any other Subsidiary shall assume or guarantee such loans or otherwise be liable in respect thereto;

(14) Liens granted in cash collateral to support the issuance of letters of credit in an aggregate face amount not exceeding $30.0 million;

(15) Liens pursuant to master netting agreements entered into in the ordinary course of business in connection with Hedging Obligations; and

(16) Liens with respect to Indebtedness and other obligations that at the time of incurrence do not exceed in the aggregate for all such obligations under this clause (16) 15% of the Consolidated Net Tangible Assets of the Company.

"PERMITTED RECEIVABLES FINANCING" means any receivables financing facility or arrangement pursuant to which a Securitization Subsidiary purchases or otherwise acquires accounts receivable of the Company or any Restricted Subsidiaries and enters into a third party financing thereof on terms that the Board of Directors has concluded are customary and market terms fair to the Company and its Restricted Subsidiaries.

"PERMITTED REFINANCING INDEBTEDNESS" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); provided that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith) and any premiums paid on the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded;

(2) if such Permitted Refinancing Indebtedness is issued on or after the first anniversary of the date hereof, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(3) if such Permitted Refinancing Indebtedness is issued on or after the first anniversary of the date hereof, and the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes, as the case may be, on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(4) such Indebtedness is incurred either by the Company or by the Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"PERSON" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"QUALIFYING EXPANSION PROJECT" means any capital expansion project that has increased or will increase the physical capacity of the pipeline system of the Company and its Restricted Subsidiaries; provided that such project has been completed and the assets are in service at, or the Company reasonably believes that the in-service date of the project will be within twelve months after, the Calculation Date.

"QUALIFYING EXPANSION PROJECT AMOUNTS" means with respect to any calculation of pro forma amounts under the Fixed Charge Coverage Ratio additional revenues (if any) and related expenses for any Qualifying Expansion Project for the portion of the four-quarter period prior to the in-service date of such Qualifying Expansion Project (the "ESTIMATION PERIOD"); provided that revenues and related expenses anticipated from any Qualifying Expansion Project during any Estimation Period shall be included in such calculation only to the extent (1) of the portion of the capacity of such Qualifying Expansion Project that is committed under a long-term firm transportation contract on customary terms (as determined in good faith by the Company) with a counterparty that has an Investment Grade Rating of its long-term debt from at least one of S&P and Moody's and (2) the aggregate amount of Qualifying Expansion Project Amounts for all Qualifying Expansion Projects included in any such calculation does not exceed 25% of the aggregate revenues of the Company and its Restricted

Subsidiaries for such period, determined for this purpose on a pro forma basis but before inclusion of any Qualifying Expansion Project Amounts.

"RATING AGENCY" means each of S&P and Moody's, or if S&P or Moody's or both shall not make a rating on the Notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Company (as evidenced by a resolution of the Company's Board of Directors), which shall be substituted for S&P or Moody's, or both, as the case may be.

"RELATED INTEREST RATE OR CURRENCY HEDGE" means any Hedging Obligation entered into by the Company and/or any of its Restricted Subsidiaries of the type referred to in items (i) or (ii) of the definition thereof, and provided that such Hedging Obligation was entered into with respect to other Indebtedness of the Company and/or its Restricted Subsidiaries to protect against fluctuations in interest rates or currency exchange rates with respect to such other Indebtedness.

"RESTRICTED INVESTMENT" means an Investment other than a Permitted Investment.

"RESTRICTED SUBSIDIARY" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"S&P" means Standard and Poor's, a division of The McGraw-Hill Companies, Inc., and its successors.

"SALE AND LEASEBACK TRANSACTION" means any arrangement with any Person (other than the Company or a Subsidiary), or to which any such Person is a party, providing for the leasing, pursuant to a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP, to the Company or a Restricted Subsidiary of any property or asset which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person (other than the Company or a Subsidiary), to which funds have been or are to be advanced by such Person.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SECURITIZATION SUBSIDIARY" means a Subsidiary of the Company

(1) that is designated a "Securitization Subsidiary" by the Company's Board of Directors,

(2) that does not engage in, and whose charter prohibits it from engaging in, any activities other than Permitted Receivables Financings and any activity necessary, incidental or related thereto,

(3) no portion of the Indebtedness or any other obligation, contingent or otherwise, of which

(A) is Guaranteed by the Company or any Restricted Subsidiary of the Company,

(B) is recourse to or obligates the Company or any Restricted Subsidiary of the Company in any way, or

(C) subjects any property or asset of the Company or any Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, and

(4) with respect to which neither the Company nor any Restricted Subsidiary of the Company (other than an Unrestricted Subsidiary) has any obligation to maintain or preserve such its financial condition or cause it to achieve certain levels of operating results

other than, in respect of clauses (3) and (4), pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Permitted Receivables Financing.

"SIGNIFICANT SUBSIDIARY" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

"STATED MATURITY" means, with respect to any installment of interest or principal on any Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"SUBSIDIARY" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or

(b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"UNRESTRICTED SUBSIDIARY" means (1) any Securitization Subsidiary or (2) any Subsidiary of the Company that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a Board Resolution, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by Section 3.03 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 3.04 hereof, the Company will be in default thereunder. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (1) such Indebtedness is permitted under Section 3.04 hereof, calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

"VOTING STOCK" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"WEIGHTED AVERAGE LIFE TO MATURITY" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

Section 1.02. Rules of Construction. For all purposes of this Ninth Supplemental Indenture:

(a) all references herein to Articles and Sections, unless otherwise specified, refer to the corresponding Articles and Sections of this Ninth Supplemental Indenture;

(b) the terms "herein", "hereof', "hereunder" and other words of similar import refer to this Ninth Supplemental Indenture; and

(c) the terms "this Indenture" and "the Indenture" and other words of similar import refer to the Base Indenture as supplemented by this Ninth Supplemental Indenture.

ARTICLE 2
THE SERIES OF NOTES

Section 2.01. Title of the Securities. There shall be established hereby a series of Securities designated as the "85/8% Senior Notes due 2010."

Section 2.02. Form And Dating. General. The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note shall be dated the date of its authentication. The Notes shall be in denominations of US$1,000 and integral multiples thereof.

(b) The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Ninth Supplemental Indenture, and the Company and the Trustee, by their execution and delivery of this Ninth

Supplemental Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Ninth Supplemental Indenture, the provisions of this Ninth Supplemental Indenture shall govern and be controlling.

(c) The Notes shall be issuable as Registered Securities and Registered Global Securities. The Company hereby designates The Depository Trust Company as the initial Depositary for the Notes. References to the "Depositary" herein shall refer to the Depositary designated in the foregoing sentence.

Section 2.03. Aggregate Principal Amount. The aggregate principal amount of the Notes shall not initially exceed $800,000,000. The aggregate principal amount of Notes issuable hereunder may be increased and additional Notes may be issued up to the maximum aggregate principal amount authorized from time to time by the Board of Directors of the Company. Such additional Notes (i) shall have the same terms as the Notes initially issued hereunder, except for the issue date, issue price, initial Interest Payment Date and the initial interest accrual date, (ii) shall, together with the Notes initially issued hereunder, constitute a single series of Securities under the Indenture, (iii) shall not be issued if at the time of issuance an Event of Default with respect to the Notes shall have occurred and be continuing and (iv) may only be issued if permitted by Section 3.04 hereof.

Section 2.04. Principal Payment Date. The Notes will mature and principal thereof will be due and payable, together with all accrued and unpaid interest thereon, on June 1, 2010.

Section 2.05. Interest And Interest Dates. Interest on the Notes shall be payable semi-annually on June 1 and December 1 of each year, beginning (in the case of Notes initially issued hereunder) on December 1, 2003 (each, an "INTEREST PAYMENT DATE"); provided, however, that if an Interest Payment Date would otherwise be a day that is not a Business Day, such Interest Payment Date shall be the next succeeding Business Day, and no additional interest shall be paid in respect of such intervening period. Interest will be paid to the Holders of record on the May 15 or November 15 immediately preceding the applicable Interest Payment Date. The interest rate borne by the Notes will be 85/8% per annum, until the Notes are paid in full.

The amount of interest payable on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.

Section 2.06. Optional Redemption.

(a) At any time and from time to time prior to June 1, 2007, the Company may, at its option, redeem all or a portion of the Notes at the Make-Whole Price plus accrued and unpaid interest to the redemption date. The Company shall determine the Make-Whole Price and deliver to the Trustee an

Officers' Certificate setting forth such price promptly after the determination thereof and prior to the time the redemption notice is to be given pursuant to Section 12.2 of the Base Indenture. The Trustee shall have no responsibility for determining the Make-Whole Price.

(b) At any time and from time to time on or after June 1, 2007, the Company may, at its option, redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date:

TWELVE MONTH PERIOD COMMENCING JUNE 1 IN YEAR	PERCENTAGE
2007	104.313%
2008	102.156%
2009 and thereafter	100.000%

Any redemption pursuant to this Section 2.06 shall be made, to the extent applicable, pursuant to the provisions contained in Article Twelve of the Base Indenture.

Section 2.07. Redemption with Proceeds of Public Equity Offering. At any time and from time to time prior to June 1, 2006, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds received by Company from any Equity Offering at a redemption price equal to 108.625% of the principal amount plus accrued and unpaid interest to the redemption date; provided that

(a) in each case the redemption takes place not later than 120 days after the closing of the related Equity Offering, and

(b) at least 65% of the aggregate principal amount of Notes remains outstanding immediately after the occurrence of such redemption (excluding Notes held by the Company and its Subsidiaries).

(c) The Officers' Certificate required to be delivered to the Trustee by the Company by the fourth paragraph of Section 12.2 of the Base Indenture shall, in addition to the other matters required to be stated therein, state that the Company is entitled under this Section 2.07 to redeem the Notes.

(d) Any redemption pursuant to this Section 2.07 shall be made, to the extent applicable, pursuant to the provisions of Article Twelve of the Base Indenture.

Section 2.08. Change Of Control Offer. (a) A "CHANGE OF CONTROL OFFER" means an offer by the Company to purchase Notes as required by Section 3.07 hereof. A Change of Control Offer must be made by written offer (the "OFFER") sent to the Holders of the Notes. The Company shall notify the Trustee at least three Business Days (or such shorter period as is acceptable to the

Trustee) prior to sending the offer to such Holders of its obligation to make a Change of Control Offer, and the offer will be sent by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

(b) The offer must include or state the following as to the terms of the Change of Control Offer:

(i) the provision of the Indenture pursuant to which the Change of Control Offer is being made;

(ii) the purchase price, including the portion thereof representing accrued interest;

(iii) a payment date (the "CHANGE OF CONTROL PAYMENT DATE") not less than 30 days or more than 60 days after the date the offer is mailed;

(iv) a description of the transaction or transactions constituting the Change of Control;

(v) a Holder may tender all or any portion of its Notes, subject to the requirement that any portion of a Note tendered must be in a multiple of $1,000 principal amount;

(vi) the place or places where Notes are to be surrendered for tender pursuant to the Change of Control Offer;

(vii) each Holder electing to tender a Note pursuant to the offer will be required to surrender such Note, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, at the place or places specified in the offer prior to the close of business on the Change of Control Payment Date (such Note being, if the Company or the Trustee so requires, duly endorsed or accompanied by a duly executed written instrument of transfer);

(viii) interest on any Note not tendered will continue to accrue;

(ix) on the Change of Control Payment Date the purchase price will become due and payable on each Note accepted for purchase, and interest on Notes purchased will cease to accrue on and after the Change of Control Payment Date;

(x) Holders are entitled to withdraw Notes tendered by giving notice, which must be received by the Company or the Trustee not later than the close of business on the Change of Control Payment Date, setting forth the name of the Holder, the principal amount of the tendered Notes, the certificate number of the tendered Notes (unless the Notes are

represented by one or more Registered Global Securities) and a statement that the Holder is withdrawing all or a portion of the tender;

(xi) the Company will purchase all Notes validly tendered pursuant to such Change of Control Offer on the Change of Control Payment Date;

(xii) if any Note is purchased in part, new Notes equal in principal amount to the unpurchased portion of the Note will be issued; and

(xiii) if any Note contains a CUSIP or CINS number, no representation is being made as to the correctness of the CUSIP or CINS number either as printed on the Notes or as contained in the offer and that the Holder should rely only on the other identification numbers printed on the Notes.

(c) Prior to the Change of Control Payment Date, the Company will accept tendered Notes for purchase as required by the Change of Control Offer and deliver to the Trustee all Notes so accepted together with an Officers' Certificate specifying which Notes have been accepted for purchase. On the Change of Control Payment Date the purchase price will become due and payable on each Note accepted for purchase, and interest on Notes purchased will cease to accrue on and after the Change of Control Payment Date. The Trustee or other paying agent with respect to the Notes will promptly mail to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly return to Holders any Notes not accepted for purchase and send to Holders new Notes equal in principal amount to any unpurchased portion of any Notes accepted for purchase in part, provided that each new Note will be in a principal amount of $1,000 or an integral multiple of $1,000.

(d) On the Change of Control Payment Date, the Company will, to the extent lawful:

(i) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(ii) deposit with the Trustee or other paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(iii) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

(e) The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws or regulations thereunder to the extent such laws or regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control, and the above procedures will be deemed modified as necessary to permit such compliance.

Section 2.09. Defeasance. Section 10.1 of the Base Indenture is hereby amended with respect to the Notes by adding at the end of subsection (B) thereof, the following new paragraphs "(f) the Company has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of the Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others." and "(g) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit)."

(b) Section 10.1 of the Base Indenture is hereby amended with respect to the Notes by (i) adding on the third line of paragraph (b) of subsection (C) thereof, the following words after the word Securities: "(other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit)" and (ii) adding at the end of subsection (C) thereof, the following new paragraph "(i) the Company has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of the Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others."

(c) The following covenants and Events of Default shall be subject to covenant defeasance under Section 10.1(C) of the Base Indenture in lieu of Sections 3.6 and 9.1 thereof: 2.08, 3.02 through 3.13, 3.14(a)(4), 3.15 and 4.02(a)(iii), (v) and (vi). All references in Section 10.1(C) to Section 5.1 of the Base Indenture shall be deemed a reference to Section 4.02(a) hereof and all references in Section 10.1(C) to Section 5.1(d) or (e) of the Base Indenture shall be deemed a reference to Section 4.02(a)(vii) or (viii) hereof.

ARTICLE 3
COVENANTS

Section 3.01. Applicability Of Covenants. Section 3.6 and Section 9.1 of the Base Indenture will not be applicable to the Notes. Instead, the provisions of Sections 3.02 through 3.15 will apply to the Notes to the extent stated below.

Section 3.02. Commission Reports; Financial Statements. (a) Whether or not required by the Commission, so long as any Notes are outstanding, the

Company will furnish to the Trustee, within 30 days after the time periods specified in the Commission's rules and regulations:

(1) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such reports, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations", and, with respect to the annual information only, a report on the annual financial statements by the Company's certified independent accountants; and

(2) all current reports that would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports.

(b) If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries, then the quarterly and annual financial information required by paragraph (a) will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries excluding in all respects the Unrestricted Subsidiaries of the Company.

(c) On request from the Trustee, 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 pursuant to the Indenture, if any are so required.

(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 Officers' Certificates).

Section 3.03. Limitation On Restricted Payments. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company or to the Company or a Restricted Subsidiary of the Company);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is subordinated to the Notes, except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment (all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "RESTRICTED PAYMENTS"),

unless, at the time of and after giving effect to such Restricted Payment, no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment; and

(1) The Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 3.04 hereof and

(2) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the date hereof (excluding Restricted Payments permitted by clauses (2), (3), (4), (6) and (8) of the next succeeding paragraph), is less than the sum, without duplication, of:

(A) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the first anniversary of the date hereof to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus

(B) 100% of the aggregate net cash proceeds received by the Company (including the fair market value of any Permitted Business or assets used or useful in a Permitted Business to the extent acquired in consideration of Equity Interests of the Company (other than Disqualified Stock)) since the date hereof as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests (other than

Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company), plus

(C) to the extent that any Restricted Investment that was made after the date hereof is sold for cash or otherwise liquidated or repaid for cash, the lesser of (i) the cash return of capital with respect to such Restricted Investment, including, without limitation, repayment of principal of any Restricted Investment constituting a loan or advance (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment, plus

(D) to the extent that any Unrestricted Subsidiary of the Company is redesignated as a Restricted Subsidiary after the date hereof, the lesser of (i) the fair market value of the Company's Investment in such Subsidiary as of the date of such redesignation or (ii) such fair market value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary.

(b) Notwithstanding the foregoing, the preceding provisions of this Section 3.03 shall not prohibit:

(1) the payment of any dividend within 60 days after the date of declaration of the dividend, if at the date of declaration the dividend payment would have complied with the provisions of the Indenture;

(2) the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness of the Company or of any Equity Interests of the Company in exchange for, or out of the net cash proceeds of, the substantially concurrent sale (other than to a Subsidiary of the Company) of Equity Interests of the Company (other than Disqualified Stock); provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition will be excluded from clause (2)(B) of the preceding paragraph;

(3) the redemption, repurchase, retirement, defeasance or other acquisition of the 9-7/8% Cumulative Convertible Preferred Stock of the Company out of the net cash proceeds of the 5.50% Junior Subordinated Convertible Debentures issued by the Company on May 28, 2003; provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition will be excluded from clause (2)(B) of the preceding paragraph;

(4) the defeasance, redemption, repurchase or other acquisition of subordinated Indebtedness of the Company with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(5) quarterly dividends paid pro rata on outstanding common stock of the Company in an amount of up to $0.02 per share, provided that (A) such per share amount shall be adjusted proportionally upon any reclassification, split, combination, special distribution of common stock to holders thereof or similar event such that (x) the per share amount multiplied by the number of such shares outstanding, in each case determined immediately before giving effect to such event is equal to (y) the per share amount multiplied by the number of such shares outstanding, in each case determined immediately after giving effect to such event and (B) in no event shall the aggregate quarterly amount payable pursuant to this clause exceed by 20% the aggregate quarterly amount that would be payable on all shares of common stock outstanding on the date hereof if a quarterly dividend payment of $0.02 per share were payable on the date hereof;

(6) the payment of any distribution or dividend by a Restricted Subsidiary of the Company, on a pro rata basis to all holders or on a basis more favorable to the Company and its Restricted Subsidiary, to the holders of such Restricted Subsidiary's Equity Interests; and

(7) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the repurchase, redemption or acquisition or retirement for value of any Equity Interests of the Company held by any member of the Company's (or any of its Restricted Subsidiaries') management pursuant to any management equity subscription agreement, stock option agreement or similar agreement; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $5.0 million in any twelve-month period and provided further that if the amount so paid in any calendar year is less than $5.0 million, such shortfall may be used to so repurchase, redeem, acquire or retire Equity Interests in either of the next two calendar years in addition to the $5.0 million that may otherwise be paid in each such calendar year;

(8) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, any Investment made in exchange for, or out of the net cash proceeds of, a substantially concurrent offering of Equity Interests of the Company; provided that the amount of any such net cash proceeds will be excluded from clause (2)(B) of the preceding paragraph; and

(9) other Restricted Payments in an aggregate amount since the date hereof not to exceed $50.0 million.

(c) The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any assets or securities that are required to be valued by this

Section 3.03 will be determined, in the case of amounts greater than $10.0 million but less than $75.0 million, by an officer of the Company and, in the case of $75.0 million or more, by the Board of Directors of the Company.

Section 3.04. Limitation On Incurrence Of Indebtedness And Issuance Of Preferred Stock. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "INCUR") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that the Company and its Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or the Company may issue Disqualified Stock, if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least 2.0 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period.

(b) Paragraph (a) of this Section 3.04 will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "PERMITTED DEBT"):

(1) the incurrence by the Company or any Restricted Subsidiary of Indebtedness and letters of credit under any Credit Facilities to which the Company or any Restricted Subsidiary is a party in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the undrawn face amount thereof) not to exceed $1.3 billion;

(2) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness;

(3) the incurrence by the Company of Indebtedness represented by the Notes issued on the date hereof;

(4) the incurrence by the Company and any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or such Restricted Subsidiary, in an aggregate principal amount not to exceed $50.0 million at any time outstanding;

(5) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace Indebtedness (other than intercompany Indebtedness), including Permitted Refinancing Indebtedness incurred to finance the purchase price of the replacement properties, that was permitted to be incurred under paragraph (a) of this Section 3.04 or clauses (2), (3), (4) or (5) of this paragraph (b);

(6) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; provided, however, that (a) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (b) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary of the Company, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the incurrence by the Company or any of its Subsidiaries of Hedging Obligations;

(8) the Guarantee by the Company of Indebtedness of any of its Restricted Subsidiaries that was permitted to be incurred by another provision of this Section 3.04;

(9) Indebtedness in respect of bankers acceptances, letters of credit and performance or surety bonds issued for the account of the Company or any of its Restricted Subsidiaries in the ordinary course of business in amounts and for the purposes customary in the Company's industry, in each case only to the extent that such incurrence does not result in the incurrence of any obligation to repay any borrowed money;

(10) Indebtedness arising from any agreement providing for indemnities, Guarantees, purchase price adjustments, holdbacks, contingency payment obligations based on the performance of the acquired or disposed assets or similar obligations (other than Guarantees of Indebtedness) incurred by any Person in connection with the acquisition or disposition of assets;

(11) the incurrence by the Company or any of its Restricted Subsidiaries of Acquired Debt if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of incurrence of Acquired Debt (the "RELEVANT FIXED CHARGE COVERAGE RATIO") determined immediately after giving effect to such incurrence and the related acquisition (including through a merger, consolidation or otherwise) is higher than the Relevant

Fixed Charge Coverage Ratio determined immediately before giving effect to such incurrence and the related acquisition; and

(12) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (12), not to exceed $250.0 million.

(c) If any Non-Recourse Debt of an Unrestricted Subsidiary shall at any time cease to constitute Non-Recourse Debt or such Unrestricted Subsidiary shall be redesignated a Restricted Subsidiary, such event will be deemed to constitute an incurrence of Indebtedness by a Restricted Subsidiary.

(d) For purposes of determining compliance with this Section 3.04:

(1) in the event that an item of proposed Indebtedness (including Acquired Debt) meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (12) of paragraph (b) above, or is entitled to be incurred pursuant to paragraph (a) of this Section 3.04, the Company will be permitted to classify (or later classify or reclassify in whole or in part in its sole discretion) such item of Indebtedness in any manner that complies with this Section 3.04;

(2) the accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this Section 3.04; provided, in each such case, that the amount thereof is included in the computation of Fixed Charges of the Company as accrued; and

(3) for the purposes of determining compliance with any dollar-denominated restriction on the incurrence of Indebtedness denominated in a foreign currency, the dollar-equivalent principal amount of such Indebtedness incurred pursuant thereto shall be calculated based on the relevant currency exchange rate in effect on the date that such Indebtedness was incurred.

Section 3.05. Limitation On Liens. The Company will not, and will not permit any of its Restricted Subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness, Attributable Debt or trade payables (other than Permitted Liens) upon any of their property or assets, now owned or hereafter acquired, unless the Notes and all payments due under the Indenture with respect to the Notes are secured on an equal and ratable basis with the obligations so secured until such

time as such obligations are no longer secured by a Lien or, in the case of any obligation so secured that is expressly subordinated to the Notes, by a Lien prior to any Liens securing any and all obligations thereby secured for so long as any such obligations shall be so secured.

Section 3.06 . Limitation On Dividend And Other Payment Restrictions Affecting Subsidiaries. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to the Company or any of its Restricted Subsidiaries;

(2) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(3) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

(b) Notwithstanding the foregoing, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness and the Credit Facilities in effect on June 1, 2003 and other customary encumbrances and restrictions existing on or after the date hereof that are not more restrictive in any material respect, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such agreements on June 1, 2003 (provided that the application of such restrictions and encumbrances to additional Restricted Subsidiaries not subject thereto on June 1, 2003 shall not be deemed to make such restrictions and encumbrances more restrictive);

(2) the Indenture and the Notes and other customary encumbrances and restrictions existing in indentures and notes after the date hereof that are not more restrictive, in any material respect, taken as a whole, with respect to such dividend and other payment restrictions than those contained in the Indenture;

(3) applicable law (including without limitation, rules, regulations and agreements with regulatory authorities);

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such

acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(5) customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices;

(6) Capital Lease Obligations, mortgage financings or purchase money obligations for property acquired in the ordinary course of business that impose restrictions on that property of the nature described in clause (3) of paragraph (a) of this Section 3.06;

(7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(8) Permitted Refinancing Indebtedness; provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive in any material respect, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) Liens securing Indebtedness otherwise permitted to be incurred under the provisions of Section 3.05 hereof that limit the right of the debtor to dispose of the assets subject to such Liens;

(10) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements; provided that such restrictions apply only to the assets or property subject to such joint venture or similar agreement or to the assets or property being sold, as the case may be; and

(11) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business.

Section 3.07. Repurchase Of Notes Upon A Change Of Control. (a) Subject to paragraph (b) of this Section, not later than 30 days following a Change of Control, the Company will make a Change of Control Offer to purchase all outstanding Notes at a purchase price (the "CHANGE OF CONTROL PAYMENT") equal to 101% of the principal amount plus accrued and unpaid interest to the date of purchase; provided that the Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth herein applicable to a Change of Control Offer made by the

Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer.

(b) Prior to complying with any of the provisions of this Section, but in any event within 30 days following a Change of Control, if the Company is subject to any agreement evidencing Indebtedness (or commitments to extend Indebtedness) that prohibits prepayment or repurchase of the Notes pursuant to a Change of Control Offer, the Company will either repay all such outstanding Indebtedness of the Company (and terminate all commitments to extend such Indebtedness), or obtain the requisite consents, if any, under all agreements governing such Indebtedness or commitments to permit the repurchase of Notes required by paragraph (a) of this Section 3.07. The Company shall first comply with this paragraph (b) before it shall be required to make a Change of Control Offer or to repurchase Notes pursuant to paragraph (a). The Company's failure to comply with paragraph (b) may (with notice and lapse of time) constitute an Event of Default under Section 4.02 (a)(iv) but shall not constitute an Event of Default under Section 4.02(a)(iii).

(c) The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

Section 3.08. Limit On Asset Sales. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the fair market value of the assets or Equity Interests issued or sold or otherwise disposed of;

(2) for any agreement to make an Asset Sale that is entered into after the date hereof, the fair market value is determined by (a) an executive officer of the Company if the value is more than $10 million but less than $75 million or (b) the Company's Board of Directors if the value is $75 million or more, as evidenced by a Board Resolution; and

(3) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's or such Restricted Subsidiary's most recent balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Subsidiary from further liability;

(b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are contemporaneously, subject to ordinary settlement periods, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion; and

(c) property or assets received as consideration for such Asset Sale that would otherwise constitute a permitted application of Net Proceeds (or other cash in such amount) under clauses (2), (3) or (4) under paragraph (b) of this Section 3.08.

(b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company or any of its Restricted Subsidiaries may apply an amount of cash equal to the amount of such Net Proceeds at its option:

(1) to repay or prepay senior Indebtedness of the Company or any Restricted Subsidiary;

(2) to acquire all or substantially all of the assets of, or a majority of the Voting Stock of, another Permitted Business;

(3) to make a capital expenditure; or

(4) to acquire other long-term assets that are used or useful in a Permitted Business.

(c) Subject to paragraph (e) of this Section 3.08, to the extent that the Company and its Restricted Subsidiaries do not apply an amount of cash equal to the amount of such Net Proceeds of any Asset Sale during such period as provided in paragraph (b) of this Section 3.08, the amount not so applied (excluding Net Proceeds of any Asset Sale to the extent of the amount of acquisitions or capital expenditures described under clauses (2), (3) or (4) paragraph (b) of this Section 3.08 made during the 365 days preceding the receipt of such Net Proceeds (other than any portion of such amount that was funded with Net Proceeds of any other Asset Sale or that has been allocated to exclude Net Proceeds of any other Asset Sales under this Section 3.08)) will constitute "EXCESS PROCEEDS." When the aggregate amount of Excess Proceeds exceeds $20.0 million, the Company will make an Asset Sale Offer to all Holders of Notes and all holders of other Indebtedness that is pari passu with the Notes containing provisions similar to those set forth in this Section 3.08 with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other pari passu Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess

Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other pari passu Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Excess Proceeds will be allocated by the Company to Notes and such other pari passu Indebtedness on a pro rata basis (based upon the respective principal amounts of the Notes and such other pari passu Indebtedness tendered into such Asset Sale Offer) and the portion of each Note to be purchased will thereafter be determined by the Trustee on a pro rata basis among the Holders of such Notes with appropriate adjustments such that the Notes may only be purchased in integral multiples of $1,000. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(d) The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 3.08, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations hereunder by virtue of such conflict.

(e) Prior to making any Asset Sale Offer, but in any event within 30 days following the date on which such Asset Sale Offer would otherwise be required, if the Company is subject to any agreement evidencing Indebtedness (or commitments to extend Indebtedness) that prohibits prepayment or repurchase of the Notes pursuant to an Asset Sale Offer, the Company will either repay all such outstanding Indebtedness of the Company (and terminate all commitments to extend such Indebtedness) or obtain the requisite consents, if any, under all agreements governing such Indebtedness or commitments to permit the repurchase of Notes required by this Section 3.08. The Company shall first comply with this paragraph (e) before it shall be required to make an Asset Sale Offer or to repurchase Notes pursuant to this Section 3.08. The Company's failure to comply with this paragraph (e) may (with notice and lapse of time) constitute an Event of Default under Section 4.02(a)(iv) but shall not constitute an Event of Default under Section 4.02(a)(iii).

(f) In the event that, pursuant to this Section 3.08, the Company is required to commence an Asset Sale Offer, it shall follow the procedures specified below.

The Asset Sale Offer shall be made to all Holders of Notes and to all holders of other Indebtedness that is pari passu with the Notes to the extent set forth above in this Section 3.08. The Asset Sale Offer will remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "OFFER PERIOD"). No later than three Business Days after the termination of the Offer Period (the "PURCHASE Date"), the Company shall apply

all Excess Proceeds (the "OFFER AMOUNT") to the purchase of Notes and such other pari passu Indebtedness (on a pro rata basis, if applicable, as set forth above in this Section 3.08) or, if less than the Offer Amount has been tendered, all Notes and other Indebtedness tendered in response to the Asset Sale Offer.

Upon the commencement of an Asset Sale Offer, the Company will send, by first class mail, a notice to the Trustee and each of the Holders of the Notes. The notice will contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The notice, which will govern the terms of the Asset Sale Offer, will state:

(1) that the Asset Sale Offer is being made pursuant to this Section 3.08 and the length of time the Asset Sale Offer will remain open;

(2) the Offer Amount, the purchase price and the Purchase Date;

(3) that any Note not tendered or accepted for payment will continue to accrue interest;

(4) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer will cease to accrue interest after the Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may elect to have Notes purchased in integral multiples of $1,000 only;

(6) that Holders electing to have a Note purchased pursuant to any Asset Sale Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" attached to the Note completed, or transfer its interest in such Note by book-entry transfer, to the Company, a depositary, if appointed by the Company, or a paying agent at the address specified in the notice at least three Business Days before the Purchase Date;

(7) that Holders will be entitled to withdraw their election if the Company, the depositary or the applicable paying agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(8) that, if the aggregate principal amount of Notes and other pari passu Indebtedness surrendered by Holders exceeds the Offer Amount, the Company will select the Notes and other pari passu

Indebtedness to be purchased on a pro rata basis based on the principal amount of Notes and such other pari passu Indebtedness surrendered (with such adjustments as may be deemed appropriate so that only Notes in denominations of $1,000, or integral multiples thereof, will be purchased); and

(9) that Holders whose Notes were purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Company shall, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and shall deliver to the Trustee an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 3.08. The Company, the depositary or the applicable paying agent, as the case may be, shall promptly (but in any case not later than five Business Days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Company for purchase, and the Company shall promptly issue a new Note, and the Trustee, upon written request from the Company will authenticate and mail or deliver such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company will publicly announce the results of the Asset Sale Offer on the Purchase Date.

Section 3.09. Limitation On Transactions With Affiliates. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each, an "AFFILIATE TRANSACTION"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $50 million, a resolution of the Company's Board of Directors set forth in an

Officers' Certificate certifying that such Affiliate Transaction complies with this Section 3.09 and that such Affiliate Transaction has been approved by a majority of the disinterested members of such Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $75 million, an opinion as to the fairness to the Company of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

(b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of paragraph (a):

(1) any employment agreement on customary terms entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business of the Company or such Restricted Subsidiary;

(2) transactions between or among the Company and/or its Restricted Subsidiaries;

(3) transactions with a Person that is an Affiliate of the Company solely because the Company owns an Equity Interest in, or controls, such Person;

(4) payment of reasonable directors fees and provision to directors, officers and employees of customary indemnities and customary benefits pursuant to employee benefit plans and similar arrangements;

(5) sales of Equity Interests (other than Disqualified Stock) to Affiliates of the Company;

(6) (A) corporate sharing agreements among the Company and its subsidiaries with respect to tax sharing and general overhead and other administrative matters and (B) any other intercompany arrangements disclosed or described in the Company's report on Form 10-K for the fiscal year ended December 31, 2002 (including the exhibits thereto) or the prospectus relating to the offering of the Notes, all as in effect on the date hereof, and any amendment or replacement of any of the foregoing so long as such amendment or replacement agreement is not less advantageous to the Company in any material respect than the agreement so amended or replaced, as such agreement was in effect on the date hereof;

(7) transactions entered into as part of a Permitted Receivables Financing; and

(8) Restricted Payments that are permitted by the provisions of Section 3.03 hereof.

Section 3.10. Designation Of Restricted And Unrestricted Subsidiaries. The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default; provided that in no event will the material businesses currently operated by Williams Production Holdings LLC or Williams Gas Pipeline Company LLC be transferred to or held by an Unrestricted Subsidiary. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary properly designated will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under any applicable provision of Section 3.03 or Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Company may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if the redesignation would not cause a Default.

Section 3.11. Limitation On Sale And Leaseback Transactions. The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Company or any of its Restricted Subsidiaries may enter into a Sale and Leaseback Transaction if:

(1) the Company could have incurred Indebtedness in an amount equal to the Attributable Debt relating to such Sale and Leaseback Transaction under the Fixed Charge Coverage Ratio test in Section 3.04(a) hereof;

(2) immediately after giving effect to such Sale and Leaseback Transaction, the aggregate outstanding Attributable Debt with respect to all Sale and Leaseback Transactions by the Company and its Restricted Subsidiaries does not exceed 10% of the Consolidated Net Tangible Assets of the Company; and

(3) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the fair market value, as determined in good faith by the Board of Directors and set forth in an Officers' Certificate delivered to the Trustee, of the property that is the subject of that Sale and Leaseback Transaction;

provided, however, that the foregoing clauses (1) and (2) shall no longer be applicable after any Investment Grade Date.

Section 3.12. Business Activities. The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and its Subsidiaries taken as a whole.

Section 3.13. Payments For Consent. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any

consideration to or for the benefit of any Holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all Holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Section 3.14. Limitation On Mergers, Consolidations And Sales Of Assets. (a) The Company may not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving Person); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person unless:

(1) either: (A) The Company is the surviving Person; or (B) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a Person organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made expressly assumes by supplemental indenture in form satisfactory to the Trustee all the obligations of the Company under the Notes and the Indenture and delivers to the Trustee an Opinion of Counsel to the effect that the supplemental indenture has been duly authorized, executed and delivered by such Person and constitutes a valid and binding obligation of such Person, enforceable against such Person in accordance with its terms (subject to customary exceptions);

(3) immediately after such transaction no Default or Event of Default exists; and

(4) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance or other disposition has been made will, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in paragraph (a) of Section 3.04 hereof, provided, however, that this clause (4) shall no longer be applicable from and after any Investment Grade Date.

(b) Notwithstanding the foregoing, the Company may not, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person.

(c) Clause (4) of paragraph (a) above will not apply to a sale, assignment, transfer, conveyance or other disposition of assets between or among the Company and any of its Restricted Subsidiaries.

Section 3.15. Covenant Termination. From and after the first date after the date hereof on which the Notes have an Investment Grade Rating from both Rating Agencies and no Default or Event of Default has occurred and is continuing with respect to the Notes (the "INVESTMENT GRADE DATE"), the Company and its Restricted Subsidiaries will no longer be subject to Sections 3.03, 3.04, 3.06, 3.08, 3.09 and 3.12 hereof. The Company shall give the Trustee prompt notice in an Officers' Certificate of the occurrence of the Investment Grade Date.

ARTICLE 4
EVENTS OF DEFAULT

Section 4.01. Applicability Of Events Of Default. Sections 5.1 and 5.10 of the Base Indenture will not be applicable to the Notes. Instead, the provisions of Section 4.02 to 4.04 will apply to extent specified therein. Any reference in the Base Indenture to Section 5.1 or 5.10 thereof shall be deemed for purposes of the Notes to be a reference to Section 4.02, 4.03 or 4.04, as applicable, of this Ninth Supplemental Indenture.

Section 4.02. Events Of Default Defined. (a) Each of the following shall be an Event of Default with respect to the Notes.

(i) default for 30 days in the payment when due of interest on the Notes;

(ii) default in payment when due of the principal of, or premium, if any, on the Notes;

(iii) failure by the Company to purchase Notes tendered pursuant to an offer described under Sections 3.07 or 3.08 hereof in accordance with the terms thereof, or failure of the Company to comply with the provisions of Section 3.14 hereof;

(iv) failure by the Company or any of its Restricted Subsidiaries for 60 days after notice, from the Trustee or the Holders of at least 25% of the

outstanding principal amount of the Notes, to comply with any of the other agreements in the Indenture;

(v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or Guarantee now exists, or is created after the date hereof, if that default:

(A) is caused by a failure of the Company or any Subsidiary of the Company to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "PAYMENT DEFAULT"); or

(B) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $50 million or more;

(vi) failure by the Company or any of its Subsidiaries to pay final judgments aggregating in excess of $50 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(vii) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company or any of its Significant Subsidiaries (or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary) 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 or any of its Significant Subsidiaries (or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary) a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any of its Significant Subsidiaries (or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary) under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any of its Significant Subsidiaries (or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary) or of any substantial part of the property of the Company or any of its Significant Subsidiaries, or ordering the winding up or liquidation of the affairs of the Company or any of its Significant

Subsidiaries (or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary), 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

(viii) the commencement by the Company or any of its Significant Subsidiaries (or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary) 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 or any of its Significant Subsidiaries (or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary) 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 any of its Significant Subsidiaries (or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary) or of any substantial part of the property of the Company or any of its Significant Subsidiaries (or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary), 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 or any of its Significant Subsidiaries (or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary) in furtherance of any such action.

(b) The Trustee shall not be deemed to have knowledge of a Default or Event of Default or of the identity of a Significant Subsidiary (or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary) unless a Responsible Officer assigned to the Corporate Trust Office of the Trustee has actual knowledge of such Default or Event of Default or of the identity of such Significant Subsidiary or the Trustee receives written notice at the Corporate Trust Office of the Trustee of such Default or Event of Default or of the identity of such Significant Subsidiary with specific reference to such Default or Event of Default or Significant Subsidiary and the Notes and this Indenture.

(c) When a Default is cured, or when an Event of Default is deemed cured pursuant to Section 4.04 hereof, such Default, or Event of Default, as the case may be, ceases.

(d) A Default under clause (iv) of this Section 4.02 will not be an Event of Default until the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then Outstanding notify the Company of the Default and the Company does not cure such Default within the time specified after receipt of such notice. Such notice must specify the Default and state that it is a "Notice of Default". Any such notice given by Holders shall also be given to the Trustee.

Section 4.03. Acceleration. If an Event of Default (other than an Event of Default specified in clause (vii) or (viii) of Section 4.02(a) 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 Notes by notice to the Company and the Trustee, may declare the principal of and premium, if any, and accrued and unpaid interest, if any, on all then Outstanding Notes to be due and payable immediately. Upon any such declaration, the principal of, premium, if any, and accrued and unpaid interest, if any, on all then Outstanding Notes shall be due and payable immediately. If an Event of Default specified in clause (vii) or (viii) of Section 4.02(a) occurs with respect to the Company, the principal of and premium, if any, and accrued and unpaid interest, if any, on all Notes 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 Notes has been made and before a judgment for payment of the money due has been obtained by the Trustee as provided in Article Five of the Base Indenture, the Holders of a majority in principal amount of the Outstanding Notes, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(i) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by the declaration of acceleration, have been cured or waived, and

(ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

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

If the maturity of the Notes is accelerated pursuant to this Section 4.03, 100% of the principal amount thereof shall become due and payable plus premium, if any, and accrued interest, if any, to the date of payment.

In the case of any Event of Default occurring by reason of any willful action or inaction taken or not taken by or on behalf of the Company with the intention of

avoiding payment of the premium (including, in the case of any such Event of Default prior to June 1, 2007, payment of the Make-Whole Price) that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to Section 2.06 hereof, an equivalent premium (or, in the case of any such Event of Default prior to June 1, 2007, the relevant Make-Whole Amount that would apply at such time if the Notes were optionally redeemed at the Make-Whole Price) will also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

Section 4.04. Waiver Of Existing Defaults. Subject to Sections 5.7 and 8.2 of the Base Indenture, the Holders of a majority in aggregate principal amount of the Outstanding Notes by notice to the Trustee may waive an existing Default or Event of Default and its consequences (including waivers obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes or a solicitation of consents in respect of the Notes), except (1) a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes or (2) a continuing default in respect of a provision that under Section 8.2 of the Base Indenture 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 4.05. Conflict with Base Indenture. Notwithstanding the foregoing, if any notice, direction, waiver, rescission or cancellation is given with respect to a Default or Event of Default that, under the terms of the Base Indenture, requires action by holders of a percentage of the outstanding principal amount of the Notes and one or more other series of Securities issued under the Base Indenture, voting together or otherwise as a single class, then such notice, direction, waiver, rescission or cancellation shall be effective only if effected with the requisite percentage of the outstanding principal amount of the Notes and any other such Securities, voting together or otherwise as a single class.

ARTICLE 5
EXECUTION OF NOTES

Section 5.01. Execution of Notes. The Notes shall be executed as follows:

Notwithstanding Section 2.5 of the Base Indenture, the Notes shall be signed on behalf of the Company by its Chairman of the Board, its President, one of its Vice Presidents or its Treasurer, and its corporate seal may, but need not, be impressed, affixed, imprinted or otherwise reproduced thereon, and may, but need not, be attested. Such signatures may be the manual or facsimile signatures of the present or any future such officers. If any Note is executed under the Company's corporate seal, such seal may be in the form of a facsimile thereof. Typographical

and other minor errors or defects in any such reproduction of the seal or any such signature shall not affect the validity or enforceability of any Note that has been duly authenticated and delivered by the Trustee.

In case any officer of the Company who shall have signed any of the Notes shall cease to be such officer before the Note so signed shall be authenticated and delivered by the Trustee or disposed of by the Company, such Note nevertheless may be authenticated and delivered or disposed of as though the person who signed such Note had not ceased to be such officer of the Company; and any Note may be signed on behalf of the Company by such persons as, at the actual date of the execution of such Note, shall be the proper officers of the Company, although at the date of the execution and delivery of this Ninth Supplemental Indenture any such person was not such an officer.

ARTICLE 6
MISCELLANEOUS PROVISIONS

Section 6.01. Ratification. The Indenture, as supplemented and amended by this Ninth Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed.

Section 6.02. Counterparts. This Ninth Supplemental Indenture may be executed in any number of counterparts, each of which when so executed shall be deemed an original; and all such counterparts shall together constitute but one and the same instrument.

Section 6.03. Governing Law. THIS NINTH SUPPLEMENTAL INDENTURE AND EACH NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CHOICE OF LAW PRINCIPLES THEREOF.

Section 6.04. No Recitals, etc. The recitals contained herein shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Ninth Supplemental Indenture.

Section 6.05. Paying Agent. The Trustee is hereby appointed paying agent for the Notes.

Section 6.06. Liability Of Incorporators, Stockholders, etc. Section 11.1 of the Base Indenture will not be applicable to the Notes. Instead, the following provisions will apply: No director, officer, employee, incorporator or stockholder of the Company or any Subsidiary, as such, will have any liability for any obligations of the Company under the Notes or the Indenture, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each

Holder of the Notes by accepting a Note will be deemed to have waived and released all such liability. Such waiver and release are part of the consideration for issuance of the Notes.

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

THE WILLIAMS COMPANIES, INC.,

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

JPMORGAN CHASE BANK, as Trustee

By: /s/ J Adamis

Name: J Adamis
Title: Vice President

EXHIBIT A

[Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("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 requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is 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.]

[Unless and until it is exchanged in whole or in part for Securities in definitive registered form, this Security may not be transferred except as a whole by the Depositary to the 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.]

No. __

CUSIP: 969457 BQ2
$_____

THE WILLIAMS COMPANIES, INC.

8 5/8% Senior Note due 2010

The Williams Companies, Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), for value received, hereby promises to pay to _____ or registered assigns, the principal sum of _____ Dollars ($_____) on June 1, 2010, at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semiannually on June 1 and December 1 of each year, commencing December 1, 2003, on said principal sum at said office or agency, in like coin or currency, at the rate per annum specified in the title of this Note, from the June 1 or December 1, as the case may be, next preceding the date of this Note to which interest has been paid or duly provided for, unless the date hereof is a date to which interest has been paid or duly provided for, in which case from the date of this Note, or unless no interest has been paid on this Note or duly provided for, in which case from June 10, 2003, until payment of said principal sum has been made or duly provided for; provided, that payment of interest may be made at the option of the Company by check mailed to the address of the person entitled thereto as such address shall appear on the Security register. Notwithstanding the foregoing, if the date hereof is after May 15 or November 15, as the case may be, and before the following June 1 or December 1, this Note shall bear interest from such June 1 or December 1; provided, that if the Company shall default in the payment of interest due on such June 1 or December 1, then this Note shall bear interest from the next preceding June 1 or December 1, to which interest has been paid or duly provided for or, if no interest has been paid on this Note or duly provided for, from June 10, 2003. The interest so payable on any June 1 or December 1, will, subject to certain exceptions provided in the Indenture referred to on the reverse hereof, be paid to the person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on May 15 or November 15 (whether or not a Business Day), as the case may be, next preceding such June 1 or

December 1. Reference is made to the further provisions of this Note set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place. This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been executed by the Trustee under the Indenture referred to on the reverse hereof by manual signature.

IN WITNESS WHEREOF, The Williams Companies, Inc. has caused this instrument to be duly executed.

THE WILLIAMS COMPANIES, INC.,

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Dated:

This is one of the Securities referred to in the within-mentioned Indenture.

JPMORGAN CHASE BANK,
as Trustee

By: _____
Authorized Officer

[REVERSE OF NOTE]

THE WILLIAMS COMPANIES, INC.
8 5/8% Senior Note due 2010

This Note is one of a duly authorized issue of debentures, notes, bonds or other evidences of indebtedness of the Company (hereinafter called the "Securities") of the series hereinafter specified, all issued or to be issued under and pursuant to an indenture dated as of November 10, 1997, as supplemented (as supplemented, herein called the "Indenture"), duly executed and delivered by the Company to JPMorgan Chase Bank, as successor Trustee (herein called the "Trustee"), to which Indenture reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any), may be subject to different sinking, purchase or analogous funds (if any) and may otherwise vary as provided in the Indenture. This Note is one of a series designated as the 8 5/8% Senior Notes due 2010 (the "Notes") of the Company, initially limited in aggregate principal amount to $800,000,000. The Company may, from time to time, without the consent of the existing holders of the Notes, issue additional notes under the Indenture having the same terms as the Notes in all respects, except for issue date, issue price, initial interest accrual date and the initial Interest Payment Date. Any such additional notes will be consolidated with and form a single series with the Notes under the Indenture.

At any time and from time to time prior to June 1, 2007, the Company may, at its option, redeem the Notes, in whole or in part, at the Make-Whole Price plus accrued and unpaid interest to the redemption date.

"Make-Whole Amount" with respect to a Note means an amount equal to the excess, if any, of (1) the present value of the remaining interest, premium and principal payments due on such Note (excluding any portion of such payments of interest accrued as of the redemption date), computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (2) the outstanding principal amount of such Note.

"Make-Whole Average Life" means the number of years (calculated to the nearest one-twelfth) between the redemption date and the Stated Maturity of the Notes.

"Make-Whole Price" means the sum of the Outstanding principal amount of the Notes to be redeemed plus the Make-Whole Amount for such Notes.

"Treasury Rate" is defined as the yield to maturity (calculated on a semi-annual bond-equivalent basis) at the time of the computation of United States Treasury securities with a constant maturity (as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519), which has become publicly available at least two Business Days prior to the date of the redemption notice or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the then remaining maturity of the Notes; provided that if the Make-Whole Average Life of such Note is not equal to the constant maturity of the United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the Make-Whole Average Life of such Note is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

At any time and from time to time on or after June 1, 2007, the Company may, at its option, redeem the Notes, in whole or in part, at a redemption price equal to the percentage of their principal amount set forth below plus accrued and unpaid interest to the redemption date, if redeemed during the twelve-month period beginning on June 1 of the years indicated below:

Commencing in Year	Percentage
2007	104.313%
2008	102.156%
2009 and thereafter	100.000%

At any time and from time to time prior to June 1, 2006, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds received by the Company from any Equity Offering (as defined in the Indenture) at a redemption price equal to 108.625% of their principal amount plus accrued and unpaid interest to the redemption date; provided that (1) in each case the redemption takes place not later than 120 days after the closing of the related Equity Offering, and (2) at least 65% of the aggregate principal amount of Notes remains outstanding immediately after the occurrence of such redemption (excluding Notes held by the Company and its Subsidiaries).

This Note may be the subject of a Change of Control Offer and/or an Asset Sale Offer, each as further described in the Indenture.

If the Company deposits with the Trustee money or U.S. Government Obligations sufficient to pay the then Outstanding principal of, premium, if any, and accrued interest on the Notes to the redemption date or the Maturity Date of the Notes, as the case may be, the Company may in certain circumstances specified in the Indenture be discharged from the Indenture and the Notes or may be discharged from certain of its obligations under the Indenture.

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 Notes to be redeemed at his registered address. Notes 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 Notes or on the portions thereof called for redemption, as the case may be.

In case an Event of Default with respect to the Notes shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series issued under the Indenture then Outstanding and affected, voting as one class, to add any provisions to, or change in any manner or eliminate any of the provisions of, such Indenture or modify in any manner the rights of the Holders of the Securities of each series so affected; provided that the Company and the Trustee may not, without the consent of the Holder of each outstanding Security affected thereby, (i) extend the final maturity of the principal of any Security, or reduce the principal amount thereof or reduce the rate or extend the time of payment of interest thereon, or reduce the amount payable on redemption thereof or change the currency in which the principal thereof (including any amount in respect of original issues discount) or interest thereon is payable or reduce the amount of any original issue discount security payable upon acceleration or provable in bankruptcy or impair the right to institute suit for the enforcement of any payment on any Security when due or (ii) reduce the aforesaid percentage in principal amount of Securities of any series issued under such Indenture, the consent of the Holders of which is required for any such modification. It is also provided in the Indenture that, with respect to certain defaults or Events of Default regarding the Securities of any series, prior to any declaration accelerating the maturity of such Securities, the Holders of a majority in aggregate principal amount Outstanding of the Securities of such

series (or, in the case of certain defaults or Events of Default, all or certain series of the Securities) may on behalf of the Holders of all the Securities of such series (or, in the case of certain defaults or Events of Default, all or certain series of the Securities, as the case may be) waive any such past default or Event of Default and its consequences. The preceding sentence shall not, however, apply to a default in the payment of the principal of or interest on any of the Securities. Any such consent or waiver by the Holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Note and any Notes which may be issued in exchange or substitution herefor or on registration of transfer hereof, irrespective of whether or not any notation thereof is made upon this Note or such other Notes.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note in the manner, at the respective times, at the rate and in the coin or currency herein prescribed.

The Notes are issuable in registered form without coupons in denominations of $1,000 and any multiple of $1,000 at the office or agency of the Company in the Borough of Manhattan, The City of New York, and in the manner and subject to the limitations provided in the Indenture, but without the payment of any service charge, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations.

Upon due presentment for registration of transfer of this Note at the office or agency of the Company in the Borough of Manhattan, The City of New York, a new Note or Notes of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange therefor, subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

The Company, the Trustee and any authorized agent of the Company or the Trustee may deem and treat the registered Holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment of, or on account of, the principal hereof and subject to the provisions on the face hereof, interest hereon, and for all other purposes, and none of the Company, the Trustee or any authorized agent of the Company or the Trustee shall be affected by any notice to the contrary.

No director, officer, employee, incorporator or stockholder of the Company or any Subsidiary, as such, will have any liability for any obligations of the Company under the Notes or the Indenture, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the

Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

This Note shall for all purposes be governed by, and construed in accordance with, the laws of the State of New York.

Terms used herein which are defined in the Indenture shall have the respective meanings assigned thereto in the Indenture.

Option of Holder to Elect Purchase

If you want to elect to have this Note purchased by the Company pursuant to Section 2.08 or 3.08 of the Ninth Supplemental Indenture to the Indenture, check the appropriate box below:

___Section 2.08 ___Section 3.08

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 2.08 or Section 3.08 of the Ninth Supplemental Indenture to the Indenture, state the amount you elect to have purchased ($1,000 or an integral multiple thereof):

$_____

Date _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

EXHIBIT 4.2

THE WILLIAMS COMPANIES, INC.

AND

JPMORGAN CHASE BANK,
as Trustee

INDENTURE

Dated as of

May 28, 2003

5.50% JUNIOR SUBORDINATED CONVERTIBLE DEBENTURES DUE 2033

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INDENTURE

INDENTURE dated as of May 28, 2003 between The Williams Companies, Inc., a Delaware corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "COMPANY"), having its principal office at One Williams Center, Tulsa, Oklahoma 74172, and JPMorgan Chase Bank, a banking corporation duly organized and existing under the laws of the State of New York, as trustee hereunder (hereinafter called the "TRUSTEE").

WITNESSETH:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issue of its 5.50% Junior Subordinated Convertible Debentures due 2033 (hereinafter called the "DEBENTURES"), in an aggregate principal amount not to exceed $300,000,000, and, to provide the terms and conditions upon which the Debentures are to be authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Debentures, the certificate of authentication to be borne by the Debentures, a form of assignment, a form of option to elect repurchase upon a change of control and a form of conversion notice to be borne by the Debentures are to be substantially in the forms hereinafter provided for; and

WHEREAS, all acts and things necessary to make the Debentures, when executed by the Company and authenticated and delivered by the Trustee or a duly authorized authenticating agent, as in this Indenture provided, the valid, binding and legal obligations of the Company, and to constitute this Indenture a valid agreement according to its terms, have been done and performed, and the execution of this Indenture and the issue hereunder of the Debentures have in all respects been duly authorized,

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Debentures are, and are to be, authenticated, issued and delivered, and in consideration of the premises and of the purchase and acceptance of the Debentures by the holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective holders from time to time of the Debentures (except as otherwise provided below), as follows:

ARTICLE 1
DEFINITIONS

Section 1.01 . Definitions. The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall

have the respective meanings specified in this Section 1.01. All other terms used in this Indenture that are defined in the Trust Indenture Act or which are by reference therein defined in the Securities Act (except as herein otherwise expressly provided or unless the context otherwise requires) shall have the meanings assigned to such terms in the Trust Indenture Act and in the Securities Act as in force at the date of the execution of this Indenture. The words "HEREIN", "HEREOF", "HEREUNDER" and words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other Subdivision. The terms defined in this Article include the plural as well as the singular.

"ACCEPTED PURCHASED SHARES" has the meaning specified in Section 16.05(g).

"ADJUSTMENT EVENT" has the meaning specified in Section 16.05(l).

"AGENT MEMBERS" has the meaning specified in Section 2.05(a).

"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 the purposes of this definition, "CONTROL", when used with respect to any specified Person, means the power to direct or cause the direction of 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" have meanings correlative to the foregoing.

"BOARD OF DIRECTORS" means the Board of Directors of the Company or a committee of such Board duly authorized to act for it hereunder.

"BUSINESS DAY" means any day, other than a Saturday or Sunday, that is not a day on which banking institutions in The City of New York, New York are authorized or obligated by law or executive order to remain closed or on which the Corporate Trust Office of the Trustee is closed for business.

"CHANGE OF CONTROL" means:

(a) the acquisition by any Person of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, through a purchase, merger, other acquisition transaction or a series of such transactions, of shares of the Company's capital stock entitling that Person to exercise 50% or more of the total voting power of all shares of the Company's capital stock entitled to vote generally in elections of directors, other than any acquisition by the Company, any of the Company's Subsidiaries or future Subsidiaries or any of the Company's employee benefit plans;

(b) the first day on which a majority of the members of the board of directors of the Company are not Continuing Directors; or

(c) the consolidation, combination or merger of the Company with or into any other Person, any merger of another Person into the Company, or any conveyance, transfer, sale, lease or other disposition of all or substantially all of the Company's properties and assets to another Person, other than (i) any transaction (x) that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of the Company's capital stock, and (y) pursuant to which holders of the Company's capital stock immediately prior to such transaction are entitled to exercise, directly or indirectly, 50% or more of the total voting power of all shares of the Company's capital stock entitled to vote generally in elections of directors of the continuing or surviving Person immediately after giving effect to such transaction, or (ii) any merger solely for the purpose of changing the Company's jurisdiction of incorporation and resulting in a reclassification, conversion or exchange of outstanding shares of common stock solely into shares of common stock of the surviving entity.

Notwithstanding the foregoing, a Change of Control will not be deemed to have occurred if:

(i) the Closing Sale Price per share of the Company's common stock for any five full Trading Days (not including extended hours trading) within the period of ten consecutive Trading Days ending immediately after the later of the Change of Control or the public announcement of the Change of Control, in the case of a Change of Control under (a) above, or the period of ten consecutive full Trading Days (not including extended hours trading) ending immediately before the Change of Control, in the case of a Change of Control under (c) above, equals or exceeds 110% of the Conversion Price in effect on each of those Trading Days (as adjusted in accordance with Article 16 hereof); or

(ii) at least 90% of the consideration in the transaction or transactions constituting a Change of Control consists of shares of common stock traded or to be traded immediately following such Change of Control on a national securities exchange or the Nasdaq National Market and, as a result of such transaction or transactions, the Debentures become convertible into such common stock (and any rights attached thereto).

"CHANGE OF CONTROL NOTICE" has the meaning specified in Section 3.05(b).

"CLOSING SALE PRICE" of the shares of Common Stock on any date means the closing sale price per share (or, if no closing sale price is reported, the average of the closing bid and ask prices or, if more than one in either case, the average of the average closing bid and the average closing ask prices) on such date as reported in composite transactions for the principal United States securities exchange on which shares of Common Stock are traded or, if the shares of Common Stock are not listed on a United States national or regional securities

exchange, as reported by the Nasdaq System or by the National Quotation Bureau Incorporated. In the absence of such quotations, the Company shall be entitled to determine the Closing Sale Price on the basis it considers appropriate. The Closing Sale Price shall be determined without reference to extended or after hours trading.

"COMMISSION" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"COMMON STOCK" means any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which is not subject to redemption by the Company. Subject to the provisions of Section 16.06, however, shares issuable on conversion of Debentures shall include only shares of the class designated as Common Stock of the Company at the date of this Indenture (namely, the common stock, par value $1.00) or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which are not subject to redemption by the Company; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable on conversion shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"COMPANY" means the corporation named as the "COMPANY" in the first paragraph of this Indenture, and, subject to the provisions of Article 13 and Section 16.06, shall include its successors and assigns.

"COMPOUNDED INTEREST" has the meaning specified in Section 5.01.

"CONTINUING DIRECTORS" means, as of any date of determination, any member of the board of directors of the Company who (i) was a member of the board of directors throughout the twenty-four consecutive months preceding such date of determination; or (ii) was nominated for election or elected to the board of directors with the approval of a majority of the Continuing Directors who were members of the board of directors at the time of such director's nomination or election.

"CONVERSION AGENT" means the office or agency designated by the Company in accordance with Section 6.02 where the Debentures may be presented for conversion.

"CONVERSION DATE" has the meaning specified in Section 16.02.

"CONVERSION NOTICE" has the meaning specified in Section 16.02.

"CONVERSION PRICE" as of any day will equal $50 divided by the Conversion Rate as of such date.

"CONVERSION RATE" has the meaning specified in Section 16.04.

"CORPORATE TRUST OFFICE" or other similar term, means the designated office of the Trustee at which at any particular time its corporate trust business as it relates to this Indenture shall be principally administered, which office is, at the date as of which this Indenture is dated, located at 4 New York Plaza, 15th Floor, New York, New York 10004, Attention: Institutional Trust Services.

"CURRENCY AGREEMENT" means, with respect to any Person, any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in currency values to or under which such Person or any of its Subsidiaries is a party or a beneficiary on the date hereof or becomes a party or a beneficiary thereafter.

"CURRENT MARKET PRICE" has the meaning specified in Section 16.05(h).

"CUSTODIAN" means JPMorgan Chase Bank, as custodian with respect to the Debentures in global form, or any successor entity thereto.

"DEBENTURE" or "DEBENTURES" means any Debenture or Debentures (as defined in the first "WHEREAS" clause hereof), as the case may be, authenticated and delivered under this Indenture, including any Global Debenture.

"DEBENTURE REGISTER" has the meaning specified in Section 2.05.

"DEBENTURE REGISTRAR" has the meaning specified in Section 2.05.

"DEBENTUREHOLDER" or "HOLDER" as applied to any Debenture, or other similar terms (but excluding the term "beneficial holder"), means any Person in whose name at the time a particular Debenture is registered on the Debenture Registrar's books.

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

"DEFAULTED INTEREST" has the meaning specified in Section 2.03.

"DEPOSITARY" means, the clearing agency registered under the Exchange Act that is designated to act as the Depositary for the Global Debentures. The Depository Trust Company shall be the initial Depositary, until a successor shall

have been appointed and become such pursuant to the applicable provisions of this Indenture, and thereafter, "DEPOSITARY" shall mean or include such successor.

"DESIGNATED AGREEMENTS" means the agreements specified on Schedule A.

"DESIGNATED AGREEMENT TERMINATION DATE" has the meaning specified in Section 6.12.

"DESIGNATED SENIOR INDEBTEDNESS" means any Senior and Senior Subordinated Indebtedness of the Company which, at the date of incurrence or thereafter, has an aggregate principal amount outstanding of, or under which, at the date of determination, the holders thereof are committed to lend up to, at least $5,000,000 and which is specifically designated by the Company, at the time of incurrence or thereafter, in the instrument evidencing or governing such Senior and Senior Subordinated Indebtedness as "Designated Senior Indebtedness" for purposes of this Indenture.

"DETERMINATION DATE" has the meaning specified in Section 16.05(l).

"EVENT OF DEFAULT" means any event specified in Section 8.01 as an Event of Default.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as in effect from time to time.

"EXPIRATION TIME" has the meaning specified in Section 16.05(f).

"EXTENDED INTEREST PAYMENT PERIOD" has the meaning specified in Section 5.01.

"FAIR MARKET VALUE" has the meaning specified in Section 16.05(h).

"GLOBAL DEBENTURE" has the meaning specified in Section 2.02.

"GUARANTEE" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term Guarantee shall not include endorsements for

collection or deposit in the ordinary course of business. The term Guarantee used as a verb has a corresponding meaning.

"INDEBTEDNESS" means, with respect to any Person at any date of determination (without duplication), (i) all indebtedness of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person in respect of letters of credit, bank guarantees, or bankers acceptance or other similar instruments (or reimbursement obligations with respect thereto), (iv) all obligations of such Person to pay the deferred purchase price of property or services, except Trade Payables, (v) all obligations of such Person as lessee under leases required or permitted to be treated as capitalized leases under U.S. generally accepted accounting principles, (vi) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that, for purposes of determining the amount of any Indebtedness of the type described in this clause, if recourse with respect to such Indebtedness is limited to such asset, the amount of such Indebtedness shall be limited to the lesser of the fair market value of such asset or the amount of such Indebtedness; (vii) all Indebtedness of others Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person and (viii) to the extent not otherwise included in this definition, all obligations of such Person under Currency Agreements and Interest Rate Agreements.

"INDENTURE" means this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

"INITIAL PURCHASER" means Lehman Brothers Inc.

"INTEREST" means, when used with reference to the Debentures, any interest payable under the terms of the Debentures, including Liquidated Damages, if any, payable under the terms of the Registration Rights Agreement.

"INTEREST PAYMENT DATE" means March 1, June 1, September 1 or December 1.

"INTEREST RATE AGREEMENT" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates to or under which such Person or any of its Subsidiaries is a party or a beneficiary on the date hereof or becomes a party or a beneficiary thereafter.

"JUNIOR SECURITIES" has the meaning specified in Section 4.08.

"JUNIOR SUBORDINATED INDEBTEDNESS" means Indebtedness of the Company ranking equally and ratably with, or junior to, the Debentures, other than obligations owed by the Company to its Subsidiaries.

"LIEN" means, with respect to any property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property. For purposes of this Indenture, the Company shall be deemed to own subject to a Lien any property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property.

"LIQUIDATED DAMAGES" has the meaning specified for "LIQUIDATED DAMAGES AMOUNT" in Section 2(e) of the Registration Rights Agreement.

"LIQUIDATED DAMAGES NOTICE" has the meaning specified in Section 6.09.

"MATURITY DATE" means June 1, 2033.

"NON-ELECTING SHARE" has the meaning specified in Section 16.06.

"OFFER EXPIRATION TIME" has the meaning specified in Section 16.05(g).

"OFFICER'S CERTIFICATE", when used with respect to the Company, means a certificate signed by the Chairman of the Board, the Chief Executive Officer, the President or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title "VICE PRESIDENT"), the Treasurer or any Assistant Treasurer, or the Secretary of the Company.

"OPINION OF COUNSEL" means an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company, or other counsel reasonably acceptable to the Trustee.

"OUTSTANDING", when used with reference to Debentures and subject to the provisions of Section 10.04, means, as of any particular time, all Debentures authenticated and delivered by the Trustee under this Indenture, except:

(a) Debentures theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Debentures, or portions thereof, (i) for the redemption of which monies in the necessary amount shall have been deposited in trust with the Trustee or with any Paying Agent (other than the Company) or (ii) which shall have been otherwise defeased in accordance with Article 14;

(c) Debentures in lieu of which, or in substitution for which, other Debentures shall have been authenticated and delivered pursuant to the terms of Section 2.06; and

(d) Debentures converted into Common Stock pursuant to Article 16 and Debentures deemed not outstanding pursuant to Article 3.

"PAYING AGENT" means the office or agency designated by the Company in accordance with Section 6.02 where the Debentures may be presented for payment.

"PERSON" means a corporation, an association, a partnership, a limited liability company, an individual, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

"PORTAL MARKET" means The Portal Market operated by the National Association of Securities Dealers, Inc. or any successor thereto.

"POTENTIAL EVENT OF DEFAULT" has the meaning specified in Section 6.11.

"PREDECESSOR DEBENTURE" of any particular Debenture means every previous Debenture evidencing all or a portion of the same debt as that evidenced by such particular Debenture, and, for the purposes of this definition, any Debenture authenticated and delivered under Section 2.06 in lieu of a lost, destroyed or stolen Debenture shall be deemed to evidence the same debt as the lost, destroyed or stolen Debenture that it replaces.

"PREMIUM" means any premium payable under the terms of the Debentures.

"PURCHASED SHARES" has the meaning specified in Section 16.05(f).

"QIB" means a "QUALIFIED INSTITUTIONAL BUYER" as defined in Rule 144A.

"RECORD DATE" has the meaning specified in Section 2.03.

"REDEMPTION DATE" has the meaning specified in Section 3.02.

"REDEMPTION NOTICE" has the meaning specified in Section 3.02.

"REDEMPTION PRICE" has the meaning specified in Section 3.01.

"REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement, dated as of May 28, 2003, between the Company and the Initial Purchaser, as amended from time to time in accordance with its terms.

"REPRESENTATIVE" means (a) the indenture trustee or other trustee, agent or representative for holders of Senior and Senior Subordinated Indebtedness or (b) with respect to any Senior and Senior Subordinated Indebtedness that does not have any such trustee, agent or other representative, (i) in the case of such Senior and Senior Subordinated Indebtedness issued pursuant to an agreement providing

for voting arrangements as among the holders or owners of such Senior and Senior Subordinated Indebtedness, any holder or owner of such Senior and Senior Subordinated Indebtedness acting with the consent of the required persons necessary to bind such holders or owners of such Senior and Senior Subordinated Indebtedness and (ii) in the case of all other such Senior and Senior Subordinated Indebtedness, the holder or owner of such Senior and Senior Subordinated Indebtedness.

"REPURCHASE DATE" has the meaning specified in Section 3.05(a).

"REPURCHASE ELECTION" has the meaning specified in Section 3.05(c).

"REPURCHASE EXPIRATION TIME" has the meaning specified in Section 3.05(b).

"REPURCHASE PRICE" has the meaning specified in Section 3.05(a).

"RESPONSIBLE OFFICER" shall mean, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, or any trust officer or any other officer of the Trustee within the Institutional Trust Services--Conventional Debt Unit (or any successor unit, department or division of the Trustee) located at the Corporate Trust Office of the Trustee who has direct responsibility for the administration of this Indenture, and, for the purposes of clause (b) of Section 9.01 and the proviso of Section 8.08 (and only the proviso), shall also include any other officer of the Trustee to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject.

"RESTRICTED PAYMENT" has the meaning specified in Section 6.11.

"RESTRICTED SECURITIES" has the meaning specified in Section 2.05(b).

"RULE 144A" means Rule 144A as promulgated under the Securities Act.

"SECURITIES" has the meaning specified in Section 16.05(d).

"SECURITIES ACT" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, as in effect from time to time.

"SENIOR AND SENIOR SUBORDINATED INDEBTEDNESS" means the principal of (and premium, if any) and interest (including interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, and all other amounts owing in respect of (including, without limitation, obligations to pay principal and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities thereunder) all Indebtedness of the Company whether created, incurred or assumed before, on or after the date of this instrument; provided that Senior and Senior Subordinated Indebtedness

shall not include (i) Indebtedness of the Company that, when incurred and without respect to any election under Section 1111(b) of Title 11, U.S. Code, was without recourse to the Company, (ii) the Debentures and any other Indebtedness of the Company which by the terms of the instrument creating or evidencing the same is expressly made equal in rank and payment with or subordinated to the Debentures, (iii) obligations by the Company owed to its Subsidiaries and (iv) stock of the Company.

"SIGNIFICANT SUBSIDIARY" means, as of any date of determination, a Subsidiary of the Company that would constitute a "SIGNIFICANT SUBSIDIARY" as such term is defined under Rule 1-02(w) of Regulation S-X of the Commission as in effect on the date of this Indenture.

"SPINOFF VALUATION PERIOD" has the meaning specified in Section 16.05(d).

"STOCK RECORD DATE" has the meaning specified in Section 16.05(h).

"SUBSIDIARY" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the total voting power of shares of capital stock or other equity interest entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other subsidiaries of that Person (or a combination thereof).

"TRADE PAYABLES" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"TRADING DAY" has the meaning specified in Section 16.05(h).

"TRIGGER EVENT" has the meaning specified in Section 16.05(d).

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939, as amended, as it was in force at the date of this Indenture, except as provided in Section 12.03 and Section 17.07; provided that if the Trust Indenture Act of 1939 is amended after the date hereof, the term "TRUST INDENTURE ACT" shall mean, to the extent required by such amendment, the Trust Indenture Act of 1939 as so amended.

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

ARTICLE 2

ISSUE, DESCRIPTION, EXECUTION, REGISTRATION AND EXCHANGE OF DEBENTURES

Section 2.01. Designation Amount and Issue of Debentures. The Debentures shall be designated as "5.50% JUNIOR SUBORDINATED CONVERTIBLE DEBENTURES DUE 2033". Debentures not to exceed the aggregate principal amount of $300,000,000 (except pursuant to Sections 2.05, 2.06, 3.03, 3.05 and 16.02 hereof) upon the execution of this Indenture, or from time to time thereafter, may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Debentures to or upon the written order of the Company, signed by its Chairman of the Board, Chief Executive Officer, President or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title "VICE PRESIDENT"), the Treasurer or any Assistant Treasurer or the Secretary, without any further action by the Company hereunder.

Section 2.02. Form of Debentures. The Debentures and the Trustee's certificate of authentication to be borne by such Debentures shall be substantially in the form set forth in Exhibit A. The terms and provisions contained in the form of Debenture attached as Exhibit A hereto 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.

Any of the Debentures may have such letters, numbers or other marks of identification and such notations, legends, endorsements or changes as the officers executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture, or as may be required by the Custodian, the Depositary or by the National Association of Securities Dealers, Inc. in order for the Debentures to be tradable on The Portal Market or as may be required for the Debentures to be tradable on any other market developed for trading of securities pursuant to Rule 144A or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange or automated quotation system on which the Debentures may be listed, or to conform to usage, or to indicate any special limitations or restrictions to which any particular Debentures are subject.

So long as the Debentures are eligible for book-entry settlement with the Depositary, or unless otherwise required by law, or otherwise contemplated by Section 2.05(a), all of the Debentures will be represented by one or more Debentures in global form registered in the name of the Depositary or the nominee of the Depositary (a "GLOBAL DEBENTURE"). The transfer and exchange of beneficial interests in any such Global Debenture shall be effected through the Depositary in accordance with this Indenture and the applicable procedures of the Depositary. Except as provided in Section 2.05(a), beneficial owners of a Global Debenture shall not be entitled to have certificates registered in their names, will not receive or be

entitled to receive physical delivery of certificates in definitive form and will not be considered holders of such Global Debenture.

Any Global Debenture shall represent such of the outstanding Debentures as shall be specified therein and shall provide that it shall represent the aggregate amount of outstanding Debentures from time to time endorsed thereon and that the aggregate amount of outstanding Debentures represented thereby may from time to time be increased or reduced to reflect redemptions, repurchases, conversions, transfers or exchanges permitted hereby. Any endorsement of a Global Debenture to reflect the amount of any increase or decrease in the amount of outstanding Debentures represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in such manner and upon instructions given by the holder of such Debentures in accordance with this Indenture. Payment of principal of and Interest and premium, if any, on any Global Debenture shall be made to the holder of such Debenture.

Section 2.03. Date and Denomination of Debentures; Payments of Interest. The Debentures shall be issuable in registered form without coupons in denominations of $50 principal amount and integral multiples thereof. Each Debenture shall be dated the date of its authentication and shall bear interest from the date specified on the face of the form of Debenture attached as Exhibit A hereto. Interest on the Debentures shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

Subject to Article 5, the Person in whose name any Debenture (or its Predecessor Debenture) is registered on the Debenture Register at the close of business on any Record Date with respect to any Interest Payment Date shall be entitled to receive the Interest payable on such Interest Payment Date, except that the Interest payable upon redemption or repurchase will be payable to the Person to whom principal is payable pursuant to such redemption or repurchase. Notwithstanding the foregoing, if any Debenture (or portion thereof) is converted into Common Stock during the period after a Record Date for the payment of Interest to, but excluding, the next succeeding Interest Payment Date, the Company shall not be required to pay Interest on such Interest Payment Date in respect of any such Debenture (or portion thereof), except as provided in Section 16.02. Interest shall be payable at the office of the Company maintained by the Company for such purposes in the Borough of Manhattan, City of New York, which shall initially be an office or agency of the Trustee. The Company shall pay Interest (i) on any Debentures in certificated form by check mailed to the address of the Person entitled thereto as it appears in the Debenture Register (or, upon written notice, by wire transfer in immediately available funds, if such Person is entitled to interest on Debentures with an aggregate principal amount in excess of $2,000,000) or (ii) on any Global Debenture by wire transfer of immediately available funds to the account of the Depositary or its nominee. The term "RECORD DATE" with respect to any Interest Payment Date shall mean the February 15, May 15, August 15 or November 15 preceding the applicable March 1, June 1, September 1 or December 1 Interest Payment Date, respectively.

Any Interest on any Debenture which is payable, but is not punctually paid, deferred in accordance with Article 5 or duly provided for, on any March 1, June 1, September 1 or December 1 (herein called "DEFAULTED INTEREST") shall forthwith cease to be payable to the Debentureholder on the relevant Record Date by virtue of his having been such Debentureholder, and such Defaulted Interest shall be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Debentures (or their respective Predecessor Debentures) are registered at the close of business on a special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Debenture and the date of the proposed payment (which shall be not less than twenty-five (25) days after the receipt by the Trustee of such notice, unless the Trustee shall consent to an earlier date), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a special record date for the payment of such Defaulted Interest which shall be not more than fifteen (15) days and not less than ten (10) days prior to the date of the proposed payment, and not less than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such special record date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the special record date therefor to be mailed, first-class postage prepaid, to each holder at his address as it appears in the Debenture Register, not less than ten (10) days prior to such special record date. Notice of the proposed payment of such Defaulted Interest and the special record date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Debentures (or their respective Predecessor Debentures) are registered at the close of business on such special record date and shall no longer be payable pursuant to the following clause (2) of this Section 2.03.

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which the Debentures may be listed or designated for issuance, and upon such notice as may be required by such exchange or automated quotation system, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Section 2.04. Execution of Debentures. The Debentures shall be signed in the name and on behalf of the Company by the manual or facsimile signature of

its Chairman of the Board, Chief Executive Officer, President or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title "VICE PRESIDENT") or its Treasurer (which may be printed, engraved or otherwise reproduced thereon, by facsimile or otherwise). Only such Debentures as shall bear thereon a certificate of authentication substantially in the form set forth on the form of Debenture attached as Exhibit A hereto, manually executed by the Trustee (or an authenticating agent appointed by the Trustee as provided by Section 17.11), shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee (or such an authenticating agent) upon any Debenture executed by the Company shall be conclusive evidence that the Debenture so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Indenture.

In case any officer of the Company who shall have signed any of the Debentures shall cease to be such officer before the Debentures so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Company, such Debentures nevertheless may be authenticated and delivered or disposed of as though the person who signed such Debentures had not ceased to be such officer of the Company, and any Debenture may be signed on behalf of the Company by such persons as, at the actual date of the execution of such Debenture, shall be the proper officers of the Company, although at the date of the execution of this Indenture any such person was not such an officer.

Section 2.05. Exchange and Registration of Transfer of Debentures; Restrictions on Transfer. The Company shall cause to be kept at the Corporate Trust Office a register (the register maintained in such office and in any other office or agency of the Company designated pursuant to Section 6.02 being herein sometimes collectively referred to as the "DEBENTURE REGISTER") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Debentures and of transfers of Debentures. The Debenture Register shall be in written form or in any form capable of being converted into written form within a reasonably prompt period of time. The Trustee is hereby appointed "DEBENTURE REGISTRAR" for the purpose of registering Debentures and transfers of Debentures as herein provided. The Company may appoint one or more co-registrars in accordance with Section 6.02; provided, however, that there shall be only one Debenture Register.

Upon surrender for registration of transfer of any Debenture to the Debenture Registrar or any co-registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Debentures of any authorized denominations and of a like aggregate principal amount and bearing such restrictive legends as may be required by this Indenture.

Debentures may be exchanged for other Debentures of any authorized denominations and of a like aggregate principal amount, upon surrender of the Debentures to be exchanged at any such office or agency maintained by the Company pursuant to Section 6.02. Whenever any Debentures are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Debentures which the Debentureholder making the exchange is entitled to receive bearing registration numbers not contemporaneously outstanding.

All Debentures issued upon any registration of transfer or exchange of Debentures shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Debentures surrendered upon such registration of transfer or exchange.

All Debentures presented or surrendered for registration of transfer or for exchange, redemption, repurchase or conversion shall (if so required by the Company or the Debenture Registrar) be duly endorsed, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company, and the Debentures shall be duly executed by the Debentureholder thereof or his attorney duly authorized in writing.

No service charge shall be made to any holder for any registration of, transfer or exchange of Debentures, but the Company may require payment by the holder of a sum sufficient to cover any tax, assessment or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Debentures.

Neither the Company nor the Trustee nor any Debenture Registrar shall be required to exchange or register a transfer of (a) any Debentures for a period of fifteen (15) days next preceding any selection of Debentures to be redeemed, (b) any Debentures or portions thereof called for redemption pursuant to Section 3.02, (c) any Debentures or portions thereof surrendered for conversion pursuant to Article 16 or (d) any Debentures or portions thereof tendered for repurchase (and not withdrawn) pursuant to Section 3.05.

(a) The following provisions shall apply only to Global Debentures:

(i) Each Global Debenture authenticated under this Indenture shall be registered in the name of the Depositary or a nominee thereof and delivered to such Depositary or a nominee thereof or Custodian therefor, and each such Global Debenture shall constitute a single Debenture for all purposes of this Indenture.

(ii) Notwithstanding any other provision in this Indenture, no Global Debenture may be exchanged in whole or in part for Debentures registered, and no transfer of a Global Debenture in whole or in part may be registered, in the name of any Person other than the Depositary or a

nominee thereof unless the Depositary (i) has notified the Company that it is unwilling or unable to continue as Depositary for such Global Debenture and a successor depositary has not been appointed by the Company within ninety days or (ii) has ceased to be a clearing agency registered under the Exchange Act, an Event of Default has occurred and is continuing or the Company, in its sole discretion, notifies the Trustee in writing that it no longer wishes to have all the Debentures represented by Global Debentures. Any Global Debenture exchanged pursuant to clause (A) or (B) above shall be so exchanged in whole and not in part and any Global Debenture exchanged pursuant to clause (C) above may be exchanged in whole or from time to time in part as directed by the Company. Any Debenture issued in exchange for a Global Debenture or any portion thereof shall be a Global Debenture; provided that any such Debenture so issued that is registered in the name of a Person other than the Depositary or a nominee thereof shall not be a Global Debenture.

(iii) Securities issued in exchange for a Global Debenture or any portion thereof pursuant to clause (ii) above shall be issued in definitive, fully registered form, without interest coupons, shall have an aggregate principal amount equal to that of such Global Debenture or portion thereof to be so exchanged, shall be registered in such names and be in such authorized denominations as the Depositary shall designate and shall bear any legends required hereunder. Any Global Debenture to be exchanged in whole or in part shall be surrendered by the Depositary to the Trustee, as Debenture Registrar. Upon any such surrender, the Trustee shall authenticate and make available for delivery the Debenture issuable on such exchange to or upon the written order of the Depositary or an authorized representative thereof and the Global Debenture shall be cancelled or its principal amount reduced in accordance with Section 2.05(b)(vi).

(iv) In the event of the occurrence of any of the events specified in clause (ii) above, the Company will promptly make available to the Trustee a reasonable supply of certificated Debentures in definitive, fully registered form, without interest coupons.

(v) Neither any members of, or participants in, the Depositary ("AGENT MEMBERS") nor any other Persons on whose behalf Agent Members may act shall have any rights under this Indenture with respect to any Global Debenture registered in the name of the Depositary or any nominee thereof, and the Depositary or such nominee, as the case may be, may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner and holder of such Global Debenture 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 such nominee,

as the case may be, or impair, as between the Depositary, its Agent Members and any other Person on whose behalf an Agent Member may act, the operation of customary practices of such Persons governing the exercise of the rights of a holder of any Debenture.

(vi) At such time as all interests in a Global Debenture have been redeemed, repurchased, converted, canceled or exchanged for Debentures in certificated form, such Global Debenture shall, upon receipt thereof, be canceled by the Trustee in accordance with standing procedures and instructions existing between the Depositary and the Custodian. At any time prior to such cancellation, if any interest in a Global Debenture is redeemed, repurchased, converted, canceled or exchanged for Debentures in certificated form, the principal amount of such Global Debenture shall, in accordance with the standing procedures and instructions existing between the Depositary and the Custodian, be appropriately reduced, and an endorsement shall be made on such Global Debenture, by the Trustee or the Custodian, at the direction of the Trustee, to reflect such reduction.

(b) Every Debenture that bears or is required under this Section 2.05(b) to bear the legend set forth in this Section 2.05(b) (together with any Common Stock issued upon conversion of the Debentures and required to bear the legend set forth in Section 2.05(b), collectively, the "RESTRICTED SECURITIES") shall be subject to the restrictions on transfer set forth in this Section 2.05(b (including those set forth in the legend below) unless such restrictions on transfer shall be waived by written consent of the Company, and the holder of each such Restricted Security, by such Debentureholder's acceptance thereof, agrees to be bound by all such restrictions on transfer. As used in Section 2.05(b) and 2.05(d), the term "TRANSFER" encompasses any sale, pledge, loan, transfer or other disposition whatsoever of any Restricted Security or any interest therein.

Until the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision), any certificate evidencing such Debenture (and all securities issued in exchange therefor or substitution thereof, other than Common Stock, if any, issued upon conversion thereof, which shall bear the legend set forth in Section 2.05(c), if applicable) shall bear a legend in substantially the following form, unless such Debenture has been sold pursuant to a registration statement that has been declared effective under the Securities Act (and which continues to be effective at the time of such transfer) or pursuant to Rule 144 under the Securities Act or any similar provision then in force, or unless otherwise agreed by the Company in writing, with written notice thereof to the Trustee:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY AGREES FOR THE BENEFIT OF THE WILLIAMS COMPANIES, INC. THAT (a) THIS

SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OTHER THAN (1) TO THE WILLIAMS COMPANIES, INC. OR ANY AFFILIATE, (2) IN A TRANSACTION ENTITLED TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (3) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE l44A UNDER THE SECURITIES ACT ("RULE l44A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE l44A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A (AS INDICATED BY THE BOX CHECKED BY THE TRANSFEROR ON THE CERTIFICATE OF TRANSFER ON THE REVERSE OF THIS SECURITY), (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, SUBJECT, IN THE CASE OF CLAUSES (2) OR (4), TO THE RECEIPT BY THE WILLIAMS COMPANIES, INC. OF AN OPINION OF COUNSEL OR SUCH OTHER EVIDENCE ACCEPTABLE TO THE WILLIAMS COMPANIES, INC. THAT SUCH RESALE, PLEDGE OR TRANSFER IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND THAT (b) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY OF THE RESALE RESTRICTIONS REFERRED TO HEREIN AND DELIVER TO THE TRANSFEREE (OTHER THAN A QUALIFIED INSTITUTIONAL BUYER) PRIOR TO THE SALE A COPY OF THE TRANSFER RESTRICTIONS APPLICABLE HERETO. THIS LEGEND WILL BE REMOVED UPON THE EARLIER OF THE TRANSFER OF THIS DEBENTURE PURSUANT TO CLAUSE (5) ABOVE OR UPON ANY TRANSFER OF THIS DEBENTURE UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION). THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS DEBENTURE IN VIOLATION OF THE FOREGOING RESTRICTION.

THIS DEBENTURE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR U.S. FEDERAL INCOME TAX PURPOSES. FOR PURPOSES OF SECTIONS 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986 (AS AMENDED), THE ISSUE PRICE OF EACH DEBENTURE IS $50 PER $50 OF PRINCIPAL AMOUNT, THE ISSUE DATE IS MAY 28, 2003, THE YIELD TO MATURITY IS 5.50% COMPOUNDED QUARTERLY AND THE AMOUNT OF ORIGINAL ISSUE DISCOUNT IS $82.52.

THE HOLDER OF THIS SECURITY IS ENTITLED TO THE BENEFITS OF A REGISTRATION RIGHTS AGREEMENT DATED MAY 28, 2003 AND, BY ITS ACCEPTANCE HEREOF, AGREES TO BE BOUND BY AND TO COMPLY WITH THE PROVISIONS OF SUCH REGISTRATION RIGHTS AGREEMENT.

BECAUSE OF THE FOREGOING RESTRICTIONS, PURCHASERS ARE ADVISED TO CONSULT LEGAL COUNSEL PRIOR TO MAKING ANY RESALE, PLEDGE OR TRANSFER OF ANY OF THE CONVERTIBLE DEBENTURES OR COMMON STOCK ISSUABLE UPON CONVERSION OF THE CONVERTIBLE DEBENTURES. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

Any Debenture (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms or as to conditions for removal of the foregoing legend set forth therein have been satisfied may, upon surrender of such Debenture for exchange to the Debenture Registrar in accordance with the provisions of this Section 2.05, be exchanged for a new Debenture or Debentures, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 2.05(c). If the Restricted Security surrendered for exchange is represented by a Global Debenture bearing the legend set forth in this Section 2.05(c), the principal amount of the legended Global Debenture shall be reduced by the appropriate principal amount and the principal amount of a Global Debenture without the legend set forth in this Section 2.05(c) shall be increased by an equal principal amount. If a Global Debenture without the legend set forth in this Section 2.05(c) is not then outstanding, the Company shall execute and the Trustee shall authenticate and deliver an unlegended Global Debenture to the Depositary.

(c) Until the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision), any stock certificate representing Common Stock issued upon conversion of any Debenture shall bear a legend in substantially the following form, unless such Common Stock has been sold pursuant to a registration statement that has been declared effective under the Securities Act (and which continues to be effective at the time of such transfer) or pursuant to Rule 144 under the Securities Act or any similar provision then in force, or such Common Stock has been issued upon conversion of Debentures that have been transferred pursuant to a registration statement that has been declared effective under the Securities Act or pursuant to Rule 144 under the Securities Act or any similar provision then in force, or unless otherwise agreed by the Company in writing with written notice thereof to the transfer agent:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY AGREES FOR THE BENEFIT OF THE WILLIAMS COMPANIES, INC. THAT (a) THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OTHER THAN (1) TO THE WILLIAMS COMPANIES, INC. OR ANY AFFILIATE, (2) IN A TRANSACTION ENTITLED TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (3) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE l44A UNDER THE SECURITIES ACT ("RULE l44A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE l44A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A (AS INDICATED BY THE BOX CHECKED BY THE TRANSFEROR ON THE CERTIFICATE OF TRANSFER ON THE REVERSE OF THIS SECURITY), (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, SUBJECT, IN THE CASE OF CLAUSES (2) OR (4), TO THE RECEIPT BY THE WILLIAMS COMPANIES, INC. OF AN OPINION OF COUNSEL OR SUCH OTHER EVIDENCE ACCEPTABLE TO THE WILLIAMS COMPANIES, INC. THAT SUCH RESALE, PLEDGE OR TRANSFER IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND THAT (b) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY OF THE RESALE RESTRICTIONS REFERRED TO HEREIN AND DELIVER TO THE TRANSFEREE (OTHER THAN A QUALIFIED INSTITUTIONAL BUYER) PRIOR TO THE SALE A COPY OF THE TRANSFER RESTRICTIONS APPLICABLE HERETO. THIS LEGEND WILL BE REMOVED UPON THE EARLIER OF THE TRANSFER OF THIS DEBENTURE PURSUANT TO CLAUSE (5) ABOVE OR UPON ANY TRANSFER OF THIS DEBENTURE UNDER RULE 144(K) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION). THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS DEBENTURE IN VIOLATION OF THE FOREGOING RESTRICTION.

THE HOLDER OF THIS SECURITY IS ENTITLED TO THE BENEFITS OF A REGISTRATION RIGHTS AGREEMENT DATED MAY 28, 2003 AND, BY ITS ACCEPTANCE HEREOF, AGREES TO BE BOUND BY AND TO COMPLY WITH THE PROVISIONS OF SUCH REGISTRATION RIGHTS AGREEMENT.

BECAUSE OF THE FOREGOING RESTRICTIONS, PURCHASERS ARE ADVISED TO CONSULT LEGAL COUNSEL PRIOR TO MAKING ANY RESALE, PLEDGE OR TRANSFER OF ANY OF THE CONVERTIBLE DEBENTURES OR COMMON STOCK ISSUABLE UPON CONVERSION OF THE CONVERTIBLE DEBENTURES. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

Any such Common Stock as to which such restrictions on transfer shall have expired in accordance with their terms or as to which the conditions for removal of the foregoing legend set forth therein have been satisfied may, upon surrender of the certificates representing such shares of Common Stock for exchange in accordance with the procedures of the transfer agent for the Common Stock, be exchanged for a new certificate or certificates for a like number of shares of Common Stock, which shall not bear the restrictive legend required by this Section 2.05(c).

(d) Any Debenture or Common Stock issued upon the conversion of a Debenture that, prior to the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision), is purchased or owned by the Company or any Affiliate thereof may not be resold by the Company or such Affiliate unless registered under the Securities Act or resold pursuant to an exemption from the registration requirements of the Securities Act in a transaction which results in such Debentures or Common Stock, as the case may be, no longer being "RESTRICTED SECURITIES" (as defined under Rule 144).

(e) 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 Debenture (including any transfers between or among Depositary participants or beneficial owners of interests in any Global Debenture) 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 2.06. Mutilated, Destroyed, Lost or Stolen Debentures. In case any Debenture shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon its written request the Trustee or an authenticating agent appointed by the Trustee shall authenticate and make available for delivery, a new Debenture, bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Debenture, or in lieu of and in substitution for the Debenture so destroyed, lost or stolen. In every case, the applicant for a substituted Debenture shall furnish to the Company, to the Trustee and, if applicable, to such authenticating agent such security or indemnity

as may be required by them to save each of them harmless for any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company, to the Trustee and, if applicable, to such authenticating agent evidence to their satisfaction of the destruction, loss or theft of such Debenture and of the ownership thereof.

Following receipt by the Trustee or such authenticating agent, as the case may be, of satisfactory security or indemnity and evidence, as described in the preceding paragraph, the Trustee or such authenticating agent may authenticate any such substituted Debenture and make available for delivery such Debenture. Upon the issuance of any substituted Debenture, the Company may require the payment by the holder of a sum sufficient to cover any tax, assessment or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. In case any Debenture which has matured or is about to mature or has been called for redemption or has been tendered for repurchase upon a Change of Control (and not withdrawn) or is to be converted into Common Stock shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substitute Debenture, pay or authorize the payment of or convert or authorize the conversion of the same (without surrender thereof except in the case of a mutilated Debenture), as the case may be, if the applicant for such payment or conversion shall furnish to the Company, to the Trustee and, if applicable, to such authenticating agent such security or indemnity as may be required by them to save each of them harmless from any loss, liability, cost or expense caused by or in connection with such substitution, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company, the Trustee and, if applicable, any Paying Agent or Conversion Agent evidence to their satisfaction of the destruction, loss or theft of such Debenture and of the ownership thereof.

Every substitute Debenture issued pursuant to the provisions of this Section 2.06 by virtue of the fact that any Debenture is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Debenture shall be found at any time, and shall be entitled to all the benefits of (but shall be subject to all the limitations set forth in) this Indenture equally and proportionately with any and all other Debentures duly issued hereunder. To the extent permitted by law, all Debentures shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment or conversion or redemption or repurchase of mutilated, destroyed, lost or stolen Debentures and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment or conversion or redemption or repurchase of negotiable instruments or other securities without their surrender.

Section 2.07. Temporary Debentures. Pending the preparation of Debentures in certificated form, the Company may execute and the Trustee or an

authenticating agent appointed by the Trustee shall, upon the written request of the Company, authenticate and deliver temporary Debentures (printed or lithographed). Temporary Debentures shall be issuable in any authorized denomination, and substantially in the form of the Debentures in certificated form, but with such omissions, insertions and variations as may be appropriate for temporary Debentures, all as may be determined by the Company. Every such temporary Debenture shall be executed by the Company and authenticated by the Trustee or such authenticating agent upon the same conditions and in substantially the same manner, and with the same effect, as the Debentures in certificated form. Without unreasonable delay, the Company will execute and deliver to the Trustee or such authenticating agent Debentures in certificated form and thereupon any or all temporary Debentures may be surrendered in exchange therefor, at each office or agency maintained by the Company pursuant to Section 6.02 and the Trustee or such authenticating agent shall authenticate and make available for delivery in exchange for such temporary Debentures an equal aggregate principal amount of Debentures in certificated form. Such exchange shall be made by the Company at its own expense and without any charge therefor. Until so exchanged, the temporary Debentures shall in all respects be entitled to the same benefits and subject to the same limitations under this Indenture as Debentures in certificated form authenticated and delivered hereunder.

Section 2.08. Cancellation of Debentures. All Debentures surrendered for the purpose of payment, redemption, repurchase, conversion, exchange or registration of transfer shall, if surrendered to the Company or any Paying Agent or any Debenture Registrar or any Conversion Agent, be surrendered to the Trustee and promptly canceled by it, or, if surrendered to the Trustee, shall be promptly canceled by it, and no Debentures shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall dispose of such canceled Debentures in accordance with its customary procedures. If the Company shall acquire any of the Debentures, such acquisition shall not operate as a redemption, repurchase or satisfaction of the indebtedness represented by such Debentures unless and until the same are delivered to the Trustee for cancellation.

Section 2.09. CUSIP Numbers. The Company in issuing the Debentures 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 Debentureholders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Debentures or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Debentures, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the "CUSIP" numbers.

ARTICLE 3
REDEMPTION AND REPURCHASE OF DEBENTURES

Section 3.01. Company's Right to Redeem. Prior to June 1, 2010, the Securities will not be redeemable at the Company's option. Beginning on June 1, 2010, if, for at least 20 Trading Days in the period of 30 consecutive Trading Days ending on the Trading Day immediately preceding the date of mailing of the Redemption Notice pursuant to Section 3.02 (including on the last Trading Day in such period), the Closing Sale Price of the Common Stock shall have exceeded 130% of the Conversion Price in effect on the last Trading Day of such period, the Company, at its option, may redeem the Securities in accordance with the provisions of Sections 3.02, 3.03 and 3.04 on the Redemption Date for cash, in whole or in part, at a redemption price (the "REDEMPTION PRICE") equal to 100% of the principal amount of the Securities to be redeemed together in each case with accrued and unpaid Interest (including deferred interest) on the Securities redeemed to (but excluding) the Redemption Date.

Section 3.02. Notice of Optional Redemption; Selection of Debentures. In case the Company shall desire to exercise the right to redeem all or, as the case may be, any part of the Debentures pursuant to Section 3.01 it shall fix a date for redemption (the "REDEMPTION DATE") and it or, at its written request received by the Trustee not fewer than forty-five (45) days prior (or such shorter period of time as may be acceptable to the Trustee) to the Redemption Date, the Trustee in the name of and at the expense of the Company, shall mail or cause to be mailed a notice of such redemption (a "REDEMPTION NOTICE") not fewer than thirty (30) nor more than sixty (60) days prior to the Redemption Date to each holder of Debentures so to be redeemed as a whole or in part at its last address as the same appears on the Debenture Register; provided that if the Company shall give such notice, it shall also give written notice of the Redemption Date to the Trustee. Such mailing shall be by first class mail. The notice, if mailed in the manner herein provided, shall be conclusively presumed to have been duly given, whether or not the holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the holder of any Debenture designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Debenture. Concurrently with the mailing of any such Redemption Notice, the Company shall issue a press release announcing such redemption, the form and content of which press release shall be determined by the Company in its sole discretion. The failure to issue any such press release or any defect therein shall not affect the validity of the Redemption Notice or any of the proceedings for the redemption of any Debenture called for redemption.

Each such Redemption Notice shall specify the aggregate principal amount of Debentures to be redeemed, the CUSIP number or numbers of the Debentures being redeemed, the date fixed for redemption (which shall be a Business Day), the Redemption Price at which Debentures are to be redeemed, the place or places of payment, that payment will be made upon presentation and surrender of such Debentures, that Interest accrued to the date fixed for

redemption will be paid as specified in said notice, and that on and after said date Interest thereon or on the portion thereof to be redeemed will cease to accrue. Such notice shall also state the current Conversion Rate and the date on which the right to convert such Debentures or portions thereof into Common Stock will expire. If fewer than all the Debentures are to be redeemed, the Redemption Notice shall identify the Debentures to be redeemed (including CUSIP numbers, if any). In case any Debenture is to be redeemed in part only, the Redemption Notice shall state the portion of the principal amount thereof to be redeemed and shall state that, on and after the Redemption Date, upon surrender of such Debenture, a new Debenture or Debentures in principal amount equal to the unredeemed portion thereof will be issued.

On or prior to the Redemption Date specified in the Redemption Notice given as provided in this Section 3.02, the Company will deposit with the Trustee or with one or more Paying Agents (or, if the Company is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 6.04) an amount of money in immediately available funds sufficient to redeem on the Redemption Date all the Debentures (or portions thereof) so called for redemption (other than those theretofore surrendered for conversion into Common Stock) at the appropriate Redemption Price; provided that if such payment is made on the Redemption Date it must be received by the Trustee or Paying Agent, as the case may be, by 11:00 a.m., New York City time, on such date. The Company shall be entitled to retain any interest, yield or gain on amounts deposited with the Trustee or any Paying Agent pursuant to this Section 3.02 in excess of amounts required hereunder to pay the Redemption Price and accrued interest to, but excluding, the Redemption Date. Subject to the last sentence of Section 9.05, if any Debenture called for redemption is converted pursuant hereto prior to such Redemption Date, any money deposited with the Trustee or any Paying Agent or so segregated and held in trust for the redemption of such Debenture shall be paid to the Company upon its written request, or, if then held by the Company, shall be discharged from such trust. Whenever any Debentures are to be redeemed, the Company will give the Trustee written notice in the form of an Officer's Certificate not fewer than forty-five (45) days (or such shorter period of time as may be acceptable to the Trustee) prior to the Redemption Date as to the aggregate principal amount of Debentures to be redeemed.

If less than all of the outstanding Debentures are to be redeemed, the Trustee shall select the Debentures or portions thereof of the Global Debenture or the Debentures in certificated form to be redeemed (in principal amounts of $50 or multiples thereof) by lot, on a pro rata basis or by another method the Trustee deems fair and appropriate. If any Debenture selected for partial redemption is submitted for conversion in part after such selection, the portion of such Debenture submitted for conversion shall be deemed (so far as may be possible) to be the portion to be selected for redemption. The Debentures (or portions thereof) so selected shall be deemed duly selected for redemption for all purposes

hereof, notwithstanding that any such Debenture is submitted for conversion in part before the mailing of the Redemption Notice.

Upon any redemption of less than all of the outstanding Debentures, the Company and the Trustee may (but need not), solely for purposes of determining the pro rata allocation among such Debentures as are unconverted and outstanding at the time of redemption, treat as outstanding any Debentures surrendered for conversion during the period of fifteen (15) days next preceding the mailing of a Redemption Notice and may (but need not) treat as outstanding any Debenture authenticated and delivered during such period in exchange for the unconverted portion of any Debenture converted in part during such period.

Section 3.03. Payment of Debentures Called for Redemption by the Company. If notice of redemption has been given as provided in Section 3.02, the Debentures or portion of Debentures with respect to which such notice has been given shall, unless converted into Common Stock pursuant to the terms hereof, become due and payable on the date fixed for redemption and at the place or places stated in such notice at the applicable Redemption Price, and on and after said date (unless the Company shall default in the payment of such Debentures at the Redemption Price) Interest on the Debentures or portion of Debentures so called for redemption shall cease to accrue and, after the close of business on the Business Day immediately preceding the Redemption Date (unless the Company shall default in the payment of such Debentures at the Redemption Price) such Debentures shall cease to be convertible into Common Stock and, except as provided in Section 9.05 and 13.04, to be entitled to any benefit or security under this Indenture, and the holders thereof shall have no right in respect of such Debentures except the right to receive the Redemption Price thereof. On presentation and surrender of such Debentures at a place of payment in said notice specified, the said Debentures or the specified portions thereof shall be paid and redeemed by the Company at the applicable Redemption Price.

Upon presentation of any Debenture redeemed in part only, the Company shall execute and the Trustee shall authenticate and make available for delivery to the holder thereof, at the expense of the Company, a new Debenture or Debentures, of authorized denominations, in principal amount equal to the unredeemed portion of the Debentures so presented.

Notwithstanding the foregoing, the Trustee shall not redeem less than all the outstanding Debentures or mail any Redemption Notice with respect to less than all the outstanding Debentures during the continuance of a default in payment of Interest or premium, if any, on the Debentures or during any Extended Interest Payment Period. If any Debenture called for redemption shall not be so paid upon surrender thereof for redemption, the principal and premium, if any, shall, until paid or duly provided for, continue to bear interest at the rate borne by the Debenture, compounded quarterly, and such Debenture shall remain convertible into Common Stock until the principal and premium, if any, and Interest shall have been paid or duly provided for.

Section 3.04. Conversion Arrangement on Call for Redemption. In connection with any redemption of Debentures, the Company may arrange for the purchase and conversion of any Debentures by an agreement with one or more investment banks or other purchasers to purchase such Debentures by paying to the Trustee in trust for the Debentureholders, on or before the date fixed for redemption, an amount not less than the applicable Redemption Price of such Debentures. Notwithstanding anything to the contrary contained in this Article 3, the obligation of the Company to pay the Redemption Price of such Debentures shall be deemed to be satisfied and discharged to the extent such amount is so paid by such purchasers. If such an agreement is entered into, a copy of which will be filed with the Trustee prior to the date fixed for redemption, any Debentures not duly surrendered for conversion by the holders thereof may, at the option of the Company, be deemed, to the fullest extent permitted by law, acquired by such purchasers from such holders and (notwithstanding anything to the contrary contained in Article 16) surrendered by such purchasers for conversion, all as of immediately prior to the close of business on the date fixed for redemption (and the right to convert any such Debentures shall be extended through such time), subject to payment of the above amount as aforesaid. At the direction of the Company, the Trustee shall hold and dispose of any such amount paid to it in the same manner as it would monies deposited with it by the Company for the redemption of Debentures. Without the Trustee's prior written consent, no arrangement between the Company and such purchasers for the purchase and conversion of any Debentures shall increase or otherwise affect any of the powers, duties, responsibilities or obligations of the Trustee as set forth in this Indenture.

Section 3.05. Repurchase of Debentures by the Company at Option of the Holder upon a Change of Control.

(a) If a Change of Control shall occur at any time prior to the Maturity Date, then each Debentureholder shall have the right, at such holder's option, to require the Company to repurchase all of such holder's Debentures, or any portion thereof that is a multiple of $50 principal amount, on the date (the "REPURCHASE DATE") that is specified by the Company in accordance with Section 3.05(b) (or, if such day is not a Business Day, the next succeeding Business Day) at a repurchase price (the "REPURCHASE PRICE") equal to 100% of the principal amount thereof, together with accrued and unpaid Interest (including deferred interest) to, but excluding, the Repurchase Date.

(b) On or before the thirtieth (30th) day after the occurrence of a Change of Control, the Company, or at its written request the Trustee in the name of and at the expense of the Company (which request must be received by the Trustee at least five (5) Business Days prior to the date the Trustee is requested to give notice as described below, unless the Trustee shall agree to a shorter period), shall mail or cause to be mailed, by first class mail, to all holders of record on such date a notice (the "CHANGE OF CONTROL NOTICE") of the occurrence of such Change of Control and of the repurchase right at the option of the holders arising as a result

thereof to each holder of Debentures at its last address as the same appears on the Debenture Register; provided that if the Company shall give such notice, it shall also give written notice of the Change of Control to the Trustee at such time as it is mailed to Debentureholders. Such notice, if mailed in the manner herein provided, shall be conclusively presumed to have been duly given, whether or not the holder receives such notice. Concurrently with the mailing of any Change of Control Notice, the Company shall issue a press release announcing such Change of Control referred to in the Change of Control Notice, the form and content of which press release shall be determined by the Company in its sole discretion. The failure to issue any such press release or any defect therein shall not affect the validity of the Change of Control Notice or any proceedings for the repurchase of any Debenture which any Debentureholder may elect to have the Company repurchase as provided in this Section 3.05.

Each Change of Control Notice shall specify the circumstances constituting the Change of Control, the Repurchase Date (which must be no less than 20 and no more than 45 days after the date of the Change of Control Notice), the Repurchase Price, that the holder must exercise the repurchase right on or prior to the close of business on the Repurchase Date (the "REPURCHASE EXPIRATION TIME"), that the holder shall have the right to withdraw any Debentures surrendered prior to the Repurchase Expiration Time, a description of the procedure which a Debentureholder must follow to exercise such repurchase right or to withdraw any surrendered Debentures, the place or places where the holder is to surrender such holder's Debentures, the amount of interest accrued on each Debenture to the Repurchase Date and the CUSIP number or numbers of the Debentures (if then generally in use).

No failure of the Company to give the foregoing notices and no defect therein shall limit the Debentureholders' repurchase rights or affect the validity of the proceedings for the repurchase of the Debentures pursuant to this Section 3.05.

(c) Debentures shall be repurchased pursuant to this Section 3.05 at the option of the holder upon:

(i) delivery to the Trustee (or other Paying Agent appointed by the Company) by a holder of a duly completed notice (the "REPURCHASE ELECTION") in the form set forth on the reverse of the Debenture at any time prior to the Repurchase Expiration Time; and

(ii) delivery or book-entry transfer of the Debentures to the Trustee (or other Paying Agent appointed by the Company) at any time after delivery of the Repurchase Election (together with all necessary endorsements) at the Corporate Trust Office of the Trustee (or other Paying Agent appointed by the Company) in the Borough of Manhattan, such delivery being a condition to receipt by the holder of the purchase price therefor; provided that such purchase price shall be so paid pursuant

to this Section 3.05 only if the Debenture so delivered to the Trustee (or other Paying Agent appointed by the Company) shall conform in all respects to the description thereof in the related Repurchase Election. All questions as to the validity, eligibility (including time of receipt) and acceptance of any Debenture for repurchase shall be determined by the Company, whose determination shall be final and binding absent manifest error.

(d) The Company shall purchase from the holder thereof, pursuant to this Section 3.05, a portion of a Debenture, if the principal amount of such portion is $50 or a whole multiple of $50. Provisions of this Indenture that apply to the purchase of all of a Debenture also apply to the purchase of such portion of such Debenture. Upon presentation of any Debenture repurchased in part only, the Company shall execute and the Trustee shall authenticate and make available for delivery to the holder thereof, at the expense of the Company, a new Debenture or Debentures, of any authorized denomination, in aggregate principal amount equal to the portion of the Debentures presented not repurchased.

(e) On or prior to the Repurchase Date, the Company will deposit with the Trustee or with one or more Paying Agents (or, if the Company is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 6.04) an amount of cash sufficient to repurchase on the Repurchase Date all the Debentures or portions thereof to be repurchased on such date at the Repurchase Price; provided that if such payment is made on the Repurchase Date it must be received by the Trustee or Paying Agent, as the case may be, by 11:00 a.m., New York City time, on such date.

If the Trustee or other Paying Agent appointed by the Company, or the Company or an Affiliate of the Company, if it or such Affiliate is acting as the Paying Agent, holds cash sufficient to pay the aggregate Repurchase Price of all the Debentures or portions thereof that are to be repurchased as of the Repurchase Date, on or after the Repurchase Date (i) such Debentures will cease to be outstanding, (ii) Interest on such Debentures will cease to accrue and (iii) all other rights of the holders of such Debentures will terminate, whether or not book-entry transfer of the Debentures has been made or the Debentures have been delivered to the Trustee or Paying Agent, other than the right to receive the Repurchase Price upon delivery of the Debentures.

(f) Upon receipt by the Trustee (or other Paying Agent appointed by the Company) of the Repurchase Election specified in Section 3.05(c), the holder of the Debenture in respect of which such Repurchase Election was given shall (unless such Repurchase Election is validly withdrawn) thereafter be entitled to receive solely the Repurchase Price with respect to such Debenture. Such Repurchase Price shall be paid to such holder, subject to receipt of funds and/or Debentures by the Trustee (or other Paying Agent appointed by the Company), promptly (but in no event more than five (5) Business Days) following the later of (x) the Repurchase Date with respect to such Debenture (provided the holder has

satisfied the conditions in Section 3.05(c)) and (y) the time of delivery of such Debenture to the Trustee (or other Paying Agent appointed by the Company) by the holder thereof in the manner required by Section 3.05(c). Debentures in respect of which a Repurchase Election has been given by the holder thereof may not be converted pursuant to Article 16 hereof on or after the date of the delivery of such Repurchase Election unless such Repurchase Election has first been validly withdrawn.

(g) Notwithstanding anything herein to the contrary, any holder delivering to the office of the Trustee (or other Paying Agent appointed by the Company) the Repurchase Election contemplated by Section 3.05(c) shall have the right to withdraw such Repurchase Election at any time prior to the close of business on the Business Day preceding the Repurchase Date by delivery of a written notice of withdrawal to the Trustee (or other Paying Agent appointed by the Company) specifying:

(i) the certificate number, if any, of the Debenture in respect of which such notice of withdrawal is being submitted, or the appropriate Depositary information if the Debenture in respect of which such notice of withdrawal is being submitted is represented by a Global Debenture,

(ii) the principal amount of the Debenture with respect to which such notice of withdrawal is being submitted, and

(iii) the principal amount, if any, of such Debenture which remains subject to the original Repurchase Election and which has been or will be delivered for repurchase by the Company.

The Trustee (or other Paying Agent appointed by the Company) shall promptly notify the Company of the receipt by it of any Repurchase Election or written notice of withdrawal thereof.

(h) In the case of a reclassification, change, consolidation, merger, combination, sale or conveyance to which Section 16.06 applies, in which the Common Stock of the Company is changed or exchanged as a result into the right to receive stock, securities or other property or assets (including cash), which includes shares of Common Stock of the Company or shares of common stock of another Person that are, or upon issuance will be, traded on a United States national securities exchange or approved for trading on an established automated over-the-counter trading market in the United States and such shares constitute at the time such change or exchange becomes effective in excess of 50% of the aggregate fair market value of such stock, securities or other property or assets (including cash) (as determined by the Company, which determination shall be conclusive and binding), then the Person formed by such consolidation or resulting from such merger or which acquires such assets, as the case may be, shall execute and deliver to the Trustee a supplemental indenture (accompanied by an Opinion of Counsel that such supplemental indenture complies with the

Trust Indenture Act as in force at the date of execution of such supplemental indenture) modifying the provisions of this Indenture relating to the right of holders of the Debentures to cause the Company to repurchase the Debentures following a Change of Control, including without limitation the applicable provisions of this Section 3.05 and the definitions of Common Stock and Change of Control, as appropriate, as determined in good faith by the Company (which determination shall be conclusive and binding), to make such provisions apply to such other Person if different from the Company and the common stock issued by such Person (in lieu of the Company and the Common Stock of the Company).

(i) The Company will comply with the provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act to the extent then applicable in connection with the repurchase rights of the holders of Debentures in the event of a Change of Control.

(j) The Trustee (or other Paying Agent appointed by the Company) shall return to the Company any cash that remains unclaimed as provided in Section 14.04, together with interest, if any, thereon, held by them for the payment of the Repurchase Price; provided that to the extent that the aggregate amount of cash deposited by the Company pursuant to Section 3.05(e) exceeds the aggregate Repurchase Price of the Debentures or portions thereof which the Company is obligated to purchase as of the Repurchase Date then, unless otherwise agreed in writing with the Company, promptly after the Business Day following the Repurchase Date, the Trustee shall return any such excess to the Company together with interest, if any, thereon.

ARTICLE 4
SUBORDINATION OF DEBENTURES

Section 4.01. Agreement of Subordination. The Company covenants and agrees, and each holder of Debentures issued hereunder by its acceptance thereof likewise covenants and agrees, that all Debentures shall be issued subject to the provisions of this Article 4, and each Person holding any Debentures, whether upon original issue or upon registration of transfer, assignment or exchange thereof, accepts and agrees to be bound by such provisions.

The payment of the principal of, premium, if any, and Interest on all Debentures (including, but not limited to, the Redemption Price with respect to Debentures called for redemption in accordance with Section 3.02 or Repurchase Price with respect to Debentures submitted for repurchase in accordance with Section 3.05) issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and subject in right of payment to the prior payment in full of all Senior and Senior Subordinated Indebtedness, whether outstanding at the date of this Indenture or thereafter incurred.

No provision of this Article 4 shall prevent the occurrence of any default or Event of Default hereunder or have any effect on the rights of the holders of the Debentures or the Trustee to accelerate the maturity of the Debentures.

Section 4.02. Payments to Debentureholders. No payment shall be made with respect to the principal of, premium, if any, or Interest on the Debentures (including, but not limited to, the Redemption Price with respect to Debentures called for redemption in accordance with Section 3.02 or Repurchase Price with respect to Debentures submitted for repurchase in accordance with Section 3.05), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section 4.05, if:

(i) a default in the payment of principal, premium, if any, interest, rent or other obligations in respect of Designated Senior Indebtedness occurs and is continuing (or, in the case of Designated Senior Indebtedness for which there is a period of grace, in the event of such a default that continues beyond the period of grace, if any, specified in the instrument or lease evidencing such Designated Senior Indebtedness) (a "PAYMENT DEFAULT"); or

(ii) a default, other than a Payment Default, on any Designated Senior Indebtedness occurs and is continuing that then permits holders of such Designated Senior Indebtedness to accelerate its maturity (or in the case of any lease that is Designated Senior Indebtedness, a default occurs and is continuing that then permits the lessor to either terminate the lease or require the Company to make an irrevocable offer to terminate the lease following an event of default thereunder) and the Trustee receives a notice of the default (a "PAYMENT BLOCKAGE NOTICE") from a holder of Designated Senior Indebtedness or a Representative of Designated Senior Indebtedness (a "NON-PAYMENT DEFAULT").

If the Trustee receives any Payment Blockage Notice pursuant to clause (ii) above, no subsequent Payment Blockage Notice shall be effective for purposes of this Section 4.02 unless and until at least 360 days shall have elapsed since the initial effectiveness of the immediately prior Payment Blockage Notice. No Non-Payment Default that existed or was continuing on the date of delivery of any Payment Blockage Notice (to the extent the holder or the Representative of Designated Senior Indebtedness giving such notice had knowledge of the same) to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice.

The Company may and shall resume payments on and distributions in respect of the Debentures (including, but not limited to, the Redemption Price with respect to Debentures called for redemption in accordance with Section 3.02 or Repurchase Price with respect to Debentures submitted for repurchase in accordance with Section 3.05) upon the earlier of:

(1) in the case of a Payment Default, the date upon which any such Payment Default is cured or waived or ceases to exist, or

(2) in the case of a Non-Payment Default, the earlier of (a) the date upon which such default is cured or waived or ceases to exist or (b) 179 days after the applicable Payment Blockage Notice is received by the Trustee if the maturity of such Designated Senior Indebtedness has not been accelerated (or in the case of any lease, 179 days after notice is received if the Company has not received notice that the lessor under such lease has exercised its right to terminate the lease or require the Company to make an irrevocable offer to terminate the lease following an event of default thereunder), unless this Article 4 otherwise prohibits the payment or distribution at the time of such payment or distribution.

Upon any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due or to become due upon all Senior and Senior Subordinated Indebtedness shall first be paid in full in cash (including interest after the commencement of any such proceeding at the rate specified in the applicable debt agreement or other document, whether or not allowed as a claim in such proceeding) before any payment is made on account of the principal of, premium, if any, or Interest on the Debentures (except payments made pursuant to Article 14 from monies deposited with the Trustee pursuant thereto prior to commencement of proceedings for such dissolution, winding up, liquidation or reorganization), and upon any such dissolution or winding up or liquidation or reorganization of the Company or bankruptcy, insolvency, receivership or other similar proceeding, any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the holders of the Debentures or the Trustee would be entitled, except for the provisions of this Article 4, shall (except as aforesaid) be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the holders of the Debentures or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior and Senior Subordinated Indebtedness (pro rata to such holders on the basis of the respective amounts of Senior and Senior Subordinated Indebtedness held by such holders, or as otherwise required by law or a court order) or their Representative or Representatives, as their respective interests may appear, to the extent necessary to pay all Senior and Senior Subordinated Indebtedness in full in cash, after giving effect to any concurrent payment or distribution to or for the holders of Senior and Senior Subordinated Indebtedness, before any payment or distribution is made to the holders of the Debentures or to the Trustee.

For purposes of this Article 4, the words, "CASH, PROPERTY OR SECURITIES" shall not be deemed to include shares of Common Stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article 4 with respect to the Debentures to the payment of all Senior and Senior Subordinated Indebtedness which may at the time be outstanding; provided that (i) the Senior and Senior Subordinated Indebtedness is assumed by the new corporation, if any, resulting from any reorganization or readjustment, and (ii) the rights of the holders of Senior and Senior Subordinated Indebtedness (other than leases which are not assumed by the Company or the new corporation, as the case may be) are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another Person upon the terms and conditions provided for in Article 13 shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 4.02 if such other Person shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article 13.

In the event of the acceleration of the Debentures because of an Event of Default, no payment or distribution shall be made to the Trustee or any holder of Debentures in respect of the principal of, premium, if any, or Interest on the Debentures (including, but not limited to, the Redemption Price with respect to Debentures called for redemption in accordance with Section 3.02 or Repurchase Price with respect to Debentures submitted for repurchase in accordance with Section 3.05), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section 4.05, until all Senior and Senior Subordinated Indebtedness has been paid in full in cash (including interest after the commencement of any such proceeding at the rate specified in the applicable debt agreement or other document, whether or not allowed as a claim in such proceeding) or such acceleration is rescinded in accordance with the terms of this Indenture. If payment of the Debentures is accelerated because of an Event of Default, the Company or, at the Company's request and expense, the Trustee shall promptly notify holders of Senior and Senior Subordinated Indebtedness of the acceleration.

In the event that, notwithstanding the foregoing provisions, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (including, without limitation, by way of setoff or otherwise), prohibited by the foregoing provisions in this Section 4.02, shall be received by the Trustee or the holders of the Debentures before all Senior and Senior Subordinated Indebtedness is paid in full in cash (including interest after the commencement of any such proceeding at the rate specified in the applicable debt agreement or other document, whether or not allowed as a claim in such proceeding) or provision is made for such payment thereof in accordance with its terms in cash (including interest after the commencement of any such proceeding at the rate specified in the applicable debt agreement or other document, whether or not allowed as a claim in such

proceeding), to the extent that the Trustee or any holder of the Debentures has acquired written notice that all Senior and Senior Subordinated Indebtedness has not been paid in full, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Senior and Senior Subordinated Indebtedness or their Representative or Representatives, as their respective interests may appear, as calculated by the Company, for application to the payment of any Senior and Senior Subordinated Indebtedness remaining unpaid to the extent necessary to pay all Senior and Senior Subordinated Indebtedness in full in cash (including interest after the commencement of any such proceeding at the rate specified in the applicable debt agreement or other document, whether or not allowed as a claim in such proceeding), after giving effect to any concurrent payment or distribution to or for the holders of such Senior and Senior Subordinated Indebtedness.

Nothing in this Article 4 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 8.03 or Section 9.06. This Section 4.02 shall be subject to the further provisions of Section 4.05.

Section 4.03. Subrogation of Debentures. Subject to the payment in full in cash (including interest after the commencement of any such proceeding at the rate specified in the applicable debt agreement or other document, whether or not allowed as a claim in such proceeding) of all Senior and Senior Subordinated Indebtedness, the rights of the holders of the Debentures shall be subrogated to the extent of the payments or distributions made to the holders of such Senior and Senior Subordinated Indebtedness pursuant to the provisions of this Article 4 (equally and ratably with the holders of all Indebtedness of the Company which by its express terms is subordinated to Senior and Senior Subordinated Indebtedness to the same extent as the Debentures are subordinated and is entitled to like rights of subrogation) to the rights of the holders of Senior and Senior Subordinated Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to the Senior and Senior Subordinated Indebtedness until the principal, premium, if any, and Interest on the Debentures shall be paid in full, and, for the purposes of such subrogation, no payments or distributions to the holders of the Senior and Senior Subordinated Indebtedness of any cash, property or securities to which the holders of the Debentures or the Trustee would be entitled except for the provisions of this Article 4, and no payment pursuant to the provisions of this Article 4, to or for the benefit of the holders of Senior and Senior Subordinated Indebtedness by holders of the Debentures or the Trustee, shall, as among the Company, its creditors other than holders of Senior and Senior Subordinated Indebtedness, and the holders of the Debentures, be deemed to be a payment by the Company to or on account of the Senior and Senior Subordinated Indebtedness, and no payments or distributions of cash, property or securities to or for the benefit of the holders of the Debentures

pursuant to the subrogation provisions of this Article 4, which would otherwise have been paid to the holders of Senior and Senior Subordinated Indebtedness, shall be deemed to be a payment by the Company to or for the account of the Debentures. It is understood that the provisions of this Article 4 are intended solely for the purposes of defining the relative rights of the holders of the Debentures, on the one hand, and the holders of the Senior and Senior Subordinated Indebtedness, on the other hand.

Nothing contained in this Article 4 or elsewhere in this Indenture or in the Debentures is intended to or shall impair, as among the Company, its creditors other than the holders of Senior and Senior Subordinated Indebtedness, and the holders of the Debentures, the obligation of the Company, which is absolute and unconditional, to pay to the holders of the Debentures the principal of, premium, if any, and Interest on the Debentures as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the holders of the Debentures and creditors of the Company other than the holders of the Senior and Senior Subordinated Indebtedness, nor shall anything herein or therein prevent the Trustee or, subject to Section 8.04, the holder of any Debenture from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article 4 of the holders of Senior and Senior Subordinated Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Section 4.04. Authorization to Effect Subordination. Each holder of a Debenture by the holder's acceptance thereof authorizes and directs the Trustee on the holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article 4 and appoints the Trustee to act as the holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in the third paragraph of Section 8.02 hereof at least thirty (30) days before the expiration of the time to file such claim, the holders of any Senior and Senior Subordinated Indebtedness or their Representatives are hereby authorized to file an appropriate claim for and on behalf of the holders of the Debentures.

Section 4.05. Notice to Trustee. The Company shall give prompt written notice in the form of an Officer's Certificate to a Responsible Officer of the Trustee and to any Paying Agent of any fact known to the Company that would prohibit the making of any payment of monies to or by the Trustee or any Paying Agent in respect of the Debentures pursuant to the provisions of this Article 4. Notwithstanding the provisions of this Article 4 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of monies to or by the Trustee in respect of the Debentures pursuant to the provisions of this Article 4, unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office from the Company (in the form of an

Officer's Certificate) or a Representative or a holder or holders of Senior and Senior Subordinated Indebtedness, and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 9.01, shall be entitled in all respects to assume that no such facts exist; provided, however, that if on a date not less than two (2) Business Days prior to the date upon which by the terms hereof any such monies may become payable for any purpose (including, without limitation, the payment of the principal of, or premium, if any, or Interest on any Debenture) the Trustee shall not have received, with respect to such monies, the notice provided for in this Section 4.05, then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to apply monies received to the purpose for which they were received, and shall not be affected by any notice to the contrary that may be received by it on or after such prior date.

Notwithstanding anything in this Article 4 to the contrary, nothing shall prevent any payment by the Trustee to the Debentureholders of monies deposited with it pursuant to Section 14.01, if a Responsible Officer of the Trustee shall not have received written notice at the Corporate Trust Office on or before two (2) Business Days prior to the date such payment is due that such payment is not permitted under Section 4.01 or Section 4.02.

The Trustee, subject to the provisions of Section 9.01, shall be entitled to rely on the delivery to it of a written notice by a Representative or a person representing himself to be a holder of Senior and Senior Subordinated Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a Representative or a holder of Senior and Senior Subordinated Indebtedness or a trustee on behalf of any such holder or holders. The Trustee shall not be required to make any payment or distribution to or on behalf of a holder of Senior and Senior Subordinated Indebtedness pursuant to this Article 4 unless it has received satisfactory evidence as to the amount of Senior and Senior Subordinated Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article 4.

Section 4.06. Trustee's Relation to Senior and Senior Subordinated Indebtedness. The Trustee, in its individual capacity, shall be entitled to all the rights set forth in this Article 4 in respect of any Senior and Senior Subordinated Indebtedness at any time held by it, to the same extent as any other holder of Senior and Senior Subordinated Indebtedness, and nothing in Section 9.13 or elsewhere in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior and Senior Subordinated Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article 4, and no implied covenants or obligations with respect to the holders of Senior and Senior Subordinated Indebtedness shall be read into this Indenture against the Trustee.

The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior and Senior Subordinated Indebtedness and, subject to the provisions of Section 9.01, the Trustee shall not be liable to any holder of Senior and Senior Subordinated Indebtedness (i) for any failure to make any payments or distributions to such holder or (ii) if it shall pay over or deliver money to holders of Debentures, the Company or any other Person in compliance with this Article 4.

Section 4.07. No Impairment of Subordination. No right of any present or future holder of any Senior and Senior Subordinated Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with. Senior and Senior Subordinated Indebtedness may be created, renewed or extended and holders of Senior and Senior Subordinated Indebtedness may exercise any rights under any instrument creating or evidencing such Senior and Senior Subordinated Indebtedness, including, without limitation, any waiver of default thereunder, without any notice to or consent from the holders of the Debentures or the Trustee. No compromise, alteration, amendment, modification, extension, renewal or other change of, or waiver, consent or other action in respect of, any liability or obligation under or in respect of the Senior and Senior Subordinated Indebtedness or any terms or conditions of any instrument creating or evidencing such Senior and Senior Subordinated Indebtedness shall in any way alter or affect any of the provisions of this Article 4 or the subordination of the Debentures provided thereby.

Section 4.08. Certain Conversions Not Deemed Payment. For the purposes of this Article 4 only, (1) the issuance and delivery of Junior Securities upon conversion of Debentures in accordance with Article 16 and (2) the payment, issuance or delivery of cash, property or securities upon conversion of a Debenture as a result of any transaction specified in Section 16.06 shall not be deemed to constitute a payment or distribution on account of the principal of, premium, if any, or Interest on Debentures or on account of the purchase or other acquisition of Debentures. For the purposes of this Section 4.08, the term "JUNIOR SECURITIES" means (a) Common Stock of the Company or (b) securities of the Company that are subordinated in right of payment to all Senior and Senior Subordinated Indebtedness that may be outstanding at the time of issuance or delivery of such securities to the same extent as, or to a greater extent than, the Debentures are so subordinated as provided in this Article 4. Nothing contained in this Article 4 or elsewhere in this Indenture or in the Debentures is intended to or shall impair, as among the Company, its creditors (other than holders of Senior and Senior Subordinated Indebtedness) and the Debentureholders, the right, which is absolute and unconditional, of the Holder of any Debenture to convert such Debenture in accordance with Article 16.

Section 4.09. Article Applicable to Paying Agents. If at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "TRUSTEE" as used in this Article 4 shall (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article 4 in addition to or in place of the Trustee; provided, however, that the first paragraph of Section 4.05 shall not apply to the Company or any Affiliate of the Company if it or such Affiliate acts as Paying Agent.

The Trustee shall not be responsible for the actions or inactions of any other Paying Agents (including the Company if acting as its own Paying Agent) and shall have no control of any funds held by such other Paying Agents.

Section 4.10. Senior and Senior Subordinated Indebtedness Entitled to Rely. The holders of Senior and Senior Subordinated Indebtedness (including, without limitation, Designated Senior Indebtedness) shall have the right to rely upon this Article 4, and no amendment or modification of the provisions contained herein shall diminish the rights of such holders unless such holders shall have agreed in writing thereto.

Section 4.11. Reliance on Judicial Order or Certificate of Liquidating Agent. Upon any payment or distribution of assets of the Company referred to in this Article 4, the Trustee and the Debentureholders shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such insolvency, bankruptcy, receivership, liquidation, reorganization, dissolution, winding up or similar case or proceeding is pending, or a certificate of the trustee in bankruptcy, liquidating trustee, custodian, receiver, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Debentureholders, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of Senior and Senior Subordinated Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 4.

ARTICLE 5
DEFERRAL OF INTEREST PAYMENT PERIOD

Section 5.01. Extended Interest Payment Period. So long as the Company is not in default in the payment of Interest on the Debentures, and so long as the Designated Agreement Termination Date has occurred, the Company shall have the right, at any time during the term of the Debentures, from time to time to extend any interest payment period with respect to such Debentures for up to 20 consecutive quarterly interest periods (an "EXTENDED INTEREST PAYMENT PERIOD"), at the end of which period the Company shall pay all Interest accrued

and unpaid thereon (together with interest thereon at the rate of 5.50% per annum to the extent permitted by applicable law, compounded quarterly ("COMPOUNDED INTEREST")); provided that no Extended Interest Payment Period may extend beyond the Maturity Date or Redemption Date of the Debentures or end on a day other than an Interest Payment Date. Prior to the termination of any such Extended Interest Payment Period, the Company may pay all or any portion of the Interest accrued on the Debentures on any Interest Payment Date to holders of record on the regular Record Date for such Interest Payment Date or from time to time further extend such Period; provided that such Extended Interest Payment Period, including such extension and all such further extensions thereof, shall not exceed 20 consecutive quarterly interest periods. Upon the termination of any Extended Interest Payment Period and upon the payment of all accrued and unpaid Interest then due, together with Compounded Interest, the Company may select a new Extended Interest Payment Period, subject to the foregoing requirements. No Interest shall be due and payable during an Extended Interest Payment Period, except at the end thereof. At the end of the Extended Interest Payment Period, the Company shall pay all Interest accrued and unpaid on the Debentures including any Compounded Interest which shall be payable to the holders of the Debentures in whose names the Debentures are registered in the Debenture Register on the first Record Date prior to the end of the Extended Interest Payment Period.

Section 5.02. Notification of Deferral of Interest Payment Periods. The Company shall, or shall cause the Trustee to, give the holders of the Debentures written notice of its selection of an Extended Interest Payment Period at least 5 Business Days prior to the earlier of the Record Date with respect to the next succeeding Interest Payment Date or the date the Company is required to give notice of the record or payment date of such interest payment to any national stock exchange or other self-regulatory organization on which the Debentures are listed or quoted or to holders of the Debentures. The quarter in which any notice is given pursuant to this Section 5.02 shall be counted as one of the quarters permitted in the maximum Extended Interest Payment Period permitted under this Article 5. If the Company shall give such notice, the Company shall also deliver a copy of such notice to the Trustee at such time as it is mailed to Debentureholders.

ARTICLE 6
PARTICULAR COVENANTS OF THE COMPANY

Section 6.01. Payment of Principal, Premium and Interest. The Company covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and premium, if any (including, but not limited to, the Redemption Price with respect to Debentures called for redemption in accordance with Section 3.02 or Repurchase Price with respect to Debentures submitted for repurchase in accordance with Section 3.05), and Interest, on each of the Debentures at the

places, at the respective times and in the manner provided herein and in the Debentures.

Section 6.02. Maintenance of Office or Agency. The Company will maintain an office or agency in the Borough of Manhattan, the City of New York, where the Debentures may be surrendered for registration of transfer or exchange or for presentation for payment or for conversion, redemption or repurchase and where notices and demands to or upon the Company in respect of the Debentures and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency not designated or appointed by the Trustee. 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.

The Company may also from time to time designate co-registrars and one or more offices or agencies where the Debentures may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Company will give prompt written notice of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby initially designates the Trustee as Paying Agent, Debenture Registrar, Custodian and Conversion Agent and each of the Corporate Trust Office and the office of agency of the Trustee in The Borough of Manhattan, shall be considered as one such office or agency of the Company for each of the aforesaid purposes.

So long as the Trustee is the Debenture Registrar, the Trustee agrees to mail, or cause to be mailed, the notices set forth in Section 9.10(a) and the third paragraph of Section 9.11. If co-registrars have been appointed in accordance with this Section, the Trustee shall mail such notices only to the Company and the holders of Debentures it can identify from its records.

Section 6.03. Appointments to Fill Vacancies in Trustee's Office. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 9.10, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 6.04. Provisions as to Paying Agent. If the Company shall appoint a Paying Agent other than the Trustee, or if the Trustee shall appoint such a Paying Agent, the Company will cause such Paying Agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 6.04:

(1) that it will hold all sums held by it as such agent for the payment of the principal of and premium, if any, or Interest on the

Debentures (whether such sums have been paid to it by the Company or by any other obligor on the Debentures) in trust for the benefit of the holders of the Debentures;

(2) that it will give the Trustee notice of any failure by the Company (or by any other obligor on the Debentures) to make any payment of the principal of and premium, if any, or Interest on the Debentures when the same shall be due and payable; and

(3) that at any time during the continuance of an Event of Default, upon request of the Trustee, it will forthwith pay to the Trustee all sums so held in trust.

The Company shall, on or before each due date of the principal of, premium, if any, or Interest on the Debentures, deposit with the Paying Agent a sum (in funds which are immediately available on the due date for such payment) sufficient to pay such principal, premium, if any, or Interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of any failure to take such action; provided that if such deposit is made on the due date, such deposit shall be received by the Paying Agent by 11:00 a.m., New York City time, on such date.

(a) If the Company shall act as its own Paying Agent, it will, on or before each due date of the principal of, premium, if any, or Interest on the Debentures, set aside, segregate and hold in trust for the benefit of the holders of the Debentures a sum sufficient to pay such principal, premium, if any, or Interest so becoming due and will promptly notify the Trustee of any failure to take such action and of any failure by the Company (or any other obligor under the Debentures) to make any payment of the principal of, premium, if any, or Interest on the Debentures when the same shall become due and payable.

(b) Anything in this Section 6.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by the Company or any Paying Agent hereunder as required by this Section 6.04, such sums to be held by the Trustee upon the trusts herein contained and upon such payment by the Company or any Paying Agent to the Trustee, the Company or such Paying Agent shall be released from all further liability with respect to such sums.

(c) Anything in this Section 6.04 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 6.04 is subject to Sections 14.03 and 14.04.

The Trustee shall not be responsible for the actions of any other Paying Agent (including the Company if acting as its own Paying Agent) and shall have no control of any funds held by such other Paying Agents.

Section 6.05. Existence. Subject to Article 13, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence and rights (charter and statutory); provided that the Company shall not be required to preserve any such right if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Debentureholders.

Section 6.06. Rule 144A Information Requirement. Within the period prior to the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision), the Company covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the Exchange Act, make available to any holder or beneficial holder of Debentures or any Common Stock issued upon conversion thereof which continue to be Restricted Securities in connection with any sale thereof and any prospective purchaser of Debentures or such Common Stock designated by such holder or beneficial holder, the information required pursuant to Rule 144A(d)(4) under the Securities Act upon the request of any holder or beneficial holder of the Debentures or such Common Stock and it will take such further action as any holder or beneficial holder of such Debentures or such Common Stock may reasonably request, all to the extent required from time to time to enable such holder or beneficial holder to sell its Debentures or Common Stock without registration under the Securities Act within the limitation of the exemption provided by Rule 144A, as such Rule may be amended from time to time. Upon the request of any holder or any beneficial holder of the Debentures or such Common Stock, the Company will deliver to such holder a written statement as to whether it has complied with such requirements.

Section 6.07. Stay, Extension and Usury Laws. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of, premium, if any, or Interest on the Debentures as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 6.08. Compliance Certificate. The Company shall deliver to the Trustee, within one hundred twenty (120) days after the end of each fiscal year of the Company (which fiscal year of the Company is presently the twelve calendar months ending December 31), a certificate signed by either the principal executive officer, principal financial officer or principal accounting officer of the Company, stating whether or not to the best knowledge of the signer thereof the

Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in default, specifying all such defaults and the nature and the status thereof of which the signer may have knowledge.

The Company will deliver to the Trustee, promptly upon becoming aware of (i) any default in the performance or observance of any covenant, agreement or condition contained in this Indenture, or (ii) any Event of Default, an Officer's Certificate specifying with particularity such default or Event of Default and further stating what action the Company has taken, is taking or proposes to take with respect thereto.

Any notice required to be given under this Section 6.08 shall be delivered to a Responsible Officer of the Trustee at its Corporate Trust Office.

Section 6.09. Liquidated Damages Notice. In the event that the Company is required to pay Liquidated Damages to holders of Debentures pursuant to the Registration Rights Agreement, the Company will provide written notice ("LIQUIDATED DAMAGES NOTICE") to the Trustee of its obligation to pay Liquidated Damages no later than fifteen (15) days prior to the proposed payment date for the Liquidated Damages, and the Liquidated Damages Notice shall set forth the amount of Liquidated Damages to be paid by the Company on such payment date. The Trustee shall not at any time be under any duty or responsibility to any holder of Debentures to determine the Liquidated Damages, or with respect to the nature, extent or calculation of the amount of Liquidated Damages when made, or with respect to the method employed in such calculation of the Liquidated Damages.

Section 6.10. Tax Treatment. The Company agrees and, by acceptance of a Debenture, each beneficial holder of a Debenture will covenant to treat the Debentures as indebtedness of the Company for U.S. federal income tax purposes.

Section 6.11. Restrictions on Certain Payments. The Company agrees that if (i) an event has occurred that with the giving of notice or the lapse of time, or both, would constitute an Event of Default and the Company has not taken commercially reasonable steps to cure the event (a "POTENTIAL EVENT OF DEFAULT") or (ii) the Company has given notice of its intention to begin an Extended Interest Payment Period pursuant to Section 5.02 and has not rescinded the notice or any Extended Interest Payment Period is continuing, then the Company will not and will not permit any of its Subsidiaries to do any of the following (each, a "RESTRICTED PAYMENT"):

(a) declare or pay any dividends on, make distributions regarding, or redeem, purchase, acquire or make any liquidation payment with respect to, any of the capital stock of the Company, other than:

(i) purchases of the capital stock of the Company in connection with employee or agent benefit plans or under any dividend reinvestment plan;

(ii) in connection with the reclassifications of any class or series of the Company's capital stock, or the exchange or conversion of one class or series of the Company's capital stock for or into another class or series of its capital stock;

(iii) the purchase of fractional interests in shares of the Company's capital stock in connection with the conversion or exchange provisions of that capital stock or the security being converted or exchanged;

(iv) dividends or distributions in the Company's capital stock, or options, warrants or rights to acquire capital stock, or repurchases or redemptions of capital stock solely from the issuance or exchange of capital stock;

(v) any declaration of a dividend in connection with the implementation of a shareholders' rights plan, or issuances of stock under any such plan in the future, or redemptions or repurchases of any such rights pursuant to any such shareholders' rights plan; or

(vi) repurchases of Common Stock in connection with acquisitions of businesses made by the Company or any of its Subsidiaries (which repurchases are made in connection with the satisfaction of indemnification obligations of the sellers of such businesses);

(b) make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including other convertible debentures) issued by the Company that rank equally with or junior to the Debentures; or

(c) make any guarantee payments with respect to any Guarantee by the Company of the debt securities (including other Guarantees) of any of its Subsidiaries, if such Guarantee ranks equally with or junior in interest to the Debentures;

provided that the limitation described in clause (a) above will not apply when a Potential Event of Default is occurring until such time as each of the Designated Agreements has been replaced, retired or otherwise terminated or has been duly amended so that such Designated Agreement does not limit the Company's ability to agree not to make the payments described in clause (a) above (the first date on which all of the Designated Agreements has been so replaced, retired, terminated or amended, the "DESIGNATED AGREEMENT TERMINATION DATE").

Notwithstanding the foregoing, Restricted Payments shall not include payments or distributions of any kind made by the Company, directly or indirectly, to Williams Gas Pipeline Company, LLC or any of its direct or indirect Subsidiaries, or to any successor company established by the Company to own or manage its natural gas pipelines and related assets, or any of such successor company's direct or indirect Subsidiaries.

Section 6.12. Termination of Designated Agreements. The Company agrees to use its commercially reasonable efforts to cause each of the Designated Agreements to be replaced, retired or otherwise terminated or to be amended so that such Designated Agreement does not limit the Company's ability to agree not to make the payments described in clause (a) of Section 6.11 within 90 days after the date of this Indenture.

ARTICLE 7
DEBENTUREHOLDERS' LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE

Section 7.01. Debentureholders' Lists. The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee, semiannually, not more than fifteen (15) days after each June 1 and December 1 in each year beginning with December 1, 2003, and at such other times as the Trustee may request in writing, within thirty (30) days after receipt by the Company of any such request (or such lesser time as the Trustee may reasonably request in order to enable it to timely provide any notice to be provided by it hereunder), a list in such form as the Trustee may reasonably require of the names and addresses of the holders of Debentures as of a date not more than fifteen (15) days (or such other date as the Trustee may reasonably request in order to so provide any such notices) prior to the time such information is furnished, except that no such list need be furnished by the Company to the Trustee so long as the Trustee is acting as the sole Debenture Registrar.

Section 7.02. Preservation and Disclosure of Lists. The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the holders of Debentures contained in the most recent list furnished to it as provided in Section 7.01 or maintained by the Trustee in its capacity as Debenture Registrar or co-registrar in respect of the Debentures, if so acting. The Trustee may destroy any list furnished to it as provided in Section 7.01 upon receipt of a new list so furnished.

(a) The rights of Debentureholders to communicate with other holders of Debentures with respect to their rights under this Indenture or under the Debentures, and the corresponding rights and duties of the Trustee, shall be as provided by the Trust Indenture Act.

(b) Every Debentureholder, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor

any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of holders of Debentures made pursuant to the Trust Indenture Act.

Section 7.03. Reports by Trustee. Within sixty (60) days after December 15 of each year commencing with the year 2003, the Trustee shall transmit to holders of Debentures such reports dated as of December 15 of the year in which such reports are made concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

(a) A copy of such report shall, at the time of such transmission to holders of Debentures, be filed by the Trustee with each stock exchange and automated quotation system upon which the Debentures are listed, with the Securities and Exchange Commission and with the Company. The Company will promptly notify the Trustee in writing when the Debentures are listed on any stock exchange or automated quotation system or delisted therefrom.

Section 7.04. Reports by Company. The Company shall file with the Trustee (and the Commission if at any time after the Indenture becomes qualified under the Trust Indenture Act), and transmit to holders of Debentures, such information, documents and other reports and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act, whether or not the Debentures are governed by such Act; provided that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Exchange Act shall be filed with the Trustee within fifteen (15) days after the same is so required to be filed with the Commission. 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 an Officer's Certificates).

ARTICLE 8
REMEDIES OF THE TRUSTEE AND DEBENTUREHOLDERS ON AN EVENT OF DEFAULT

Section 8.01. Events of Default. In case one or more of the following events (each an "EVENT OF DEFAULT") (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) shall have occurred and be continuing:

(a) default in the payment of any installment of Interest upon any of the Debentures as and when the same shall become due and payable, and continuance

of such default for a period of thirty (30) days, whether or not the payment is prohibited by the provisions of Article 4 hereof, provided that a valid extension of the interest payment period by the Company pursuant to Article 5 shall not constitute an Event of Default; or

(b) default in the payment of the principal of or premium, if any, on any of the Debentures as and when the same shall become due and payable either at maturity or in connection with any redemption, repurchase or otherwise, in each case pursuant to Article 3, by acceleration or otherwise, whether or not the payment is prohibited by the provisions of Article 4 hereof; or

(c) default in the Company's obligation to convert the Debentures into Common Stock upon the exercise of a holder's rights pursuant to Article 16; or

(d) default in the Company's obligation to repurchase the Debentures at the option of a holder upon a Change of Control pursuant to Section 3.05, whether or not the payment is prohibited by the provisions of Article 4 hereof; or

(e) failure to provide notice of the occurrence of a Change of Control on a timely basis as required by Section 3.05; or

(f) default in Williams' obligation to redeem the convertible debentures after it has exercised its option to redeem, whether or not the payment is prohibited by the provisions of Article 4 hereof; or

(g) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company in the Debentures or in this Indenture (other than a covenant or agreement a default in whose performance or whose breach is elsewhere in this Section 8.01 specifically dealt with) continued for a period of ninety (90) days after the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee, or the Company and a Responsible Officer of the Trustee by the holders of at least twenty-five percent (25%) in aggregate principal amount of the Debentures at the time outstanding determined in accordance with Section 10.04; or

(h) failure to pay at final stated maturity (giving effect to any applicable grace periods and any extensions thereof) the principal amount of any Junior Subordinated Indebtedness of the Company or the acceleration of the final stated maturity of any such Junior Subordinated Indebtedness (which acceleration is not rescinded, annulled or otherwise cured within 90 days of receipt by the Company of notice from the holders thereof of any such acceleration) if the aggregate principal amount of such Junior Subordinated Indebtedness, together with the principal amount of any other Junior Subordinated Indebtedness of the Company that is in default for failure to pay principal at final stated maturity or which has been accelerated (in each case with respect to which the 90-day period described above has elapsed), aggregates $250 million or more at any time; or

(i) the Company shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Company or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any substantial part of the property of the Company, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against the Company, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or

(j) an involuntary case or other proceeding shall be commenced against the Company seeking liquidation, reorganization or other relief with respect to the Company or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any substantial part of the property of the Company, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) consecutive days;

then, and in each and every such case (other than an Event of Default specified in Section 8.01(i) or 8.01(j)), unless the principal of all of the Debentures shall have already become due and payable, either the Trustee or the holders of not less than twenty-five percent (25%) in aggregate principal amount of the Debentures then outstanding hereunder determined in accordance with Section 10.04, by notice in writing to the Company (and to the Trustee if given by Debentureholders), may declare the principal of and premium, if any, on all the Debentures and the Interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Debentures contained to the contrary notwithstanding. If an Event of Default specified in Section 8.01(i) or 8.01(j) occurs, the principal of all the Debentures and the Interest accrued thereon shall be immediately and automatically due and payable without necessity of further action. This provision, however, is subject to the conditions that if, at any time after the principal of the Debentures shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of Interest upon all Debentures and the principal of and premium, if any, on any and all Debentures which shall have become due otherwise than by acceleration (with interest on overdue installments of Interest (to the extent that payment of such interest is enforceable under applicable law) and on such principal and premium, if any, at the rate borne by the Debentures, to the date of such payment or deposit) and amounts due to the Trustee pursuant to Section 9.06, and if any and all defaults under this Indenture, other than the nonpayment of principal of and premium, if any, and accrued Interest on Debentures which shall have become due by acceleration, shall have been cured or waived pursuant to Section 8.07, then and in every such case the holders of a majority in aggregate principal

amount of the Debentures then outstanding, by written notice to the Company and to the Trustee, may waive all defaults or Events of Default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or Event of Default, or shall impair any right consequent thereon. The Company shall notify in writing a Responsible Officer of the Trustee, promptly upon becoming aware thereof, of any Event of Default.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such waiver or rescission and annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the holders of Debentures, and the Trustee shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the holders of Debentures, and the Trustee shall continue as though no such proceeding had been taken.

Section 8.02. Payments of Debentures on Default; Suit Therefor. The Company covenants that in case default shall be made in the payment of any installment of Interest upon any of the Debentures as and when the same shall become due and payable, and such default shall have continued for a period of thirty (30) days, or in case default shall be made in the payment of the principal of or premium, if any, on any of the Debentures as and when the same shall have become due and payable, whether at maturity of the Debentures or in connection with any redemption, repurchase, acceleration, declaration or otherwise, then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the Debentures, the whole amount that then shall have become due and payable on all such Debentures for principal and premium, if any, or Interest, as the case may be, with interest upon the overdue principal and premium, if any, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other amounts due the Trustee under Section 9.06. Until such demand by the Trustee, the Company may pay the principal of and premium, if any, and Interest on the Debentures to the registered holders, whether or not the Debentures are overdue.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company or any other obligor on the Debentures and collect in the manner provided by law out of the property of the Company or any other obligor on the Debentures wherever situated the monies adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Debentures under Title 11 of the United States Code, or any other applicable law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Company or such other obligor, the property of the Company or such other obligor, or in the case of any other judicial proceedings relative to the Company or such other obligor upon the Debentures, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Debentures shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 8.02, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, and Interest owing and unpaid in respect of the Debentures, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the Debentureholders allowed in such judicial proceedings relative to the Company or any other obligor on the Debentures, its or their creditors, or its or their property, and to collect and receive any monies or other property payable or deliverable on any such claims, and to distribute the same after the deduction of any amounts due the Trustee under Section 9.06, and any receiver, assignee or trustee in bankruptcy or reorganization, liquidator, custodian or similar official is hereby authorized by each of the Debentureholders 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 Debentureholders, to pay to the Trustee any amount due it for reasonable compensation, expenses, advances and disbursements, including counsel fees and expenses incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses, advances and disbursements out of the estate in any such proceedings 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, monies, securities and other property which the holders of the Debentures may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

All rights of action and of asserting claims under this Indenture, or under any of the Debentures, may be enforced by the Trustee without the possession of any of the Debentures, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the holders of the Debentures.

In any proceedings brought by the Trustee (and in any proceedings involving the interpretation of any provision of this Indenture to which the

Trustee shall be a party) the Trustee shall be held to represent all the holders of the Debentures, and it shall not be necessary to make any holders of the Debentures parties to any such proceedings.

Section 8.03. Application of Monies. Any monies collected by the Trustee pursuant to this Article 8 and, after an Event of Default, any other money or other property distributable in respect of the Company's obligations under this Indenture shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such monies, upon presentation of the several Debentures, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

FIRST: To the Trustee (including any predecessor Trustee) for the payment of all amounts due under Section 9.06;

SECOND: In case the principal of the outstanding Debentures shall not have become due and be unpaid, subject to the provisions of Article 4, to the payment of Interest on the Debentures in default in the order of the maturity of the installments of such Interest, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of Interest at the rate borne by the Debentures, such payments to be made ratably to the Persons entitled thereto;

THIRD: In case the principal of the outstanding Debentures shall have become due, by declaration or otherwise, and be unpaid, subject to the provisions of Article 4, to the payment of the whole amount then owing and unpaid upon the Debentures for principal and premium, if any, and Interest, with interest on the overdue principal and premium, if any, and (to the extent that such interest has been collected by the Trustee) upon overdue installments of Interest at the rate borne by the Debentures, and in case such monies shall be insufficient to pay in full the whole amounts so due and unpaid upon the Debentures, then to the payment of such principal and premium, if any, and Interest without preference or priority of principal and premium, if any, over Interest, or of Interest over principal and premium, if any, or of any installment of Interest over any other installment of Interest, or of any Debenture over any other Debenture, ratably to the aggregate of such principal and premium, if any, and accrued and unpaid Interest; and

FOURTH: To the payment of the remainder, if any, to the Company or any other Person lawfully entitled thereto.

Section 8.04. Proceedings by Debentureholder. No holder of any Debenture shall have any right by virtue of or by reference to any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture, or for the appointment of a receiver, trustee, liquidator, custodian or other similar official, or for any other remedy hereunder, unless such holder previously shall have given to the Trustee written

notice of an Event of Default and of the continuance thereof, as hereinbefore provided, and unless also the holders of not less than twenty-five percent (25%) in aggregate principal amount of the Debentures then outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable security or indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 8.07; it being understood and intended, and being expressly covenanted by the taker and holder of every Debenture with every other taker and holder and the Trustee, that no one or more holders of Debentures shall have any right in any manner whatever by virtue of or by reference to any provision of this Indenture to affect, disturb or prejudice the rights of any other holder of Debentures, or to obtain or seek to obtain priority over or preference to any other such holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Debentures (except as otherwise provided herein). For the protection and enforcement of this Section 8.04, each and every Debentureholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision of this Indenture and any provision of any Debenture, the right of any holder of any Debenture to receive payment of the principal of and premium, if any (including, but not limited to, the Redemption Price with respect to Debentures called for redemption in accordance with Section 3.02 or Repurchase Price with respect to Debentures submitted for repurchase in accordance with Section 3.05), and accrued Interest on such Debenture, on or after the respective due dates expressed in such Debenture or in the event of redemption, or to institute suit for the enforcement of any such payment on or after such respective dates against the Company shall not be impaired or affected without the consent of such holder.

Anything in this Indenture or the Debentures to the contrary notwithstanding, the holder of any Debenture, without the consent of either the Trustee or the holder of any other Debenture, in its own behalf and for its own benefit, may enforce, and may institute and maintain any proceeding suitable to enforce, its rights of conversion as provided herein.

Section 8.05. Proceedings by Trustee. In case of an Event of Default, the Trustee may, in its discretion, proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as are necessary to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 8.06. Remedies Cumulative and Continuing. Except as provided in Section 2.06, all powers and remedies given by this Article 8 to the Trustee or to the Debentureholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the holders of the Debentures, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any holder of any of the Debentures to exercise any right or power accruing upon any default or Event of Default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or any acquiescence therein, and, subject to the provisions of Section 8.04, every power and remedy given by this Article 8 or by law to the Trustee or to the Debentureholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Debentureholders.

Section 8.07. Direction of Proceedings and Waiver of Defaults by Majority of Debentureholders. The holders of a majority in aggregate principal amount of the Debentures at the time outstanding determined in accordance with Section 10.04 shall have the right to 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 the Trustee; provided that (a) such direction shall not be in conflict with any rule of law or with this Indenture or would involve the Trustee in personal liability or expense, (b) the Trustee may take any other action which is not inconsistent with such direction and (c) the Trustee may decline to take any action that would benefit some Debentureholder to the detriment of other Debentureholders. The holders of a majority in aggregate principal amount of the Debentures at the time outstanding determined in accordance with Section 10.04 may, on behalf of the holders of all of the Debentures, waive any past default or Event of Default hereunder and its consequences except (i) a default in the payment of Interest or premium, if any, on, or the principal of, the Debentures, (ii) a failure by the Company to convert any Debentures into Common Stock, (iii) a default in the payment of the Redemption Price pursuant to Article 3, (iv) a default in the payment of the Repurchase Price pursuant to Article 3 or (v) a default in respect of a covenant or provisions hereof which under Article 12 cannot be modified or amended without the consent of the holders of each or all Debentures then outstanding or affected thereby. Upon any such waiver, the Company, the Trustee and the holders of the Debentures shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon. Whenever any default or Event of Default hereunder shall have been waived as permitted by this Section 8.07, said default or Event of Default shall for all purposes of the Debentures and this Indenture be deemed to have been cured and to be not continuing; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 8.08. Notice of Defaults. The Trustee shall, within ninety (90) days after a Responsible Officer of the Trustee has knowledge of the occurrence of a default, mail to all Debentureholders, as the names and addresses of such holders appear upon the Debenture Register, notice of all defaults known to a Responsible Officer, unless such defaults shall have been cured or waived before the giving of such notice; provided that except in the case of default in the payment of the principal of, or premium, if any, or Interest on any of the Debentures, the Trustee shall be protected in withholding such notice if and so long as a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Debentureholders. For the purpose of this Section 8.08, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

Section 8.09. Undertaking to Pay Costs. All parties to this Indenture agree, and each holder of any Debenture by his acceptance thereof shall be deemed to have agreed, that any court may, in its discretion, require, 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 Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; provided that the provisions of this Section 8.09 (to the extent permitted by law) shall not apply to any suit instituted by the Trustee, to any suit instituted by any Debentureholder, or group of Debentureholders, holding in the aggregate more than ten percent in principal amount of the Debentures at the time outstanding determined in accordance with Section 10.04, or to any suit instituted by any Debentureholder for the enforcement of the payment of the principal of or premium, if any, or Interest on any Debenture on or after the due date expressed in such Debenture or to any suit for the enforcement of the right to convert any Debenture in accordance with the provisions of Article 16.

ARTICLE 9
THE TRUSTEE

Section 9.01. Duties and Responsibilities of Trustee. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee, and in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions

which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture. In case an Event of Default has occurred (which has not been cured or waived), 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 their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture and the Trust Indenture Act, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture and the Trust Indenture Act against the Trustee; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless the Trustee was negligent in ascertaining the pertinent facts;

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the holders of not less than a majority in principal amount of the Debentures at the time Outstanding determined as provided in Section 1.01 and Section 10.04 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(d) this paragraph shall not be construed to limit the effect of the penultimate paragraph of this Section 9.01;

(e) the Trustee shall not be liable in respect of any payment (as to the correctness of amount, entitlement to receive or any other matters relating to payment) or notice effected by the Company or any Paying Agent or any records maintained by any co-registrar with respect to the Debentures; and

(f) if any party fails to deliver a notice relating to an event the fact of which, pursuant to this Indenture, requires notice to be sent to the Trustee, the Trustee may conclusively rely on its failure to receive such notice as reason to act as if no such event occurred.

The Trustee shall not be deemed to have knowledge or notice of any default (as defined in Section 8.08) or Event of Default hereunder unless a Responsible Officer of the Trustee shall have received at the Corporate Trust Office written notice of such default or Event of Default from the Company or the holders of at least 10% in aggregate principal amount of the Debentures and such notice refers to such default or Event of Default, the Debentures and the Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Whether or not therein provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Section 9.01.

Section 9.02. Reliance on Documents, Opinions, Etc. Except as otherwise provided in Section 9.01:

(a) the Trustee may conclusively rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon or other paper or document (whether in its original or facsimile form) believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(c) the Trustee may consult with counsel of its own selection and any advice or Opinion of Counsel shall be full and complete authorization and

protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Debentureholders pursuant to the provisions of this Indenture, unless such Debentureholders shall have offered to the Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby;

(e) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(f) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care hereunder.

(g) the Trustee shall not be liable for any action taken, suffered or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(h) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder; and

(i) the Trustee may request that the Company deliver an Officer's 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 Officer's Certificate may be signed by any person authorized to sign an Officer's Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

Section 9.03. No Responsibility For Recitals, Etc. The recitals contained herein and in the Debentures (except in the Trustee's certificate of authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Debentures. The Trustee shall not be accountable for the use or application by the

Company of any Debentures or the proceeds of any Debentures authenticated and delivered by the Trustee in conformity with the provisions of this Indenture.

Section 9.04. Trustee, Paying Agents, Conversion Agents or Registrar May Own Debentures. The Trustee, any Paying Agent, any Conversion Agent or Debenture Registrar, in its individual or any other capacity, may become the owner or pledgee of Debentures with the same rights it would have if it were not Trustee, Paying Agent, Conversion Agent or Debenture Registrar.

Section 9.05. Monies to Be Held in Trust. Subject to the provisions of Section 14.04, all monies received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as may be agreed in writing from time to time by the Company and the Trustee.

Section 9.06. Compensation and Expenses of Trustee. The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, such compensation for all services rendered by it hereunder in any capacity (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) as mutually agreed to in writing between the Company and the Trustee, and the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or willful misconduct. The Company also covenants to indemnify the Trustee and any predecessor Trustee (or any officer, director or employee of the Trustee and such predecessor Trustee), in any capacity under this Indenture and its agents and any authenticating agent for, and to hold them harmless against, any and all loss, liability, damage, claim or expense including taxes (other than taxes based on the income of the Trustee) incurred without negligence or willful misconduct on the part of the Trustee or such officers, directors, employees and agent or authenticating agent, as the case may be, and arising out of or in connection with the acceptance or administration of this trust or in any other capacity hereunder, including the costs and expenses of defending themselves against any claim (whether asserted by the Company, any holder or any other Person) of liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligations of the Company under this Section 9.06 to compensate or indemnify the Trustee (or any predecessor Trustee) and to pay or reimburse the Trustee for expenses, disbursements and advances shall be secured by a lien prior to that of the Debentures upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Debentures. The obligation of the Company under this Section and such lien shall survive the satisfaction and discharge of this

Indenture, the resignation or removal of the Trustee and the termination of this Indenture for any reason.

When the Trustee and its agents and any authenticating agent incur expenses or render services after an Event of Default specified in Section 8.01(i) or (j) with respect to the Company occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy, insolvency or similar laws.

Section 9.07. Officer's Certificate as Evidence. Except as otherwise provided in Section 9.01, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith or willful misconduct on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Trustee.

Section 9.08. Conflicting Interests of Trustee. If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

Section 9.09. Eligibility of Trustee. There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least $50,000,000 (or if such Person is a member of a bank holding company system, its bank holding company shall have a combined capital and surplus of at least $50,000,000). If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 9.09, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 9.10. Resignation or Removal of Trustee.

(a) The Trustee may at any time resign by giving written notice of such resignation to the Company and to the holders of Debentures. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment sixty (60) days after the

mailing of such notice of resignation to the Debentureholders, the resigning Trustee may, upon ten (10) Business Days' notice to the Company and the Debentureholders, appoint a successor identified in such notice or may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor trustee, or, if any Debentureholder who has been a bona fide holder of a Debenture or Debentures for at least six (6) months may, subject to the provisions of Section 8.09, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall fail to comply with Section 9.08 after written request therefor by the Company or by any Debentureholder who has been a bona fide holder of a Debenture or Debentures for at least six (6) months; or

(ii) the Trustee shall cease to be eligible in accordance with the provisions of Section 9.09 and shall fail to resign after written request therefor by the Company or by any such Debentureholder; or

(iii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Company may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 8.09, any Debentureholder who has been a bona fide holder of a Debenture or Debentures for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee; provided that if no successor Trustee shall have been appointed and have accepted appointment sixty (60) days after either the Company or the Debentureholders has removed the Trustee, or the Trustee resigns, the Trustee so removed may petition, at the expense of the Company, any court of competent jurisdiction for an appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The holders of a majority in aggregate principal amount of the Debentures at the time outstanding may at any time remove the Trustee and nominate a successor trustee which shall be deemed appointed as successor

trustee unless, within ten (10) days after notice to the Company of such nomination, the Company objects thereto, in which case the Trustee so removed or any Debentureholder, or if such Trustee so removed or any Debentureholder fails to act, the Company, upon the terms and conditions and otherwise as in Section 9.10(a) provided, may petition any court of competent jurisdiction for an appointment of a successor trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 9.10 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 9.11.

Section 9.11. Acceptance by Successor Trustee. Any successor trustee appointed as provided in Section 9.10 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amount then due it pursuant to the provisions of Section 9.06, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a lien upon all property and funds held or collected by such trustee as such, except for funds held in trust for the benefit of holders of particular Debentures, to secure any amounts then due it pursuant to the provisions of Section 9.06.

No successor trustee shall accept appointment as provided in this Section 9.11 unless, at the time of such acceptance, such successor trustee shall be qualified under the provisions of Section 9.08 and be eligible under the provisions of Section 9.09.

Upon acceptance of appointment by a successor trustee as provided in this Section 9.11, the Company (or the former trustee or successor trustee, at the written direction of the Company) shall mail or cause to be mailed notice of the succession of such trustee hereunder to the holders of Debentures at their addresses as they shall appear on the Debenture Register. If the Company fails to mail such notice within ten (10) days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Company.

Section 9.12. Succession by Merger. Any Person into which the Trustee may be merged or converted or with which it may be consolidated, or any Person

resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any Person succeeding to all or substantially all of the corporate trust business of the Trustee (including any trust created by this Indenture), shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that in the case of any Person succeeding to all or substantially all of the corporate trust business of the Trustee, such Person shall be qualified under the provisions of Section 9.08 and eligible under the provisions of Section 9.09.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture, any of the Debentures shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee or authenticating agent appointed by such predecessor trustee, and deliver such Debentures so authenticated; and in case at that time any of the Debentures shall not have been authenticated, any successor to the Trustee or any authenticating agent appointed by such successor trustee may authenticate such Debentures in the name of the successor trustee; and in all such cases such certificates shall have the full force that is provided in the Debentures or in this Indenture; provided that the right to adopt the certificate of authentication of any predecessor Trustee or authenticate Debentures in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 9.13. Preferential Collection of Claims. If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Debentures), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of the claims against the Company (or any such other obligor).

ARTICLE 10
THE DEBENTUREHOLDERS

Section 10.01. Action by Debentureholders. Whenever in this Indenture it is provided that the holders of a specified percentage in aggregate principal amount of the Debentures may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action, the holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Debentureholders in person or by agent or proxy appointed in writing, or (b) by the record of the holders of Debentures voting in favor thereof at any meeting of Debentureholders duly called and held in accordance with the provisions of Article 11, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Debentureholders. Whenever the Company or the Trustee solicits the taking of any action by the holders of the Debentures, the

Company or the Trustee may fix in advance of such solicitation, a date as the record date for determining holders entitled to take such action. The record date shall be not more than fifteen (15) days prior to the date of commencement of solicitation of such action.

Section 10.02. Proof of Execution by Debentureholders. Subject to the provisions of Sections 9.01, 9.02 and 11.05, proof of the execution of any instrument by a Debentureholder or its agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Debentures shall be proved by the registry of such Debentures or by a certificate of the Debenture Registrar.

The record of any Debentureholders' meeting shall be proved in the manner provided in Section 11.06.

Section 10.03. Who Are Deemed Absolute Owners. The Company, the Trustee, any Paying Agent, any Conversion Agent and any Debenture Registrar may deem the Person in whose name such Debenture shall be registered upon the Debenture Register to be, and may treat it as, the absolute owner of such Debenture (whether or not such Debenture shall be overdue and notwithstanding any notation of ownership or other writing thereon made by any Person other than the Company or any Debenture Registrar) for the purpose of receiving payment of or on account of the principal of, premium, if any, and Interest on such Debenture, for conversion of such Debenture and for all other purposes; and neither the Company nor the Trustee nor any Paying Agent nor any Conversion Agent nor any Debenture Registrar shall be affected by any notice to the contrary. All such payments so made to any holder for the time being, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for monies payable upon any such Debenture.

Section 10.04. Company-owned Debentures Disregarded. In determining whether the holders of the requisite aggregate principal amount of Debentures have concurred in any direction, consent, waiver or other action under this Indenture, Debentures which are owned by the Company or any other obligor on the Debentures or any Affiliate of the Company or any other obligor on the Debentures shall be disregarded and deemed not to be outstanding for the purpose of any such determination; provided that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent, waiver or other action, only Debentures which a Responsible Officer knows are so owned shall be so disregarded. Debentures so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 10.04 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Debentures and that the pledgee is not the Company, any other obligor on the Debentures or any Affiliate of the Company or any such other obligor. In the case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the

Trustee, the Company shall furnish to the Trustee promptly an Officer's Certificate listing and identifying all Debentures, if any, known by the Company to be owned or held by or for the account of any of the above described Persons, and, subject to Section 9.01, the Trustee shall be entitled to accept such Officer's Certificate as conclusive evidence of the facts therein set forth and of the fact that all Debentures not listed therein are outstanding for the purpose of any such determination.

Section 10.05. Revocation of Consents, Future Holders Bound. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 10.01, of the taking of any action by the holders of the percentage in aggregate principal amount of the Debentures specified in this Indenture in connection with such action, any holder of a Debenture which is shown by the evidence to be included in the Debentures the holders of which have consented to such action may, by filing written notice with the Trustee at its Corporate Trust Office and upon proof of holding as provided in Section 10.02, revoke such action so far as concerns such Debenture. Except as aforesaid, any such action taken by the holder of any Debenture shall be conclusive and binding upon such holder and upon all future holders and owners of such Debenture and of any Debentures issued in exchange or substitution therefor, irrespective of whether any notation in regard thereto is made upon such Debenture or any Debenture issued in exchange or substitution therefor.

ARTICLE 11
MEETINGS OF DEBENTUREHOLDERS

Section 11.01. Purpose of Meetings. A meeting of Debentureholders may be called at any time and from time to time pursuant to the provisions of this Article 11 for any of the following purposes:

(1) to give any notice to the Company or to the Trustee or to give any directions to the Trustee permitted under this Indenture, or to consent to the waiving of any default or Event of Default hereunder and its consequences, or to take any other action authorized to be taken by Debentureholders pursuant to any of the provisions of Article 8;

(2) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article 9;

(3) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 12.02; or

(4) to take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of the Debentures under any other provision of this Indenture or under applicable law.

Section 11.02. Call of Meetings by Trustee. The Trustee may at any time call a meeting of Debentureholders to take any action specified in Section 11.01, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Debentureholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting and the establishment of any record date pursuant to Section 10.01, shall be mailed to holders of Debentures at their addresses as they shall appear on the Debenture Register. Such notice shall also be mailed to the Company. Such notices shall be mailed not less than twenty (20) nor more than ninety (90) days prior to the date fixed for the meeting.

Any meeting of Debentureholders shall be valid without notice if the holders of all Debentures then outstanding are present in person or by proxy or if notice is waived before or after the meeting by the holders of all Debentures outstanding, and if the Company and the Trustee are either present by duly authorized representatives or have, before or after the meeting, waived notice.

Section 11.03. Call of Meetings by Company or Debentureholders. In case at any time the Company, pursuant to a resolution of its Board of Directors, or the holders of at least ten percent (10%) in aggregate principal amount of the Debentures then outstanding, shall have requested the Trustee to call a meeting of Debentureholders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within twenty (20) days after receipt of such request, then the Company or such Debentureholders may determine the time and the place for such meeting and may call such meeting to take any action authorized in Section 11.01, by mailing notice thereof as provided in Section 11.02.

Section 11.04. Qualifications for Voting. To be entitled to vote at any meeting of Debentureholders a person shall (a) be a holder of one or more Debentures on the record date pertaining to such meeting or (b) be a person appointed by an instrument in writing as proxy by a holder of one or more Debentures on the record date pertaining to such meeting. The only persons who shall be entitled to be present or to speak at any meeting of Debentureholders shall be the persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 11.05. Regulations. Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Debentureholders, in regard to proof of the holding of Debentures and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Debentureholders as provided in Section 11.03, in which case the Company or the Debentureholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the holders of a majority in principal amount of the Debentures represented at the meeting and entitled to vote at the meeting.

Subject to the provisions of Section 10.04, at any meeting each Debentureholder or proxyholder shall be entitled to one vote for each $50 principal amount of Debentures held or represented by him; provided that no vote shall be cast or counted at any meeting in respect of any Debenture challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Debentures held by him or instruments in writing as aforesaid duly designating him as the proxy to vote on behalf of other Debentureholders. Any meeting of Debentureholders duly called pursuant to the provisions of Section 11.02 or 11.03 may be adjourned from time to time by the holders of a majority of the aggregate principal amount of Debentures represented at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Section 11.06. Voting. The vote upon any resolution submitted to any meeting of Debentureholders shall be by written ballot on which shall be subscribed the signatures of the holders of Debentures or of their representatives by proxy and the outstanding principal amount of the Debentures held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Debentureholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 11.02. The record shall show the principal amount of the Debentures voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 11.07. No Delay of Rights by Meeting. Nothing contained in this Article 11 shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Debentureholders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Debentureholders under any of the provisions of this Indenture or of the Debentures.

ARTICLE 12
SUPPLEMENTAL INDENTURES

Section 12.01. Supplemental Indentures Without Consent of Debentureholders. The Company, when authorized by the resolutions of the Board of Directors, and the Trustee may, from time to time, and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) make provision with respect to the conversion rights of the holders of Debentures pursuant to the requirements of Section 16.06 and the redemption obligations of the Company pursuant to the requirements of Section 3.05(h);

(b) to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Debentures, any property or assets;

(c) to evidence the succession of another Person to the Company, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Company pursuant to Article 13;

(d) to add to the covenants of the Company such further covenants, restrictions or conditions as the Board of Directors and the Trustee shall consider to be for the benefit of the holders of Debentures, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions or conditions a default or an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided that in respect of any such additional covenant, restriction or condition, such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default;

(e) to provide for the issuance under this Indenture of Debentures in coupon form (including Debentures registrable as to principal only) and to provide for exchangeability of such Debentures with the Debentures issued hereunder in fully registered form and to make all appropriate changes for such purpose;

(f) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture that may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture that shall not materially adversely affect the interests of the holders of the Debentures;

(g) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Debentures;

(h) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualifications of this Indenture under the Trust Indenture Act, or under any similar federal statute hereafter enacted; or

(i) make other changes to the indenture or forms or terms of the Debentures, provided no such change individually or in the aggregate with all other such changes has or will have a material adverse effect on the interests of the Debentureholders.

Upon the written request of the Company, accompanied by a copy of the resolutions of the Board of Directors certified by its Secretary or Assistant Secretary authorizing the execution of any supplemental indenture, the Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations that may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, if any, but the Trustee shall not be obligated to, but may in its discretion, enter into any supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 12.01 may be executed by the Company and the Trustee without the consent of the holders of any of the Debentures at the time outstanding, notwithstanding any of the provisions of Section 12.02.

Notwithstanding any other provision of the Indenture or the Debentures, the Registration Rights Agreement and the obligation to pay Liquidated Damages thereunder may be amended, modified or waived in accordance with the provisions of the Registration Rights Agreement.

Section 12.02. Supplemental Indenture with Consent of Debentureholders. With the consent (evidenced as provided in Article 10) of the holders of at least a majority in aggregate principal amount of the Debentures at the time outstanding, the Company, when authorized by the resolutions of the Board of Directors, and the Trustee may, from time to time and at any time, enter into an indenture or indentures supplemental hereto for the purpose of adding any

provisions to or changing in any manner or eliminating any of the provisions of this Indenture or any supplemental indenture or of modifying in any manner the rights of the holders of the Debentures; provided that no such supplemental indenture shall (i) extend the fixed maturity of any Debenture, or reduce the rate or extend the time of payment of Interest thereon, or reduce the principal amount thereof or premium, if any, thereon, or reduce any amount payable on redemption or repurchase thereof, or impair the right of any Debentureholder to institute suit for the payment thereof, or make the principal thereof or Interest or premium, if any, thereon payable in any coin or currency other than that provided in the Debentures, or change the obligation of the Company to redeem any Debenture on a Redemption Date in a manner adverse to the holders of Debentures, or change the obligation of the Company to repurchase any Debenture upon a Change of Control in a manner adverse to the holders of Debentures, or impair the right to convert the Debentures into Common Stock subject to the terms set forth herein, including Section 16.06, or reduce the number of shares of Common Stock or other property receivable upon conversion, in each case, without the consent of the holder of each Debenture so affected, or modify any of the provisions of this Section 12.02 or Section 8.07, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the holder of each Debenture so affected, or reduce the quorum or voting requirements set forth in Article 11 or (ii) reduce the aforesaid percentage of Debentures, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all Debentures then outstanding.

Upon the written request of the Company, accompanied by a copy of the resolutions of the Board of Directors certified by its Secretary or Assistant Secretary authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Debentureholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Debentureholders under this Section 12.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Section 12.03. Effect of Supplemental Indenture. Any supplemental indenture executed pursuant to the provisions of this Article 12 shall comply with the Trust Indenture Act, as then in effect, provided that this Section 12.03 shall not require such supplemental indenture or the Trustee to be qualified under the Trust Indenture Act prior to the time such qualification is in fact required under the terms of the Trust Indenture Act or the Indenture has been qualified under the Trust Indenture Act, nor shall it constitute any admission or acknowledgment by

any party to such supplemental indenture that any such qualification is required prior to the time such qualification is in fact required under the terms of the Trust Indenture Act or the Indenture has been qualified under the Trust Indenture Act. Upon the execution of any supplemental indenture pursuant to the provisions of this Article 12, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Debentures shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 12.04. Notation on Debentures. Debentures authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article 12 may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Debentures so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may, at the Company's expense, be prepared and executed by the Company, authenticated by the Trustee (or an authenticating agent duly appointed by the Trustee pursuant to Section 17.10) and delivered in exchange for the Debentures then outstanding, upon surrender of such Debentures then outstanding.

Section 12.05. Evidence of Compliance of Supplemental Indenture to Be Furnished to Trustee. Prior to entering into any supplemental indenture, the Trustee shall be provided with an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of, and that the Trustee's execution of such supplemental indenture is permitted under, this Article 12.

ARTICLE 13
CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

Section 13.01. Company May Consolidate on Certain Terms. Subject to the provisions of Section 13.02, the Company shall not consolidate or merge with or into any other Person or Persons (whether or not affiliated with the Company), nor shall the Company or its successor or successors be a party or parties to successive consolidations or mergers, nor shall the Company sell, convey, transfer or lease the property and assets of the Company substantially as an entirety, to any other Person (whether or not affiliated with the Company), unless: (i) the Company is the surviving Person, or the resulting, surviving or transferee Person is a corporation organized and existing under the laws of the United States of America, any state thereof or the District of Columbia; (ii) upon any such

consolidation, merger, sale, conveyance, transfer or lease, the due and punctual payment of the principal of and premium, if any, and Interest on all of the Debentures, according to their tenor and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed by the Company, shall be expressly assumed, by supplemental indenture satisfactory in form to the Trustee, executed and delivered to the Trustee by the Person (if other than the Company) formed by such consolidation, or into which the Company shall have been merged, or by the Person that shall have acquired or leased such property, and such supplemental indenture shall provide for the applicable conversion rights set forth in Section 16.06; and (iii) immediately after giving effect to the transaction described above, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing.

Section 13.02. Successor to Be Substituted. In case of any such consolidation, merger, sale, conveyance, transfer or lease and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the due and punctual payment of the principal of and premium, if any, and Interest on all of the Debentures and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Company, such successor Person shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the party of this first part. Such successor Person thereupon may cause to be signed, and may issue either in its own name or in the name of The Williams Companies, Inc. any or all of the Debentures, issuable hereunder that 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, or cause to be authenticated and delivered, any Debentures that previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Debentures that such successor Person thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Debentures so issued shall in all respects have the same legal rank and benefit under this Indenture as the Debentures theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Debentures had been issued at the date of the execution hereof. In the event of any such consolidation, merger, sale, conveyance, transfer or lease, the Person named as the "COMPANY" in the first paragraph of this Indenture or any successor that shall thereafter have become such in the manner prescribed in this Article 13 may be dissolved, wound up and liquidated at any time thereafter and such Person shall be released from its liabilities as obligor and maker of the Debentures and from its obligations under this Indenture.

In case of any such consolidation, merger, sale, conveyance, transfer or lease, such changes in phraseology and form (but not in substance) may be made in the Debentures thereafter to be issued as may be appropriate.

Section 13.03. Opinion of Counsel to Be Given Trustee. The Trustee shall receive an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, conveyance, transfer or lease and any such assumption complies with the provisions of this Article 13.

ARTICLE 14
SATISFACTION AND DISCHARGE OF INDENTURE

Section 14.01. Discharge of Indenture. When the Company shall deliver to the Trustee for cancellation all Debentures theretofore authenticated (other than any Debentures that have been destroyed, lost or stolen and in lieu of or in substitution for which other Debentures shall have been authenticated and delivered) and not theretofore canceled, or all the Debentures not theretofore canceled or delivered to the Trustee for cancellation shall have become due and payable and the Company shall deposit with the Trustee, in trust, funds sufficient to pay at maturity or upon redemption of all of the Debentures (other than any Debentures that shall have been mutilated, destroyed, lost or stolen and in lieu of or in substitution for which other Debentures shall have been authenticated and delivered) not theretofore canceled or delivered to the Trustee for cancellation, including principal and premium, if any, and Interest due or to become due to such date of maturity or Redemption Date, as the case may be, accompanied by a verification report, as to the sufficiency of the deposited amount, from an independent certified accountant or other financial professional satisfactory to the Trustee, and if the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect (except as to remaining rights of registration of transfer, substitution and exchange and conversion of Debentures, rights hereunder of Debentureholders to receive payments of principal of and premium, if any, and Interest on, the Debentures and the other rights, duties and obligations of Debentureholders, as beneficiaries hereof with respect to the amounts, if any, so deposited with the Trustee and the rights, obligations and immunities of the Trustee hereunder, including, but not limited to, Section 9.06 hereof), and the Trustee, on written demand of the Company accompanied by an Officer's Certificate and an Opinion of Counsel as required by Section 17.04 and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture; the Company, however, hereby agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred by the Trustee and to compensate the Trustee for any services thereafter reasonably and properly rendered by the Trustee in connection with this Indenture or the Debentures.

Section 14.02. Deposited Monies to Be Held in Trust by Trustee. Subject to Section 14.04, all monies deposited with the Trustee pursuant to Section 14.01, shall be held in trust for the sole benefit of the Debentureholders, and such monies shall be applied by the Trustee to the payment, either directly or through any Paying Agent (including the Company if acting as its own Paying Agent), to the holders of the particular Debentures for the payment or redemption of which such monies have been deposited with the Trustee, of all sums due and to become due thereon for principal and Interest and premium, if any.

Section 14.03. Paying Agent to Repay Monies Held. Upon the satisfaction and discharge of this Indenture, all monies then held by any Paying Agent of the Debentures (other than the Trustee) shall, upon written request of the Company, be repaid to it or paid to the Trustee, and thereupon such Paying Agent shall be released from all further liability with respect to such monies.

Section 14.04. Return of Unclaimed Monies. Subject to the requirements of applicable law, any monies deposited with or paid to the Trustee for payment of the principal of, premium, if any, or Interest on Debentures and not applied but remaining unclaimed by the holders of Debentures for two years after the date upon which the principal of, premium, if any, or Interest on such Debentures, as the case may be, shall have become due and payable, shall be repaid to the Company by the Trustee on demand and all liability of the Trustee shall thereupon cease with respect to such monies; and the holder of any of the Debentures shall thereafter look only to the Company for any payment that such holder may be entitled to collect unless an applicable abandoned property law designates another Person.

ARTICLE 15
IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

Section 15.01. Indenture and Debentures Solely Corporate Obligations. No recourse for the payment of the principal of or premium, if any, or Interest on any Debenture, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture or in any Debenture, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, employee, agent, officer, director or subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Debentures.

ARTICLE 16
CONVERSION OF DEBENTURES

Section 16.01. Right to Convert. Subject to and upon compliance with the provisions of this Indenture, prior to the close of business on June 1,2033 (or in the case of Debentures called for redemption pursuant to Section 3.01, prior to the close of business on the Business Day prior to the Redemption Date), the holder of any Debenture shall have the right, at such holder's option, to convert the principal amount of the Debenture, or any portion of such principal amount which is a multiple of $50, into fully paid and non-assessable shares of Common Stock (as such shares shall then be constituted) at the Conversion Rate in effect at such time, by surrender of the Debenture so to be converted in whole or in part, together with any required funds, under the circumstances described in this Section 16.01 and in the manner provided in Section 16.02.

(a) A Debenture in respect of which a holder is electing to exercise its option to require repurchase upon a Change of Control pursuant to Section 3.05, may be converted only if such holder withdraws its election in accordance with Section 3.05(g). A holder of Debentures is not entitled to any rights of a holder of Common Stock until such holder has converted its Debentures to Common Stock, and only to the extent such Debentures are deemed to have been converted to Common Stock under this Article 16.

Section 16.02. Exercise of Conversion Privilege; Issuance of Common Stock on Conversion; No Adjustment for Interest or Dividends. In order to exercise the conversion privilege with respect to any Debenture in certificated form, the Company must receive at the office or agency of the Company maintained for that purpose or, at the option of such holder, the Corporate Trust Office, such Debenture with the original or facsimile of the form entitled "CONVERSION NOTICE" on the reverse thereof, duly completed and manually signed, together with such Debentures duly endorsed for transfer, accompanied by the funds, if any, required by the fifth paragraph of this Section 16.02. Such notice shall also state the name or names (with address or addresses) in which the certificate or certificates for shares of Common Stock which shall be issuable on such conversion shall be issued, and shall be accompanied by transfer or similar taxes, if required pursuant to Section 16.07.

In order to exercise the conversion privilege with respect to any interest in a Global Debenture, the beneficial holder must complete, or cause to be completed, the appropriate instruction form for conversion pursuant to the Depositary's book-entry conversion program, deliver, or cause to be delivered, by book-entry delivery an interest in such Global Debenture, furnish appropriate endorsements and transfer documents if required by the Company or the Trustee or Conversion Agent, and pay the funds, if any, required by this Section 16.02 and any transfer taxes if required pursuant to Section 16.07.

As promptly as reasonably practicable after satisfaction of the requirements for conversion set forth above, subject to compliance with any restrictions on transfer if shares issuable on conversion are to be issued in a name other than that of the Debentureholder (as if such transfer were a transfer of the Debenture or Debentures (or portion thereof) so converted), the Company shall issue and shall deliver to such Debentureholder at the office or agency maintained by the Company for such purpose pursuant to Section 6.02, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such Debenture or portion thereof as determined by the Company in accordance with the provisions of this Article 16 and a check or cash in respect of any fractional interest in respect of a share of Common Stock arising upon such conversion, calculated by the Company as provided in Section 16.03. In case any Debenture of a denomination greater than $50 shall be surrendered for partial conversion, and subject to Section 2.03, the Company shall execute and the Trustee shall authenticate and deliver to the holder of the Debenture so surrendered, without charge to him, a new Debenture or Debentures in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Debenture.

Each conversion shall be deemed to have been effected as to any such Debenture (or portion thereof) on the date on which the requirements set forth above in this Section 16.02 have been satisfied as to such Debenture (or portion thereof) (such date, the "CONVERSION DATE"), and the Person in whose name any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become on said date the holder of record of the shares represented thereby; provided that any such surrender on any date when the stock transfer books of the Company shall be closed shall constitute the Person in whose name the certificates are to be issued as the record holder thereof for all purposes on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Rate in effect on the date upon which such Debenture shall be surrendered.

Any Debenture or portion thereof surrendered for conversion during the period from 5:00 p.m., New York City time, on the Record Date for any Interest Payment Date to the close of business on the following Interest Payment Date that has not been called for redemption during such period shall be accompanied by payment, in immediately available funds or other funds acceptable to the Company, of an amount equal to the Interest otherwise payable on such Interest Payment Date on the principal amount being converted; provided that no such payment need be made (1) if the Company has specified a Redemption Date that is after a Record Date and on or prior to the next Interest Payment Date, (2) if the Company has specified a Repurchase Date following a Change of Control that is during such period or (3) to the extent of any overdue Interest, if any overdue Interest exists at the time of conversion with respect to such Debenture. Except as provided above in this Section 16.02, no payment or other adjustment shall be made for Interest accrued on any Debenture converted or for dividends on any

shares issued upon the conversion of such Debenture as provided in this Article 16.

Upon the conversion of an interest in a Global Debenture, the Trustee (or other Conversion Agent appointed by the Company), or the Custodian at the direction of the Trustee (or other Conversion Agent appointed by the Company), shall make a notation on such Global Debenture as to the reduction in the principal amount represented thereby. The Company shall notify the Trustee in writing of any conversions of Debentures effected through any Conversion Agent other than the Trustee.

Section 16.03. Cash Payments in Lieu of Fractional Shares. No fractional shares of Common Stock or scrip certificates representing fractional shares shall be issued upon conversion of Debentures. If more than one Debenture shall be surrendered for conversion at one time by the same holder, the number of full shares that shall be issuable upon conversion shall be computed on the basis of the aggregate principal amount of the Debentures (or specified portions thereof to the extent permitted hereby) so surrendered. If any fractional share of stock would be issuable upon the conversion of any Debenture or Debentures, the Company shall make an adjustment and payment therefor in cash at the Closing Sale Price on the Conversion Date to the holder of Debentures.

Section 16.04. Conversion Rate. Each $50 principal amount of the Debentures shall be convertible into the number of shares of Common Stock specified in the form of Debenture (herein called the "CONVERSION RATE") attached as Exhibit A hereto, subject to adjustment as provided in this Article 16.

Section 16.05. Adjustment of Conversion Rate. The Conversion Rate shall be adjusted from time to time by the Company as follows:

(a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution by a fraction,

(i) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the date fixed for the determination of stockholders entitled to receive such dividend or other distribution plus the total number of shares of Common Stock constituting such dividend or other distribution; and

(ii) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination,

such increase to become effective immediately after the opening of business on the Business Day following the date fixed for such determination. For the purpose of this paragraph (a), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company. If any dividend or distribution of the type described in this Section 16.05(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(b) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period expiring within forty-five (45) days after the date fixed for determination of stockholders entitled to receive such rights or warrants) to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price on the date fixed for determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the date fixed for determination of stockholders entitled to receive such rights or warrants by a fraction,

(i) the numerator of which shall be the number of shares of Common Stock outstanding on the date fixed for determination of stockholders entitled to receive such rights or warrants plus the total number of additional shares of Common Stock offered for subscription or purchase, and

(ii) the denominator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the date fixed for determination of stockholders entitled to receive such rights or warrants plus the number of shares that the aggregate offering price of the total number of shares so offered would purchase at such Current Market Price.

Such adjustment shall be successively made whenever any such rights or warrants are issued, and shall become effective immediately after the opening of business on the Business Day following the date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock are not delivered after the expiration of such rights or warrants, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered. If such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of

Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received by the Company for such rights or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

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

(d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company or evidences of its indebtedness or assets (including securities, but excluding any rights or warrants referred to in Section 16.05(b), excluding any dividends or distributions in connection with the liquidation or winding up of the Company, and excluding any dividend or distribution (x) paid exclusively in cash or (y) referred to in Section 16.05(a) (any of the foregoing hereinafter in this Section 16.05(d)) called the "SECURITIES")), then, in each such case (unless the Company elects to reserve such Securities for distribution to the Debentureholders upon the conversion of the Debentures so that any such holder converting Debentures will receive upon such conversion, in addition to the shares of Common Stock to which such holder is entitled, the amount and kind of such Securities which such holder would have received if such holder had converted its Debentures into Common Stock immediately prior to the Stock Record Date), the Conversion Rate shall be increased so that the same shall be equal to the rate determined by multiplying the Conversion Rate in effect on the Stock Record Date with respect to such distribution by a fraction,

(i) the numerator of which shall be the Current Market Price on such Stock Record Date; and

(ii) the denominator of which shall be the Current Market Price on such Stock Record Date less the Fair Market Value (as determined by the Board of Directors, whose determination shall be conclusive, and described in a resolution of the Board of Directors) on the Stock Record Date of the portion of the Securities so distributed applicable to one share of Common Stock,

such adjustment to become effective immediately prior to the opening of business on the Business Day following such Stock Record Date; provided that if the then Fair Market Value (as so determined) of the portion of the Securities so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Stock Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Debentureholder shall have the right to receive upon conversion the amount of Securities such holder would have received had such holder converted each Debenture on the Stock Record Date. If such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. If the Board of Directors determines the Fair Market Value of any distribution for purposes of this Section 16.05(d) by reference to the actual or when issued trading market for any securities, it must in doing so consider the prices in such market over the same period used in computing the Current Market Price on the applicable Stock Record Date. Notwithstanding the foregoing, if the Securities distributed by the Company to all holders of its Common Stock consist of capital stock of, or similar equity interests in, a Subsidiary or other business unit, the Conversion Rate shall be increased so that the same shall be equal to the rate determined by multiplying the Conversion Rate in effect on the Stock Record Date with respect to such distribution by a fraction,

(i) the numerator of which shall be the sum of (x) the average Closing Sale Price of one share of Common Stock over the ten consecutive Trading Day period (the "SPINOFF VALUATION PERIOD") commencing on and including the fifth Trading Day after the date on which "ex-dividend trading" commences on the Common Stock on the New York Stock Exchange or such other national or regional exchange or market on which the Common Stock is then listed or quoted and (y) the average Closing Sale Price over the Spinoff Valuation Period of the portion of the Securities so distributed applicable to one share of Common Stock; and

(ii) the denominator of which shall be the average Closing Sale Price of one share of Common Stock over the Spinoff Valuation Period,

such adjustment to become effective immediately prior to the opening of business on the Business Day following such Stock Record Date; provided that the Company may in lieu of the foregoing adjustment make adequate provision so that each Debentureholder shall have the right to receive upon conversion the amount of Securities such holder would have received had such holder converted each Debenture on the Stock Record Date with respect to such distribution.

Rights or warrants distributed by the Company to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the Company's capital stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events ("TRIGGER

EVENT"): (i) are deemed to be transferred with such shares of Common Stock; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of Common Stock, shall be deemed not to have been distributed for purposes of this Section 16.06 (and no adjustment to the Conversion Rate under this Section 16.06 will be required) until the occurrence of the earliest Trigger Event, whereupon such rights and warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 16.05(d). If any such right or warrant, including any such existing rights or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such rights or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Stock Record Date with respect to new rights or warrants with such rights (and a termination or expiration of the existing rights or warrants without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event or other event (of the type described in the preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 16.06 was made, (1) in the case of any such rights or warrants that shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Rate shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder or holders of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase, and (2) in the case of such rights or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights and warrants had not been issued.

No adjustment of the Conversion Rate shall be made pursuant to this Section 16.05(d) in respect of rights or warrants distributed or deemed distributed on any Trigger Event to the extent that such rights or warrants are actually distributed, or reserved by the Company for distribution to holders of Debentures upon conversion by such holders of Debentures to Common Stock.

For purposes of this Section 16.05(d) and Section 16.05(a) and (b), any dividend or distribution to which this Section 16.05(d) is applicable that also includes shares of Common Stock, or rights or warrants to subscribe for or purchase shares of Common Stock (or both), shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, assets or shares of capital stock other than such shares of Common Stock or rights or warrants (and any Conversion Rate adjustment required by this Section 16.05(d) with respect to such dividend or distribution shall then be made) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or

warrants (and any further Conversion Rate adjustment required by Sections 16.05(a) and 16.05(b) with respect to such dividend or distribution shall then be made), except (A) the Stock Record Date of such dividend or distribution shall be substituted as "the date fixed for the determination of stockholders entitled to receive such dividend or other distribution", "the date fixed for the determination of stockholders entitled to receive such rights or warrants" and "the date fixed for such determination" within the meaning of Section 16.05(a) and 16.05(b) and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of Section 16.05(a).

(e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock cash (excluding (x) any quarterly cash dividend on the Common Stock to the extent the aggregate cash dividend per share of Common Stock in any fiscal quarter does not exceed the greater of (A) the amount per share of Common Stock of the next preceding quarterly cash dividend on the Common Stock to the extent that such preceding quarterly dividend did not require any adjustment of the Conversion Rate pursuant to this Section 16.05(e) (as adjusted to reflect subdivisions, or combinations of the Common Stock), and (B) 10% of the arithmetic average of the Closing Sale Price during the ten Trading Days immediately prior to the date of declaration of such dividend, and (y) any dividend or distribution in connection with the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary), then, in such case, the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Stock Record Date by a fraction,

(i) the numerator of which shall be the Current Market Price on such Stock Record Date; and

(ii) the denominator of which shall be the Current Market Price on such Stock Record Date less the amount of cash so distributed (and not excluded as provided above) applicable to one share of Common Stock,

such adjustment to be effective immediately prior to the opening of business on the day following the Stock Record Date; provided that if the portion of the cash so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Stock Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Debentureholder shall have the right to receive upon conversion the amount of cash such holder would have received had such holder converted each Debenture on the Stock Record Date. If such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. If any adjustment is required to be made as set forth in this Section 16.05(e) as a result of a distribution that is a quarterly dividend, such adjustment shall be based upon the amount by which such distribution exceeds the amount of the quarterly cash dividend permitted to

be excluded pursuant hereto. If an adjustment is required to be made as set forth in this Section 16.05(e) above as a result of a distribution that is not a quarterly dividend, such adjustment shall be based upon the full amount of the distribution.

(f) In case a tender or exchange offer made by the Company or any Subsidiary for all or any portion of the Common Stock shall expire and such tender or exchange offer (as amended upon the expiration thereof) shall require the payment to stockholders of consideration per share of Common Stock having a Fair Market Value (as determined by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors) that as of the last time (the "EXPIRATION TIME") tenders or exchanges may be made pursuant to such tender or exchange offer (as it may be amended) exceeds the Closing Sale Price of a share of Common Stock on the Trading Day next succeeding the Expiration Time, the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the Expiration Time by a fraction,

(i) the numerator of which shall be the sum of (x) the Fair Market Value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted up to any such maximum, being referred to as the "PURCHASED SHARES") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Closing Sale Price of a share of Common Stock on the Trading Day next succeeding the Expiration Time, and

(ii) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Closing Sale Price of a share of Common Stock on the Trading Day next succeeding the Expiration Time

such adjustment to become effective immediately prior to the opening of business on the Business Day following the Expiration Time. If the Company is obligated to purchase shares pursuant to any such tender or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such tender or exchange offer had not been made.

(g) In case of a tender or exchange offer made by a Person other than the Company or any Subsidiary for an amount that increases the offeror's ownership of Common Stock to more than twenty-five percent (25%) of the Common Stock outstanding and shall involve the payment by such Person of consideration per share of Common Stock having a Fair Market Value (as determined by the Board of Directors, whose determination shall be conclusive,

and described in a resolution of the Board of Directors) that as of the last time (the "OFFER EXPIRATION TIME") tenders or exchanges may be made pursuant to such tender or exchange offer (as it shall have been amended) exceeds the Closing Sale Price of a share of Common Stock on the Trading Day next succeeding the Offer Expiration Time, and in which, as of the Offer Expiration Time the Board of Directors is not recommending rejection of the offer, the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the Offer Expiration Time by a fraction

(i) the numerator of which shall be the sum of (x) the Fair Market Value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Offer Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "ACCEPTED PURCHASED SHARES") and (y) the product of the number of shares of Common Stock outstanding (less any Accepted Purchased Shares) at the Offer Expiration Time and the Closing Sale Price of a share of Common Stock on the Trading Day next succeeding the Offer Expiration Time, and

(ii) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Offer Expiration Time multiplied by the Closing Sale Price of a share of Common Stock on the Trading Day next succeeding the Offer Expiration Time,

such adjustment to become effective immediately prior to the opening of business on the day following the Offer Expiration Time. If such Person is obligated to purchase shares pursuant to any such tender or exchange offer, but such Person is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such tender or exchange offer had not been made. Notwithstanding the foregoing, the adjustment described in this Section 16.05(g) shall not be made if, as of the Offer Expiration Time, the offering documents with respect to such offer disclose a plan or intention to cause the Company to engage in any transaction described in Article 13.

(h) For purposes of this Section 16.05, the following terms shall have the meaning indicated:

(i) "CURRENT MARKET PRICE" shall mean the average of the daily Closing Sale Prices per share of Common Stock for the ten consecutive Trading Days selected by the Company commencing no more than 30 Trading Days before and ending not later than the earlier of such date of determination and the day before the "EX" date with respect to the

issuance, distribution, subdivision or combination requiring such computation immediately prior to the date in question. For purpose of this paragraph, the term "EX" date, (1) when used with respect to any issuance or distribution, means the first date on which the Common Stock trades, regular way, on the relevant exchange or in the relevant market from which the Closing Sale Price was obtained without the right to receive such issuance or distribution, and (2) when used with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades, regular way, on such exchange or in such market after the time at which such subdivision or combination becomes effective.

If another issuance, distribution, subdivision or combination to which Section 16.05 applies occurs during the period applicable for calculating "CURRENT MARKET PRICE" pursuant to the definition in the preceding paragraph, "CURRENT MARKET PRICE" shall be calculated for such period in a manner determined by the Board of Directors to reflect the impact of such issuance, distribution, subdivision or combination on the Closing Sale Price of the Common Stock during such period.

(ii) "FAIR MARKET VALUE" shall mean the amount which a willing buyer would pay a willing seller in an arm's-length transaction.

(iii) "STOCK RECORD DATE" shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

(iv) "TRADING DAY" shall mean (x) if the applicable security is quoted on the Nasdaq National Market, a day on which trades may be made thereon or (y) if the applicable security is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange is open for business or (z) if the applicable security is not so listed, admitted for trading or quoted, any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(i) The Company may make such increases in the Conversion Rate, in addition to those required by Section 16.05(a), (b), (c), (d), (e), (f) or (g), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from

any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least twenty (20) days, the increase is irrevocable during the period and the Board of Directors shall have made a determination that such increase would be in the best interests of the Company, which determination shall be conclusive. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to holders of record of the Debentures a notice of the increase at least fifteen (15) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(j) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in such rate; provided that any adjustments that by reason of this Section 16.05(j) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article 16 shall be made by the Company and shall be made to the nearest cent or to the nearest one-ten thousandth (1/10,000) of a share, as the case may be. No adjustment need be made for rights to purchase Common Stock pursuant to a Company plan for reinvestment of dividends or interest or for any issuance of Common Stock or convertible or exchangeable securities or rights to purchase Common Stock or convertible or exchangeable securities. To the extent the Debentures become convertible into cash, assets, property or securities (other than capital stock of the Company), no adjustment need be made thereafter as to the cash, assets, property or such securities. Interest will not accrue on any cash into which the Debentures are convertible.

(k) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly file with the Trustee and any Conversion Agent other than the Trustee an Officer's Certificate setting forth the Conversion Rate after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Unless and until a Responsible Officer of the Trustee shall have received such Officer's Certificate, the Trustee shall not be deemed to have knowledge of any adjustment of the Conversion Rate and may assume that the last Conversion Rate of which it has knowledge is still in effect. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Rate to the holder of each Debenture at his last address appearing on the Debenture Register provided for in Section 2.05 of this Indenture, within twenty (20) days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(l) In any case in which this Section 16.05 provides that an adjustment shall become effective immediately after (1) a Record Date or Stock Record Date for an event, (2) the date fixed for the determination of stockholders entitled to receive a dividend or distribution pursuant to Section 16.05(a), (3) a date fixed for the determination of stockholders entitled to receive rights or warrants pursuant to Section 16.05(b), (4) the Expiration Time for any tender or exchange offer pursuant to Section 16.05(f), or (5) the Offer Expiration Time for a tender or exchange offer pursuant to Section 16.05(g)(i) (each a "DETERMINATION DATE"), the Company may elect to defer until the occurrence of the applicable Adjustment Event (as hereinafter defined) (x) issuing to the holder of any Debenture converted after such Determination Date and before the occurrence of such Adjustment Event, the additional shares of Common Stock or other securities issuable upon such conversion by reason of the adjustment required by such Adjustment Event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (y) paying to such holder any amount in cash in lieu of any fraction pursuant to Section 16.03. For purposes of this Section 16.05(l), the term "ADJUSTMENT EVENT" shall mean:

(i) in any case referred to in clause (1) hereof, the occurrence of such event,

(ii) in any case referred to in clause (2) hereof, the date any such dividend or distribution is paid or made,

(iii) in any case referred to in clause (3) hereof, the date of expiration of such rights or warrants, and

(iv) in any case referred to in clause (4) or clause (5) hereof, the date a sale or exchange of Common Stock pursuant to such tender or exchange offer is consummated and becomes irrevocable.

(m) For purposes of this Section 16.05, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

Section 16.06. Effect of Reclassification, Consolidation, Merger or Sale. If any of the following events occur, namely (i) any reclassification or change of the outstanding shares of Common Stock (other than a subdivision or combination to which Section 16.05(c) applies), (ii) any consolidation, merger or combination of the Company with another Person as a result of which holders of Common Stock shall be entitled to receive stock, other securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, or (iii) any sale or conveyance of all or substantially all of the properties and assets of the Company to any other Person as a result of which holders of Common Stock shall

be entitled to receive stock, other securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, then the Company or the successor or purchasing Person, as the case may be, shall execute with the Trustee a supplemental indenture (which shall comply with the Trust Indenture Act as in force at the date of execution of such supplemental indenture) providing that each Debenture shall be convertible into the kind and amount of shares of stock, other securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance by a holder of a number of shares of Common Stock issuable upon conversion of such Debentures (assuming, for such purposes, a sufficient number of authorized shares of Common Stock are available to convert all such Debentures) immediately prior to such reclassification, change, consolidation, merger, combination, sale or conveyance assuming such holder of Common Stock did not exercise his rights of election, if any, as to the kind or amount of stock, other securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance (provided that, if the kind or amount of stock, other securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance is not the same for each share of Common Stock in respect of which such rights of election shall not have been exercised ("NON-ELECTING SHARE"), then for the purposes of this Section 16.06 the kind and amount of stock, other securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance for each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares). Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 16.

The Company shall cause notice of the execution of such supplemental indenture to be mailed to each holder of Debentures, at its address appearing on the Debenture Register provided for in Section 2.05 of this Indenture, within twenty (20) days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

The above provisions of this Section shall similarly apply to successive reclassifications, changes, consolidations, mergers, combinations, sales and conveyances.

If this Section 16.06 applies to any event or occurrence, Section 16.05 shall not apply.

Section 16.07. Taxes on Shares Issued. The issue of stock certificates on conversions of Debentures shall be made without charge to the converting Debentureholder for any documentary, stamp or similar issue or transfer tax in respect of the issue thereof. The Company shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issue

and delivery of stock in any name other than that of the holder of any Debenture converted, and the Company shall not be required to issue or deliver any such stock certificate unless and until the Person or Persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 16.08. Reservation of Shares, Shares to Be Fully Paid; Compliance with Governmental Requirements; Listing of Common Stock. The Company shall provide, free from preemptive rights, out of its authorized but unissued shares or shares held in treasury, sufficient shares of Common Stock to provide for the conversion of the Debentures from time to time as such Debentures are presented for conversion.

Before taking any action which would cause an adjustment increasing the Conversion Rate to an amount that would cause the Conversion Price to be reduced below the then par value, if any, of the shares of Common Stock issuable upon conversion of the Debentures, the Company will take all corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue shares of such Common Stock at such adjusted Conversion Rate.

The Company covenants that all shares of Common Stock which may be issued upon conversion of Debentures will upon issue be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

The Company covenants that, if any shares of Common Stock to be provided for the purpose of conversion of Debentures hereunder require registration with or approval of any governmental authority under any federal or state law before such shares may be validly issued upon conversion, the Company will in good faith and as expeditiously as reasonably possible, to the extent then permitted by the rules and interpretations of the Commission (or any successor thereto), endeavor to secure such registration or approval, as the case may be.

The Company further covenants that, if at any time the Common Stock shall be listed on the New York Stock Exchange or any other national securities exchange or automated quotation system, the Company will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all Common Stock issuable upon conversion of the Debenture; provided that if the rules of such exchange or automated quotation system permit the Company to defer the listing of such Common Stock until the first conversion of the Debentures into Common Stock in accordance with the provisions of this Indenture, the Company covenants to list such Common Stock issuable upon conversion of the Debentures in accordance with the requirements of such exchange or automated quotation system at such time.

Section 16.09. Responsibility of Trustee. The Trustee and any other Conversion Agent shall not at any time be under any duty or responsibility to any holder of Debentures to determine the Conversion Rate or whether any facts exist which may require any adjustment of the Conversion Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock, or of any securities or property, which may at any time be issued or delivered upon the conversion of any Debenture; and the Trustee and any other Conversion Agent make no representations with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property or cash upon the surrender of any Debenture for the purpose of conversion or to comply with any of the duties, responsibilities or covenants of the Company contained in this Article 16. Without limiting the generality of the foregoing, neither the Trustee nor any other Conversion Agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 16.06 relating either to the kind or amount of shares of stock or securities or property (including cash) receivable by Debentureholders upon the conversion of their Debentures after any event referred to in such Section 16.06 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 9.01, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officer's Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

Section 16.10. Notice to Holders Prior to Certain Actions. In case:

(a) the Company shall declare a dividend (or any other distribution) on its Common Stock that would require an adjustment in the Conversion Rate pursuant to Section 16.05; or

(b) the Company shall authorize the granting to the holders of all or substantially all of its Common Stock of rights or warrants to subscribe for or purchase any share of any class or any other rights or warrants; or

(c) of any reclassification or reorganization of the Common Stock of the Company (other than a subdivision or combination of its outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

the Company shall cause to be filed with the Trustee and to be mailed to each holder of Debentures at his address appearing on the Debenture Register provided for in Section 2.05 of this Indenture, as promptly as possible but in any event at least ten (10) days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective or occur, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up.

Section 16.11. Stockholder Rights Plans. If the rights provided for in the Company's rights agreement dated February 6, 1996 or in any future stockholder rights plan adopted by the Company have separated from the shares of Common Stock in accordance with the provisions of the applicable stockholder rights agreement so that the holders of the Debentures would not be entitled to receive any rights in respect of Common Stock issuable upon conversion of the Debentures, the Conversion Rate will be adjusted as if the Company had distributed to all holders of Common Stock shares of the Company's capital stock, evidences of indebtedness or assets in accordance with Section 16.05(d), subject to readjustment in the event of the expiration, termination or redemption of the rights. In lieu of any such adjustment, the Company may amend such applicable stockholder rights agreement to provide that upon conversion of the Debentures the holders will receive, in addition to the Common Stock Issuable upon such conversion, the rights which would have attached to such Common Stock if the rights had not become separated from the Common Stock under such applicable stockholder rights agreement.

ARTICLE 17
MISCELLANEOUS PROVISIONS

Section 17.01. Provisions Binding on Company's Successors. All the covenants, stipulations, promises and agreements by the Company contained in this Indenture shall bind its successors and assigns whether so expressed or not.

Section 17.02. Official Acts by Successor Corporation. Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any Person that shall at the time be the lawful sole successor of the Company.

Section 17.03. Addresses for Notices, Etc. Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Debentures on the Company shall be deemed to have been sufficiently given or made, for all purposes, if given or served by being deposited postage prepaid by registered or certified mail in a post office letter box or sent by telecopier transmission addressed as follows: to The Williams Companies, Inc., One Williams Center, Tulsa, Oklahoma, 74172, Telecopier No.: (918) 573-2065, Attention: Treasurer. Any notice, direction, request or demand hereunder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or served in writing by telecopier transmission addressed as follows: JPMorgan Chase Bank, 4 New York Plaza, 15th Floor, New York, New York 10004, Telecopier No.: (212) 623-6167, Attention: Institutional Trust Services. No such notice, direction, request or demand shall be deemed given to the Trustee unless actually received by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee.

The Trustee, by notice to the Company, may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Debentureholder shall be mailed to him by first class mail, postage prepaid, at his address as it appears on the Debenture Register and shall be sufficiently given to him if so mailed within the time prescribed.

Failure to mail a notice or communication to a Debentureholder or any defect in it shall not affect its sufficiency with respect to other Debentureholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Section 17.04. Governing Law. This Indenture and each Debenture shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of the State of New York (including Section 5-1401 of the New York General Obligations Law or any successor to such statute).

Section 17.05. Evidence of Compliance with Conditions Precedent, Certificates to Trustee. Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the

proposed action have been complied with, and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee 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 statement or opinion contained in such certificate or opinion is based (such brief statement may indicate the extent to which such person relied upon an opinion of counsel or other officer of the Company in conducting such examination or investigation); (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 17.06. Legal Holidays. In any case in which the date of maturity of Interest on or principal of the Debentures or the redemption date of any Debenture will not be a Business Day, then payment of such Interest on or principal of the Debentures need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the redemption date, and no Interest shall accrue for the period from and after such date, except that if such next succeeding Business Day would fall in the next calendar year, then payment of such Interest on or principal of the Debentures shall be made on the immediately preceding Business Day.

Section 17.07. Trust Indenture Act. This Indenture is hereby made subject to, and shall be governed by, the provisions of the Trust Indenture Act required to be part of and to govern indentures qualified under the Trust Indenture Act; provided that unless otherwise required by law, notwithstanding the foregoing, this Indenture and the Debentures issued hereunder shall not be subject to the provisions of subsections (a)(1), (a)(2), and (a)(3) of Section 314 of the Trust Indenture Act as now in effect or as hereafter amended or modified; provided further that this Section 17.07 shall not require this Indenture or the Trustee to be qualified under the Trust Indenture Act prior to the time such qualification is in fact required under the terms of the Trust Indenture Act, nor shall it constitute any admission or acknowledgment by any party to the Indenture that any such qualification is required prior to the time such qualification is in fact required under the terms of the Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in an indenture qualified under the Trust Indenture Act, such required provision shall control.

Section 17.08. No Security Interest Created. Except as otherwise provided in Section 9.06 hereof, nothing in this Indenture or in the Debentures,

expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction in which property of the Company or its subsidiaries is located.

Section 17.09. Benefits of Indenture. Nothing in this Indenture or in the Debentures, express or implied, shall give to any Person, other than the parties hereto, any Paying Agent, any authenticating agent, any Conversion Agent, any Debenture Registrar and their successors hereunder and the holders of Debentures any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 17.10. Table of Contents, Headings, Etc. The table of contents and the titles 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.

Section 17.11. Authenticating Agent. The Trustee may appoint an authenticating agent that shall be authorized to act on its behalf, and subject to its direction, in the authentication and delivery of Debentures in connection with the original issuance thereof and transfers and exchanges of Debentures hereunder, including under Sections 2.04, 2.05, 2.06, 2.07, 3.03 and 3.05, as fully to all intents and purposes as though the authenticating agent had been expressly authorized by this Indenture and those Sections to authenticate and deliver Debentures. For all purposes of this Indenture, the authentication and delivery of Debentures by the authenticating agent shall be deemed to be authentication and delivery of such Debentures "by the Trustee" and a certificate of authentication executed on behalf of the Trustee by an authenticating agent shall be deemed to satisfy any requirement hereunder or in the Debentures for the Trustee's certificate of authentication. Such authenticating agent shall at all times be a Person eligible to serve as trustee hereunder pursuant to Section 9.09.

Any corporation into which any authenticating agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any authenticating agent shall be a party, or any corporation succeeding to the corporate trust business of any authenticating agent, shall be the successor of the authenticating agent hereunder, if such successor corporation is otherwise eligible under this Section 17.11, without the execution or filing of any paper or any further act on the part of the parties hereto or the authenticating agent or such successor corporation.

Any authenticating agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any authenticating agent by giving written notice of termination to such authenticating agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any authenticating agent shall cease to be eligible under this Section, the Trustee shall

either promptly appoint a successor authenticating agent or itself assume the duties and obligations of the former authenticating agent under this Indenture and, upon such appointment of a successor authenticating agent, if made, shall give written notice of such appointment of a successor authenticating agent to the Company and shall mail notice of such appointment of a successor authenticating agent to all holders of Debentures as the names and addresses of such holders appear on the Debenture Register.

The Company agrees to pay to the authenticating agent from time to time such reasonable compensation for its services as shall be agreed upon in writing between the Company and the authenticating agent.

The provisions of Sections 9.02, 9.03, 9.04 and 10.03 and this Section 17.11 shall be applicable to any authenticating agent.

Section 17.12. Execution in Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 17.13. Severability. In case any provision in this Indenture or in the Debentures shall be invalid, illegal or unenforceable, then (to the extent permitted by law) the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

JPMorgan Chase Bank hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions herein above set forth.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed.

THE WILLIAMS COMPANIES, INC.

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

JPMORGAN CHASE BANK, as Trustee

By: /s/ Joanne Adamis

Name: Joanne Adamis
Title: Vice President

EXHIBIT A

[Include only for Global Debentures:]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (THE "DEPOSITARY", WHICH TERM INCLUDES ANY SUCCESSOR DEPOSITARY FOR THE CERTIFICATES) 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 IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT HEREIN IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), 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.]

[Include only for Debentures that are Restricted Securities]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY AGREES FOR THE BENEFIT OF THE WILLIAMS COMPANIES, INC. THAT (a) THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OTHER THAN (1) TO THE WILLIAMS COMPANIES, INC. OR ANY AFFILIATE, (2) IN A TRANSACTION ENTITLED TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (3) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE l44A UNDER THE SECURITIES ACT ("RULE l44A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE l44A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A (AS INDICATED BY THE BOX CHECKED BY THE TRANSFEROR ON THE CERTIFICATE OF TRANSFER ON THE REVERSE OF THIS SECURITY), (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, SUBJECT, IN THE CASE OF CLAUSES (2) OR (4), TO THE RECEIPT BY THE WILLIAMS COMPANIES, INC. OF AN OPINION OF COUNSEL OR SUCH OTHER EVIDENCE ACCEPTABLE TO THE WILLIAMS COMPANIES, INC. THAT SUCH RESALE, PLEDGE OR TRANSFER IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION

STATEMENT AND THAT (b) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY OF THE RESALE RESTRICTIONS REFERRED TO HEREIN AND DELIVER TO THE TRANSFEREE (OTHER THAN A QUALIFIED INSTITUTIONAL BUYER) PRIOR TO THE SALE A COPY OF THE TRANSFER RESTRICTIONS APPLICABLE HERETO. THIS LEGEND WILL BE REMOVED UPON THE EARLIER OF THE TRANSFER OF THIS DEBENTURE PURSUANT TO CLAUSE (5) ABOVE OR UPON ANY TRANSFER OF THIS DEBENTURE UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION). THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS DEBENTURE IN VIOLATION OF THE FOREGOING RESTRICTION.

THIS DEBENTURE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR U.S. FEDERAL INCOME TAX PURPOSES. FOR PURPOSES OF SECTIONS 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986 (AS AMENDED), THE ISSUE PRICE OF EACH DEBENTURE IS $50 PER $50 OF PRINCIPAL AMOUNT, THE ISSUE DATE IS MAY 28, 2003, THE YIELD TO MATURITY IS 5.50% COMPOUNDED QUARTERLY AND THE AMOUNT OF ORIGINAL ISSUE DISCOUNT IS $82.52.

THE HOLDER OF THIS SECURITY IS ENTITLED TO THE BENEFITS OF A REGISTRATION RIGHTS AGREEMENT DATED MAY 28, 2003 AND, BY ITS ACCEPTANCE HEREOF, AGREES TO BE BOUND BY AND TO COMPLY WITH THE PROVISIONS OF SUCH REGISTRATION RIGHTS AGREEMENT.

BECAUSE OF THE FOREGOING RESTRICTIONS, PURCHASERS ARE ADVISED TO CONSULT LEGAL COUNSEL PRIOR TO MAKING ANY RESALE, PLEDGE OR TRANSFER OF ANY OF THE CONVERTIBLE DEBENTURES OR COMMON STOCK ISSUABLE UPON CONVERSION OF THE CONVERTIBLE DEBENTURES. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THE WILLIAMS COMPANIES, INC.
5.50% JUNIOR SUBORDINATED CONVERTIBLE DEBENTURE
DUE 2033

CUSIP: 969457852

No. $_____

The Williams Companies, Inc., a corporation duly organized and validly existing under the laws of the State of Delaware (herein called the "COMPANY", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to _____ or its registered assigns, the principal sum of [_____ DOLLARS] [the principal sum set forth on Schedule I hereto](1) on June 1, 2033 at the office or agency of the Company maintained for that purpose in accordance with the terms of the Indenture, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest (subject to deferral as provided herein), quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2003, on said principal sum at said office or agency, in like coin or currency, at the rate per annum of 5.50%, from the March 1, June 1, September 1 or December 1, as the case may be, next preceding the date of this Debenture to which interest has been paid or duly provided for, unless the date hereof is a date to which interest has been paid or duly provided for, in which case from the date of this Debenture, or unless no interest has been paid or duly provided for on the Debentures, in which case from May 28, 2003 until payment of said principal sum has been made or duly provided for. Notwithstanding the foregoing, if the date hereof is after any February 15, May 15, August 15 or November 15, as the case may be, and before the following March 1, June 1, September 1, or December 1, this Debenture shall bear interest from such March 1, June 1, September 1 or December 1; provided that if the Company shall default in the payment of interest due on such March 1, June 1, September 1, or December 1, then this Debenture shall bear interest from the next preceding March 1, June 1, September 1, or December 1 to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for on such Debenture, from May 28, 2003. Except as otherwise provided in the Indenture, the interest payable on the Debenture pursuant to the Indenture on any March 1, June 1, September 1 or December 1 will be paid to the Person entitled thereto as it appears in the Debenture Register at the close of business on the Record Date, which shall be the February 15, May 15, August 15 or November 15 (whether or not a Business Day) next preceding such March 1, June 1, September 1 or December 1, as provided in the Indenture; provided that any such interest not punctually paid or duly provided for shall be payable as provided in the Indenture. The Company

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(1) For Global Debentures only.

shall pay interest (i) on any Debentures in certificated form by check mailed to the address of the Person entitled thereto as it appears in the Debenture Register (or, upon written notice, by wire transfer in immediately available funds, if such Person is entitled to interest on Debentures with an aggregate principal amount in excess of $2,000,000) or (ii) on any Global Debenture by wire transfer of immediately available funds to the account of the Depositary or its nominee.

The Company promises to pay interest on overdue principal, premium, if any, and (to the extent that payment of such interest is enforceable under applicable law) interest at the rate of 5.50%, per annum, compounded quarterly.

Reference is made to the further provisions of this Debenture set forth on the reverse hereof, including, without limitation, provisions giving the holder of this Debenture the right to convert this Debenture into Common Stock of the Company on the terms and subject to the limitations referred to on the reverse hereof and as more fully specified in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Debenture shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with and governed by the laws of the State of New York (including Section 5-1401 of the New York General Obligations Law or any successor to such statute).

This Debenture shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Trustee or a duly authorized authenticating agent under the Indenture.

IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed.

THE WILLIAMS COMPANIES, INC.

By: _____

Dated: May 28, 2003

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Debentures described in the within-named Indenture.

JPMORGAN CHASE BANK,
as Trustee

By: _____
Authorized Signatory

FORM OF REVERSE OF DEBENTURE
THE WILLIAMS COMPANIES, INC.

5.50% JUNIOR SUBORDINATED CONVERTIBLE DEBENTURE DUE 2033

This Debenture is one of a duly authorized issue of Debentures of the Company, designated as its 5.50% Junior Subordinated Convertible Debentures due 2033 (herein called the "DEBENTURES"), limited in aggregate principal amount to $300,000,000, issued and to be issued under and pursuant to an Indenture dated as of May 28, 2003 (herein called the "INDENTURE"), between the Company and JPMorgan Chase Bank, as trustee (herein called the "TRUSTEE"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Debentures.

In case an Event of Default shall have occurred and be continuing, the principal of, premium, if any, and accrued interest on all Debentures may be declared by either the Trustee or the holders of not less than 25% in aggregate principal amount of the Debentures then outstanding, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of at least a majority in aggregate principal amount of the Debentures at the time outstanding, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Debentures; provided that no such supplemental indenture shall (i) extend the fixed maturity of any Debenture, or reduce the rate or extend the time of payment of Interest, or reduce the principal amount thereof or premium, if any, thereon, or reduce any amount payable upon redemption or repurchase thereof, or impair the right of any Debentureholder to institute suit for the payment thereof, or make the principal thereof or Interest or premium, if any, thereon payable in any coin or currency other than that provided in the Debentures, or change the obligation of the Company to redeem any Debenture on a Redemption Date in a manner adverse to the holders of Debentures, or change the obligation of the Company to repurchase any Debenture upon a Change of Control in a manner adverse to the holders of the Debentures, or impair the right to convert the Debentures into Common Stock subject to the terms set forth in the Indenture, including Section 16.06 thereof, or reduce the number of shares of Common Stock or other property receivable upon conversion, in each case without the consent of the holder of each Debenture so affected, or modify any of the provisions of Section 12.02 or Section 8.07 thereof, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each Debenture so affected, or reduce the quorum or voting requirements set

forth in Article 11 or (ii) reduce the aforesaid percentage of Debentures, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all Debentures then outstanding. Subject to the provisions of the Indenture, the holders of a majority in aggregate principal amount of the Debentures at the time outstanding may on behalf of the holders of all of the Debentures waive any past default or Event of Default under the Indenture and its consequences except (A) a default in the payment of Interest, or any premium on, or the principal of, any of the Debentures, (B) a failure by the Company to convert any Debentures into Common Stock of the Company, (C) a default in the payment of the Redemption Price pursuant to Article 3 of the Indenture, (D) a default in the payment of the Repurchase Price pursuant to Article 3 of the Indenture, or (E) a default in respect of a covenant or provisions of the Indenture which under Article 12 of the Indenture cannot be modified or amended without the consent of the holders of each or all Debentures then outstanding or affected thereby. Any such consent or waiver by the holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debenture and any Debentures which may be issued in exchange or substitution hereof, irrespective of whether or not any notation thereof is made upon this Debenture or such other Debentures.

The indebtedness evidenced by the Debentures is, to the extent and in the manner provided in the Indenture, expressly subordinated and subject in right of payment to the prior payment in full of all Senior and Senior Subordinated Indebtedness of the Company, whether outstanding at the date of the Indenture or thereafter incurred, and this Debenture is issued subject to the provisions of the Indenture with respect to such subordination. Each holder of this Debenture, by accepting the same, agrees to and shall be bound by such provisions and authorizes the Trustee on its behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided and appoints the Trustee his attorney-in-fact for such purpose.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and Interest on this Debenture at the place, at the respective times, at the rate and in the coin or currency herein prescribed.

Interest on the Debentures shall be computed on the basis of a 360-day year of twelve 30-day months.

So long as the Company is not in default in the payment of Interest on the Debentures and so long as the Designated Agreement Termination Date has occurred, the Company shall have the right, at any time during the term of the Debentures, from time to time to extend an interest payment period with respect to such Debentures for up to 20 consecutive quarterly interest periods (an "EXTENDED INTEREST PAYMENT PERIOD"), at the end of which period the Company

shall pay all Interest then accrued and unpaid (together with interest thereon at the rate of 5.50% per annum to the extent permitted by applicable law, compounded quarterly ("COMPOUNDED INTEREST")); provided that no Extended Interest Payment Period may extend beyond the Maturity Date or any Redemption Date of the Debentures or end on a day other than an Interest Payment Date. During such Extended Interest Payment Period, the Company shall not make any Restricted Payment as provided in the Indenture. Prior to the termination of any such Extended Interest Payment Period, the Company may pay all or any portion of the interest accrued on the Debentures on any Interest Payment Date to holders of record on the regular Record Date for such Interest Payment Date or from time to time further extend such Extended Interest Payment Period; provided that such Extended Interest Payment Period, including such extension and all further extensions thereof, shall not exceed 20 consecutive quarterly interest periods. Upon the termination of any such Extended Interest Payment Period and upon the payment of all accrued and unpaid interest then due, together with Compounded Interest, the Company may select a new Extended Interest Payment Period, subject to the foregoing requirements. No interest on this Debenture shall be due and payable during an Extended Interest Payment Period, except at the end thereof. At the end of the Extended Interest Payment Period the Company shall pay all interest accrued and unpaid on the Debentures including any Compounded Interest which shall be payable to the holders of the Debentures in whose names the Debentures are registered in the Debenture Register on the first Record Date prior to the end of the Extended Interest Payment Period.

The Debentures are issuable in fully registered form, without coupons, in denominations of $50 principal amount and any multiple of $50. At the office or agency of the Company referred to on the face hereof, and in the manner and subject to the limitations provided in the Indenture, without payment of any service charge but with payment of a sum sufficient to cover any tax, assessment or other governmental charge that may be imposed in connection with any registration or exchange of Debentures, Debentures may be exchanged for a like aggregate principal amount of Debentures of any other authorized denominations.

Beginning on June 1, 2010, if, for at least 20 Trading Days in the period of 30 consecutive Trading Days ending on the Trading Day before the date of mailing of the Redemption Notice pursuant to Section 3.02 of the Indenture (including on the last day in such period), the Closing Sale Price of the Common Stock shall have exceeded 130% of the Conversion Price in effect on the last Trading Day of such period, the Company, at its option, may redeem the Securities on a Redemption Date specified by the Company in accordance with Article 3 of the Indenture for cash in whole or in part, at a redemption price (the "REDEMPTION PRICE") equal to the principal amount of the Securities to be redeemed together in each case with accrued and unpaid Interest (including deferred interest) on the Securities redeemed to (but excluding) the Redemption Date.

In no event will any Security be redeemable at the option of the Company before June 1, 2010.

The Company may redeem Debentures only in whole and not in part if a default in the payment of interest, or premium, if any, on the Debentures has occurred and is continuing or during an Extended Interest Payment Period.

The Debentures are not subject to redemption through the operation of any sinking fund.

If a Change of Control occurs at any time prior to maturity of the Debentures, this Debenture will be repurchased at the option of the holder on the Repurchase Date specified by the Company in accordance with the Indenture at a Repurchase Price equal to 100% of the principal amount thereof, together with accrued and unpaid Interest (including deferred interest) to but excluding the Repurchase Date. The Debentures will be repurchased in multiples of $50 principal amount. The Company shall mail to all holders of record of the Debentures a notice of the occurrence of a Change of Control and of the repurchase right arising as a result thereof on or before the 30th day after the occurrence of such Change of Control. For a Debenture to be so repurchased at the option of the holder, the Company must receive at the office or agency of the Company maintained for that purpose in accordance with the terms of the Indenture, such Debenture with the form entitled "OPTION TO ELECT REPURCHASE UPON A CHANGE OF CONTROL" on the reverse thereof duly completed, together with such Debenture, duly endorsed for transfer, on or before the Repurchase Date

Holders have the right to withdraw any such repurchase election by delivering to the Trustee (or other Paying Agent appointed by the Company) a written notice of withdrawal up to the close of business on the Business Day preceding the Repurchase Date, all as provided in the Indenture.

If cash sufficient to pay the Repurchase Price with respect to all Debentures or portions thereof to be repurchased as of the Repurchase Date is deposited with the Trustee (or other Paying Agent appointed by the Company) on the Business Day following the Repurchase Date, interest will cease to accrue on such Debentures (or portions thereof) on and after the Repurchase Date and the holder thereof shall have no other rights as such other than the right to receive the Repurchase Price upon surrender of such Debenture.

In compliance with the provisions of the Indenture, prior to the final Maturity Date of the Debentures, the holder hereof has the right, at its option, to convert each $50 principal amount of the Debentures into 4.5907 shares of the Company's Common Stock, as such shares shall be constituted at the date of conversion and subject to adjustment from time to time as provided in the Indenture, upon surrender of this Debenture with the form entitled "CONVERSION NOTICE" on the reverse hereof duly completed, to the Company at the office or agency of the Company maintained for that purpose in accordance with the terms

of the Indenture, or at the option of such holder, the Corporate Trust Office, and, unless the shares issuable on conversion are to be issued in the same name as this Debenture, duly endorsed by, or accompanied by instruments of transfer in form satisfactory to the Company duly executed by, the holder or by his duly authorized attorney.

If the Company (i) is a party to a consolidation, merger, statutory share exchange or combination, (ii) reclassifies the Common Stock, or (iii) sells or conveys its properties and assets substantially as an entirety to any Person, the right to convert a Security into shares of Common Stock may be changed into a right to convert it into securities, cash or other assets of the Company or such other Person, in each case in accordance with the Indenture.

No adjustment in respect of interest on any Debenture converted or dividends on any shares issued upon conversion of such Debenture will be made upon any conversion except as set forth in the next sentence. If this Debenture (or portion hereof) is surrendered for conversion during the period from the close of business on any Record Date for the payment of Interest to the close of business on the following Interest Payment Date, this Debenture (or portion hereof being converted) must be accompanied by payment, in immediately available funds or other funds acceptable to the Company, of an amount equal to the Interest otherwise payable on such Interest Payment Date on the principal amount being converted; provided that no such payment shall be required (1) if the Company has specified a Redemption Date that is after a Record Date and prior to the next Interest Payment Date, (2) if the Company has specified a Repurchase Date following a Change of Control that is during such period or (3) to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such debenture.

No fractional shares will be issued upon any conversion, but an adjustment and payment in cash will be made, as provided in the Indenture, in respect of any fraction of a share which would otherwise be issuable upon the surrender of any Debenture or Debentures for conversion.

A Debenture in respect of which a holder is exercising its right to require repurchase upon a Change of Control may be converted only if such holder withdraws its election to exercise such right in accordance with the terms of the Indenture.

Any Debentures called for redemption, unless surrendered for conversion by the holders thereof on or before the close of business on the Business Day preceding the Redemption Date, may be deemed to be redeemed from the holders of such Debentures for an amount equal to the applicable Redemption Price, together with accrued but unpaid Interest to, but excluding, the date fixed for redemption, by one or more investment banks or other purchasers who may agree with the Company (i) to purchase such Debentures from the holders thereof and

convert them into shares of the Company's Common Stock and (ii) to make payment for such Debentures as aforesaid to the Trustee in trust for the holders.

Upon due presentment for registration of transfer of this Debenture at the office or agency of the Company maintained for that purpose in accordance with the terms of the Indenture, a new Debenture or Debentures of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange thereof, subject to the limitations provided in the Indenture, without charge except for any tax, assessment or other governmental charge imposed in connection therewith.

The Company, the Trustee, any authenticating agent, any Paying Agent, any Conversion Agent and any Debenture Registrar may deem and treat the registered holder hereof as the absolute owner of this Debenture (whether or not this Debenture shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Company or any Debenture Registrar) for the purpose of receiving payment hereof, or on account hereof, for the conversion hereof and for all other purposes, and neither the Company nor the Trustee nor any other authenticating agent nor any Paying Agent nor other Conversion Agent nor any Debenture Registrar shall be affected by any notice to the contrary. All payments made to or upon the order of such registered holder shall, to the extent of the sum or sums paid, satisfy and discharge liability for monies payable on this Debenture.

No recourse for the payment of the principal of or any premium or Interest on this Debenture, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any supplemental indenture or in any Debenture, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, employee, agent, officer or director or subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

This Debenture shall be deemed to be a contract made under the laws of New York, and for all purposes shall be construed in accordance with the laws of New York (including Section 5-1401 of the New York General Obligations Law or any successor to such statute).

Terms used in this Debenture and defined in the Indenture are used herein as therein defined.

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Debenture, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -	as tenants in common	UNIF GIFT MIN ACT -___ Custodian ___
TEN ENT -	as tenant by the entireties	(Cust) (Minor)
JT TEN -	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____ (State)

Additional abbreviations may also be used though not in the above list.

CONVERSION NOTICE

TO: THE WILLIAMS COMPANIES, INC.

The undersigned registered owner of this Debenture hereby irrevocably exercises the option to convert this Debenture, or the portion thereof (which is $50 or a multiple thereof) below designated, into shares of Common Stock of The Williams Companies, Inc. in accordance with the terms of the Indenture referred to in this Debenture, and directs that the shares issuable and deliverable upon such conversion, together with any check in payment for fractional shares and any Debentures representing any unconverted principal amount hereof, be issued and delivered to the registered holder hereof unless a different name has been indicated below. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture. If shares or any portion of this Debenture not converted are to be issued in the name of a person other than the undersigned, the undersigned will provide the appropriate information below and pay all transfer taxes payable with respect thereto. Any amount required to be paid by the undersigned on account of interest accompanies this Debenture.

Dated: _____

_____

_____
Signature(s)

Signature(s) must be guaranteed by an "ELIGIBLE GUARANTOR INSTITUTION" meeting the requirements of the Debenture Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "SIGNATURE GUARANTEE PROGRAM" as may be determined by the Debenture Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

_____
Signature Guarantee

Fill in the registration of shares of Common Stock if to be issued, and Debentures if to be delivered, other than to and in the name of the registered holder:

_____
(Name)

_____
(Street Address)

_____
(City, State and Zip Code)

_____
Please print name and address

Principal amount to be converted
(if less than all):

$_____

Social Security or Other Taxpayer
Identification Number:

_____

OPTION TO ELECT REPURCHASE
UPON A CHANGE OF CONTROL

TO: THE WILLIAMS COMPANIES, INC.

The undersigned registered owner of this Debenture hereby irrevocably acknowledges receipt of a notice from The Williams Companies, Inc. (the "COMPANY") as to the occurrence of a Change of Control with respect to the Company and requests and instructs the Company to repurchase the entire principal amount of this Debenture, or the portion thereof (which is $50 or a multiple thereof) below designated, in accordance with the terms of the Indenture referred to in this Debenture at the price of 100% of such entire principal amount or portion thereof, together with accrued interest (including deferred interest) to, but excluding, the Repurchase Date, to the registered holder hereof. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

Dated: _____

_____

_____
Signature(s)

NOTICE: The above signatures of the holder(s) hereof must correspond with the name as written upon the face of the Debenture in every particular without alteration or enlargement or any change whatever.

Principal amount to be repaid (if less than all):

_____

_____
Social Security or Other Taxpayer Identification Number

ASSIGNMENT

For value received _____hereby sell(s) assign(s) and transfer(s) unto _____ (Please insert social security or other Taxpayer Identification Number of assignee) the within Debenture, and hereby irrevocably constitutes and appoints _____ attorney to transfer said Debenture on the books of the Company, with full power of substitution in the premises.

In connection with any transfer of the Debenture prior to the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision) (other than any transfer pursuant to a registration statement that has been declared effective under the Securities Act), the undersigned confirms that such Debenture is being transferred:

[ ] To The Williams Companies, Inc. or a subsidiary thereof; or

[ ] To a "QUALIFIED INSTITUTIONAL BUYER" in compliance with Rule 144A under the Securities Act of 1933, as amended; or

[ ] Pursuant to and in compliance with Rule 144 under the Securities Act of 1933, as amended; or

[ ] Pursuant to a Registration Statement which has been declared effective under the Securities Act of 1933, as amended, and which continues to be effective at the time of transfer;

and unless the Debenture has been transferred to The Williams Companies, Inc. or a subsidiary thereof, the undersigned confirms that such Debenture is not being transferred to an "AFFILIATE" of the Company as defined in Rule 144 under the Securities Act of 1933, as amended.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Debentures evidenced by this certificate in the name of any person other than the registered holder thereof.

Dated: _____

_____

_____
Signature(s)

Signature(s) must be guaranteed by an "ELIGIBLE GUARANTOR INSTITUTION"

meeting the requirements of the Debenture Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "SIGNATURE GUARANTEE PROGRAM" as may be determined by the Debenture Registrar in addition to, or in substitution for, STAMP, al in accordance with the Securities Exchange Act of 1934, as amended.

_____

Signature Guarantee

NOTICE: The signature on the Conversion Notice, the Option to Elect Repurchase Upon a Change of Control or the Assignment must correspond with the name as written upon the face of the Debenture in every particular without alteration or enlargement or any change whatever.

Schedule I

[Include Schedule I only for a Global Debenture]

5.50% Junior Subordinated Convertible Debenture due 2033

No. _____

Date	Principal Amount	Notation Explaining Principal Amount Recorded	Authorized Signature of Trustee or Custodian

EXHIBIT 4.3

REGISTRATION RIGHTS AGREEMENT

between

THE WILLIAMS COMPANIES, INC.,

as Issuer,

and

LEHMAN BROTHERS INC.,

as Initial Purchaser

Dated as of May 28, 2003

REGISTRATION RIGHTS AGREEMENT dated as of May 28, 2003 between The Williams Companies, Inc., a Delaware corporation (the "COMPANY"), and Lehman Brothers Inc. (the "INITIAL PURCHASER") pursuant to the Purchase Agreement dated May 20, 2003 (the "PURCHASE AGREEMENT"), between the Company and the Initial Purchaser. In order to induce the Initial Purchaser to enter into the Purchase Agreement, the Company has agreed to provide the registration rights set forth in this Agreement.

The Company agrees with the Initial Purchaser, (i) for its benefit as Initial Purchaser and (ii) for the benefit of the beneficial owners (including the Initial Purchaser) from time to time of the Debentures (as defined herein) and the beneficial owners from time to time of the Underlying Common Stock (as defined herein) issued upon conversion of the Debentures (each of the foregoing a "HOLDER" and together the "HOLDERS"), as follows:

Section 1. Definitions. Capitalized terms used herein without definition shall have their respective meanings set forth in the Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

"AFFILIATE" means with respect to any specified person, an "affiliate," as defined in Rule 144, of such person.

"AMENDMENT EFFECTIVENESS DEADLINE DATE" has the meaning set forth in Section 2(d) hereof.

"BUSINESS DAY" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in The City of New York are authorized or obligated by law or executive order to close.

"CLOSING DATE" has the meaning assigned such term in the Purchase Agreement.

"COMMON STOCK" means the shares of common stock, $1.00 par value per share, of the Company.

"CONVERSION PRICE" has the meaning assigned such term in the Indenture.

"DAMAGES ACCRUAL PERIOD" has the meaning set forth in Section 2(e) hereof.

"DAMAGES PAYMENT DATE" means each March 1, June 1, September 1 and December 1, beginning September 1, 2003.

"DEBENTURES" means the 5.50% Junior Subordinated Convertible Debentures due 2033 of the Company to be purchased pursuant to the Purchase Agreement.

"DEFERRAL NOTICE" has the meaning set forth in Section 3(h) hereof.

"DEFERRAL PERIOD" has the meaning set forth in Section 3(h) hereof.

"EFFECTIVENESS DEADLINE DATE" has the meaning set forth in Section 2(a) hereof.

"EFFECTIVENESS PERIOD" means the period commencing on the date hereof and ending on the date that all Registrable Securities have ceased to be Registrable Securities.

"EVENT" has the meaning set forth in Section 2(e) hereof.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"FILING DEADLINE DATE" has the meaning set forth in Section 2(a) hereof.

"HOLDER" has the meaning set forth in the second paragraph of this Agreement.

"INDENTURE" means the Indenture, dated as of May 28, 2003, between the Company and JPMorgan Chase Bank, as trustee, pursuant to which the Debentures are being issued.

"INITIAL PURCHASER" means Lehman Brothers Inc.

"INITIAL SHELF REGISTRATION STATEMENT" has the meaning set forth in Section 2(a) hereof.

"ISSUE DATE" means the Closing Date.

"LIQUIDATED DAMAGES AMOUNT" has the meaning set forth in Section 2(e) hereof.

"MATERIAL EVENT" has the meaning set forth in Section 3(h) hereof.

"NOTICE AND QUESTIONNAIRE" means a written notice delivered to the Company containing substantially the information called for by the Selling Securityholder Notice and Questionnaire attached as Annex A to the Offering Memorandum of the Company dated May 20, 2003 relating to the Debentures.

"NOTICE HOLDER" means, on any date, any Holder that has delivered a Notice and Questionnaire to the Company on or prior to such date.

"PURCHASE AGREEMENT" has the meaning set forth in the preamble hereof.

"PROSPECTUS" means the prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as

amended or supplemented by any amendment or prospectus supplement, including post-effective amendments, and all materials incorporated by reference or explicitly deemed to be incorporated by reference in such Prospectus.

"RECORD HOLDER" means with respect to any Damages Payment Date relating to any Debentures or Underlying Common Stock as to which any Liquidated Damages Amount has accrued, the registered holder of such Debenture or Underlying Common Stock on the February 15, May 15, August 15 and November 15, as the case may be, immediately preceding a Damages Payment Date.

"REGISTRABLE SECURITIES" means the Debentures until such Debentures have been converted into or exchanged for the Underlying Common Stock and, at all times subsequent to any such conversion, the Underlying Common Stock and any securities into or for which such Underlying Common Stock has been converted or exchanged, and any security issued with respect thereto upon any stock dividend, split or similar event until, in the case of any such security, (A) the earliest of (i) its effective registration under the Securities Act and resale in accordance with the Registration Statement covering it, (ii) expiration of the holding period that would be applicable thereto under Rule 144(k) or (iii) its sale to the public pursuant to Rule 144 (or any similar provision then in force, but not Rule 144A) under the Securities Act, and (B) as a result of the event or circumstance described in any of the foregoing clauses (i) through (iii), the legend with respect to transfer restrictions required under the Indenture is removed or removable in accordance with the terms of the Indenture or such legend, as the case may be.

"REGISTRATION STATEMENT" means any registration statement of the Company that covers any of the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits and all materials incorporated by reference or explicitly deemed to be incorporated by reference in such registration statement.

"RESTRICTED SECURITIES" means "Restricted Securities" as defined in Rule 144.

"RULE 144" means Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

"RULE 144A" means Rule 144A under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

"SEC" means the Securities and Exchange Commission.

"SECURITIES ACT" means the Securities Act of 1933, as amended, and the rules and regulations promulgated by the SEC thereunder.

"SHELF REGISTRATION STATEMENT" has the meaning set forth in Section 2(a) hereof.

"SPECIAL COUNSEL" means Davis Polk & Wardwell or one such other successor counsel as shall be specified by the Holders of a majority of the Registrable Securities, but which may, with the written consent of the Initial Purchaser (which shall not be unreasonably withheld), be another nationally recognized law firm experienced in securities law matters designated by the Company, the reasonable fees and expenses of which will be paid by the Company pursuant to Section 5 hereof. For purposes of determining the holders of a majority of the Registrable Securities in this definition, Holders of Debentures shall be deemed to be the Holders of the number of shares of Underlying Common Stock into which such Debentures are or would be convertible as of the date the consent is requested.

"SUBSEQUENT SHELF REGISTRATION STATEMENT" has the meaning set forth in Section 2(b) hereof.

"TIA" means the Trust Indenture Act of 1939, as amended.

"TRUSTEE" means JPMorgan Chase Bank, the Trustee under the Indenture.

"UNDERLYING COMMON STOCK" means the Common Stock into which the Debentures are convertible or issued upon any such conversion.

Section 1. Shelf Registration. The Company shall prepare and file or cause to be prepared and filed with the SEC, not later than the date (the "FILING DEADLINE DATE") ninety (90) days after the Issue Date, a Registration Statement for an offering to be made on a delayed or continuous basis pursuant to Rule 415 of the Securities Act (a "SHELF REGISTRATION STATEMENT") registering the resale from time to time by Holders thereof of all of the Registrable Securities (the "INITIAL SHELF REGISTRATION STATEMENT"). The Initial Shelf Registration Statement shall be on Form S-3 or another appropriate form permitting registration of such Registrable Securities for resale by such Holders in accordance with the methods of distribution elected by the Holders and set forth in the Initial Shelf Registration Statement. The Company shall use its reasonable best efforts to cause the Initial Shelf Registration Statement to be declared effective under the Securities Act by the date (the "EFFECTIVENESS DEADLINE DATE") that is one hundred eighty (180) days after the Issue Date, and to keep the Initial Shelf Registration Statement (or any Subsequent Shelf Registration Statement) continuously effective under the Securities Act until the expiration of the Effectiveness Period. At the time the Initial Shelf Registration Statement is declared effective, each Holder that became a Notice Holder on or prior to the date ten (10) Business Days prior to such time of effectiveness shall be named as

a selling securityholder in the Initial Shelf Registration Statement and the related Prospectus in such a manner as to permit such Holder to deliver such Prospectus to purchasers of Registrable Securities in accordance with applicable law. None of the Company's security holders (other than the Holders of Registrable Securities) shall have the right to include any of the Company's securities in the Shelf Registration Statement.

(a) If the Initial Shelf Registration Statement or any Subsequent Shelf Registration Statement ceases to be effective for any reason at any time during the Effectiveness Period (other than because all Registrable Securities registered thereunder shall have been resold pursuant thereto or shall have otherwise ceased to be Registrable Securities), the Company shall use its reasonable best efforts to obtain the prompt withdrawal of any order suspending the effectiveness thereof, and in any event shall within thirty (30) days of such cessation of effectiveness amend the Shelf Registration Statement in a manner reasonably expected to obtain the withdrawal of the order suspending the effectiveness thereof, or file an additional Shelf Registration Statement covering all of the securities that as of the date of such filing are Registrable Securities (a "SUBSEQUENT SHELF REGISTRATION STATEMENT"). If a Subsequent Shelf Registration Statement is filed, the Company shall use its reasonable best efforts to cause the Subsequent Shelf Registration Statement to become effective as promptly as is reasonably practicable after such filing and to keep such Registration Statement (or Subsequent Shelf Registration Statement) continuously effective until the end of the Effectiveness Period.

(b) The Company shall supplement and amend the Shelf Registration Statement if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration Statement, if required by the Securities Act or as necessary to name a Notice Holder as a selling securityholder pursuant to Section (d) below.

(c) Each Holder agrees that if such Holder wishes to sell Registrable Securities pursuant to a Shelf Registration Statement and related Prospectus, it will do so only in accordance with this Section 2(d) and Section 3(h) and Section 4 of this Agreement. Following the date that the Initial Shelf Registration Statement is declared effective, each Holder wishing to sell Registrable Securities pursuant to a Shelf Registration Statement and related Prospectus agrees to deliver a Notice and Questionnaire to the Company at least ten (10) Business Days prior to any intended distribution of Registrable Securities under the Shelf Registration Statement. From and after the date the Initial Shelf Registration Statement is declared effective, the Company shall, as promptly as practicable after the date a Notice and Questionnaire is delivered pursuant to Section 8(c) and in any event upon the later of (x) fifteen (15) Business Days after such date or (y) fifteen (15) Business Days after the expiration of any Deferral Period in effect when the Notice and Questionnaire is delivered or put into effect within fifteen (15) Business Days of such delivery date:

(i) if required by applicable law, file with the SEC a post-effective amendment to the Shelf Registration Statement or prepare and, if required by applicable law, file a supplement to the related Prospectus or a supplement or amendment to any document incorporated therein by reference or file any other required document so that the Holder delivering such Notice and Questionnaire is named as a selling securityholder in the Shelf Registration Statement and the related Prospectus in such a manner as to permit such Holder to deliver such Prospectus to purchasers of the Registrable Securities in accordance with applicable law and, if the Company shall file a post-effective amendment to the Shelf Registration Statement, use its reasonable best efforts to cause such post-effective amendment to be declared effective under the Securities Act as promptly as is reasonably practicable, but in any event by the date (the "AMENDMENT EFFECTIVENESS DEADLINE DATE") that is forty-five (45) days after the date such post-effective amendment is required by this clause to be filed;

(ii) provide such Holder copies of any documents filed pursuant to Section 2(d)(i); and

(iii) notify such Holder as promptly as practicable after the effectiveness under the Securities Act of any post-effective amendment filed pursuant to Section 2(d)(i);

provided, that if such Notice and Questionnaire is delivered during a Deferral Period, the Company shall so inform the Holder delivering such Notice and Questionnaire and shall, to the extent required, take the actions set forth in clauses (i), (ii) and (iii) above upon expiration of the Deferral Period in accordance with Section 3(h). Notwithstanding anything contained herein to the contrary, (i) the Company shall be under no obligation to name any Holder that is not a Notice Holder as a selling securityholder in any Registration Statement or related Prospectus and (ii) the Amendment Effectiveness Deadline Date shall be extended by up to ten (10) Business Days from the expiration of a Deferral Period (and the Company shall incur no obligation to pay Liquidated Damages during such extension) if such Deferral Period shall be in effect on the Amendment Effectiveness Deadline Date.

(d) The parties hereto agree that the Holders of Registrable Securities will suffer damages, and that it would not be feasible to ascertain the extent of such damages with precision, if, other than as permitted hereunder,

(i) the Initial Shelf Registration Statement has not been declared effective under the Securities Act on or prior to the Effectiveness Deadline Date,

(ii) the Company has failed to perform its obligations set forth in Section 2(d)(i) within the time period required therein,

(iii) any post-effective amendment to a Shelf Registration Statement filed pursuant to Section 2(d)(i) has not become effective under the Securities Act on or prior to the Amendment Effectiveness Deadline Date,

(iv) the aggregate duration of Deferral Periods in any period exceeds the number of days permitted in respect of such period pursuant to Section 3(h) hereof, or

(v) the number of Deferral Periods in any period exceeds the number permitted in respect of such period pursuant to Section 3(h) hereof.

Each event described in any of the foregoing clauses (i) through (v) is individually referred to herein as an "EVENT". For purposes of this Agreement, each Event set forth above shall begin and end on the dates set forth in the table below:

Type of Event by Clause	Beginning Date	Ending Date
(i)	Effectiveness Deadline Date	the date the Initial Shelf Registration Statement becomes effective under the Securities Act
(ii)	the date by which the Company is required to perform its obligations under Section 2(c)(i)	the date the Company performs its obligations set forth in Section 2(c)(i)
(iii)	the Amendment Effectiveness Deadline Date	the date the applicable post-effective amendment to a Shelf Registration Statement becomes effective under the Securities Act
(iv)	the date on which the aggregate duration of Deferral Periods in any period exceeds the number of days permitted by Section 3(h)	termination of the Deferral Period that caused the limit on the aggregate duration of Deferral Periods to be exceeded
(v)	the date of commencement of a Deferral Period that causes the number of Deferral Periods to exceed	termination of the Deferral Period that caused the number of Deferral Periods to exceed the number

Type of Event by Clause	Beginning Date	Ending Date
	the number permitted by Section 3(h)	permitted by Section 3(h)

For purposes of this Agreement, Events shall begin on the dates set forth in the table above and shall continue until the ending dates set forth in the table above.

Commencing on (and including) any date that an Event has begun and ending on (but excluding) the next date on which there are no Events that have occurred and are continuing (a "DAMAGES ACCRUAL PERIOD"), the Company shall pay, as liquidated damages and not as a penalty, to Record Holders of Registrable Securities an amount (the "LIQUIDATED DAMAGES AMOUNT") accruing, for each day in the Damages Accrual Period, (i) in respect of any Debenture, at a rate per annum equal to 0.5% of the aggregate principal amount of such Debenture and (ii) in respect of each share of Underlying Common Stock at a rate per annum equal to 0.5% of the Conversion Price on such date, as the case may be; provided that in the case of a Damages Accrual Period that is in effect solely as a result of an Event of the type described in clause (ii) or (iii) of the preceding paragraph, such Liquidated Damages Amount shall be paid only to the Holders (as set forth in the succeeding paragraph) that have delivered Notices and Questionnaires that caused the Company to incur the obligations set forth in Section 2(d) the non-performance of which is the basis of such Event. In calculating the Liquidated Damages Amount on any date on which no Debentures are outstanding, the Conversion Price and the Liquidated Damages Amount payable with respect to shares of Common Stock which are Registrable Securities shall be calculated as if the Debentures were still outstanding. Notwithstanding the foregoing, no Liquidated Damages Amount shall accrue as to any Registrable Security from and after the earlier of (x) the date such security is no longer a Registrable Security and (y) expiration of the Effectiveness Period. The rate of accrual of the Liquidated Damages Amount with respect to any period shall not exceed the rate provided for in this paragraph notwithstanding the occurrence of multiple concurrent Events.

The Liquidated Damages Amount shall accrue from the first day of the applicable Damages Accrual Period, and shall be payable on each Damages Payment Date during the Damages Accrual Period (and on the Damages Payment Date next succeeding the end of the Damages Accrual Period if the Damage Accrual Period does not end on a Damages Payment Date) to the Record Holders of the Registrable Securities entitled thereto; provided that any Liquidated Damages Amount accrued with respect to any Debenture or portion thereof redeemed by the Company on a redemption date or converted into Underlying Common Stock on a conversion date prior to the Damages Payment Date, shall, in any such event, be paid instead to the Holder who submitted such Debenture or portion thereof for redemption or conversion on the applicable redemption date or

conversion date, as the case may be, on such date (or promptly following the conversion date, in the case of conversion); provided, further, that, in the case of an Event of the type described in clause (ii) or (iii) of the first paragraph of this Section 2(e), such Liquidated Damages Amount shall be paid only to the Holders entitled thereto pursuant to such first paragraph by check mailed to the address set forth in the Notice and Questionnaire delivered by such Holder. The Trustee shall be entitled, on behalf of registered holders of Debentures or Underlying Common Stock, to seek any available remedy for the enforcement of this Agreement, including for the payment of such Liquidated Damages Amount. Notwithstanding the foregoing, the parties agree that the sole damages payable for a violation of the terms of this Agreement with respect to which liquidated damages are expressly provided shall be such liquidated damages. Nothing shall preclude any Holder from pursuing or obtaining specific performance or other equitable relief with respect to this Agreement.

All of the Company's obligations set forth in this Section 2(e) that are outstanding with respect to any Registrable Security at the time such security ceases to be a Registrable Security shall survive until such time as all such obligations with respect to such security have been satisfied in full (notwithstanding termination of this Agreement pursuant to Section 8(k)).

The parties hereto agree that the liquidated damages provided for in this Section 2(e) constitute a reasonable estimate of the damages that may be incurred by Holders of Registrable Securities by reason of the failure of the Shelf Registration Statement to be filed or declared effective or available for effecting resales of Registrable Securities in accordance with the provisions hereof.

Section 3. Registration Procedures. In connection with the registration obligations of the Company under Section 2 hereof, during the Effectiveness Period, the Company shall:

(a) Prepare and file with the SEC a Registration Statement or Registration Statements on Form S-3 or another appropriate form under the Securities Act available for the sale of the Registrable Securities by the Holders thereof in accordance with the intended method or methods of distribution thereof, and use its reasonable best efforts to cause each such Registration Statement to become effective and remain effective as provided herein; provided that before filing any Registration Statement or Prospectus or any amendments or supplements thereto with the SEC, furnish to the Initial Purchaser and the Special Counsel of such offering, if any, copies of all such documents proposed to be filed at least three (3) Business Days prior to the filing of such Registration Statement or amendment thereto or Prospectus or supplement thereto.

(b) Subject to Section 3(h), prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement continuously effective for the applicable period specified in Section 2(a); cause the related Prospectus to be

supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act; and use its reasonable best efforts to comply with the provisions of the Securities Act applicable to it with respect to the disposition of all securities covered by such Registration Statement during the Effectiveness Period in accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement as so amended or such Prospectus as so supplemented.

(c) As promptly as practicable give notice to the Notice Holders, the Initial Purchaser and the Special Counsel, (i) when any Prospectus, prospectus supplement, Registration Statement or post-effective amendment to a Registration Statement has been filed with the SEC and, with respect to a Registration Statement or any post-effective amendment, when the same has been declared effective, (ii) of any request, following the effectiveness of the Initial Shelf Registration Statement under the Securities Act, by the SEC or any other federal or state governmental authority for amendments or supplements to any Registration Statement or related Prospectus or for additional information, (iii) of the issuance by the SEC or any other federal or state governmental authority of any stop order suspending the effectiveness of any Registration Statement or the initiation or threatening of any proceedings for that purpose, (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, (v) of the occurrence of, but not the nature of or details concerning, a Material Event and (vi) of the determination by the Company that a post-effective amendment to a Registration Statement will be filed with the SEC, which notice may, at the discretion of the Company (or as required pursuant to Section 3(h)), state that it constitutes a Deferral Notice, in which event the provisions of Section 3(h) shall apply.

(d) Use its reasonable best efforts to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction in which they have been qualified for sale, in either case at the earliest possible moment, and provide immediate notice to each Notice Holder and the Initial Purchaser of the withdrawal of any such order.

(e) As promptly as practicable furnish to each Notice Holder, the Special Counsel and the Initial Purchaser, upon request and without charge, at least one (1) conformed copy of the Registration Statement and any amendment thereto, including exhibits and all documents incorporated or deemed to be incorporated therein by reference.

(f) During the Effectiveness Period, deliver to each Notice Holder, the Special Counsel, if any, and the Initial Purchaser, in connection with any sale of

Registrable Securities pursuant to a Registration Statement, without charge, as many copies of the Prospectus or Prospectuses relating to such Registrable Securities (including each preliminary prospectus) and any amendment or supplement thereto as such Notice Holder may reasonably request; and the Company hereby consents (except during such periods that a Deferral Notice is outstanding and has not been revoked) to the use of such Prospectus or each amendment or supplement thereto by each Notice Holder in connection with any offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto in the manner set forth therein.

(g) Prior to any public offering of the Registrable Securities pursuant to a Registration Statement, use its reasonable best efforts to register or qualify or cooperate with the Notice Holders and the Special Counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any Notice Holder reasonably requests in writing (which request may be included in the Notice and Questionnaire); prior to any public offering of the Registrable Securities pursuant to the Shelf Registration Statement, use its reasonable best efforts to keep each such registration or qualification (or exemption therefrom) effective during the Effectiveness Period in connection with such Notice Holder's offer and sale of Registrable Securities pursuant to such registration or qualification (or exemption therefrom) and do any and all other acts or things reasonably necessary or advisable to enable the disposition in such jurisdictions of such Registrable Securities in the manner set forth in the relevant Registration Statement and the related Prospectus; provided that the Company will not be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Agreement or (ii) take any action that would subject it to general service of process in suits or to taxation in any such jurisdiction where it is not then so subject.

(h) Upon (A) the issuance by the SEC of a stop order suspending the effectiveness of the Shelf Registration Statement or the initiation of proceedings with respect to the Shelf Registration Statement under Section 8(d) or 8(e) of the Securities Act, (B) the occurrence of any event or the existence of any fact (a "MATERIAL EVENT") as a result of which any Registration Statement shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or any Prospectus shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (C) the occurrence or existence of any pending corporate development that, in the sole judgment of the Company, makes it appropriate to suspend the availability of the Shelf Registration Statement and the related Prospectus:

(i) in the case of clause (B) above, subject to the next sentence, as promptly as reasonably practicable prepare and file, if necessary pursuant to applicable law, a post-effective amendment to such Registration Statement or a supplement to the related Prospectus or any document incorporated therein by reference or file any other required document that would be incorporated by reference into such Registration Statement and Prospectus so that such Registration Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and such Prospectus does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder, and, in the case of a post-effective amendment to a Registration Statement, subject to the next sentence, use its reasonable best efforts to cause it to be declared effective as promptly as is practicable, and

(ii) give notice to the Notice Holders, and the Special Counsel, if any, that the availability of the Shelf Registration Statement is suspended (a "DEFERRAL NOTICE") and, upon receipt of any Deferral Notice, each Notice Holder agrees not to sell any Registrable Securities pursuant to the Registration Statement until such Notice Holder's receipt of copies of the supplemented or amended Prospectus provided for in clause (i) above, or until it is advised in writing by the Company that the Prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such Prospectus.

The Company will use its reasonable best efforts to ensure that the use of the Prospectus may be resumed (x) in the case of clause (A) above, as promptly as is reasonably practicable, (y) in the case of clause (B) above, as soon as, in the sole judgment of the Company, public disclosure of such Material Event would not be prejudicial to or contrary to the interests of the Company or, if necessary to avoid unreasonable burden or expense, as soon as reasonably practicable thereafter and (z) in the case of clause (C) above, as soon as in the sole judgment of the Company, such suspension is no longer appropriate. The Company shall be entitled to exercise its right under this Section 3(h) to suspend the availability of the Shelf Registration Statement or any Prospectus, without incurring or accruing any obligation to pay liquidated damages pursuant to Section 2(e), and any such period during which the availability of the Registration Statement and any Prospectus is suspended (the "DEFERRAL PERIOD") shall, without incurring any obligation to pay liquidated damages pursuant to Section 2(e), not exceed 45 days; provided that the aggregate duration of any Deferral Periods shall not exceed 45 days in any 90-day period (or 75 days in any 90-day period in the event of a Material Event pursuant to which the Company has delivered a second notice

as permitted below) or 90 days in any 360-day period; provided that in the case of a Material Event relating to an acquisition or a probable acquisition or financing, recapitalization, business combination or other similar transaction, the Company may, without incurring any obligation to pay liquidated damages pursuant to Section 2(e), deliver to Notice Holders a second notice to the effect set forth above, which shall have the effect of extending the Deferral Period by up to an additional 30 days, or such shorter period of time as is specified in such second notice. Each Notice Holder agrees to hold any notice by the Company in respect of any Deferral Period or Material Event described in the last clause of the preceding sentence in confidence.

(i) If requested in writing in connection with an underwritten disposition of Registrable Securities pursuant to a Registration Statement, make reasonably available for inspection during normal business hours by a representative for the underwriters of such Registrable Securities, any attorneys and accountants retained by such underwriters all relevant financial and other records and pertinent corporate documents and properties of the Company and its subsidiaries, and cause the appropriate officers, directors and employees of the Company and its subsidiaries to make reasonably available for inspection during normal business hours on reasonable notice all relevant information reasonably requested by such representative for such underwriters, or any attorneys or accountants in connection with such disposition, in each case as is customary for similar "due diligence" examinations; provided that such persons shall first agree in writing with the Company that any non-public information shall be kept confidential by such persons and shall be used solely for the purposes of exercising rights under this Agreement, unless (i) disclosure of such information is required by court or administrative order or is necessary to respond to inquiries of regulatory authorities, (ii) disclosure of such information is required by law (including any disclosure requirements pursuant to federal securities laws in connection with the filing of any Registration Statement or the use of any prospectus referred to in this Agreement), (iii) such information becomes generally available to the public other than as a result of a disclosure or failure to safeguard by any such person or (iv) such information becomes available to any such person from a source other than the Company and such source is not bound by a confidentiality agreement, and provided further that the foregoing inspection and information gathering shall, to the greatest extent possible, be coordinated on behalf of all underwriters and the other parties entitled thereto by Special Counsel. Any person legally compelled to disclose any such confidential information made available for inspection shall provide the Company with prompt prior written notice of such requirement so that the Company may seek a protective order or other appropriate remedy.

(j) Comply with all applicable rules and regulations of the SEC and make generally available to its securityholders earning statements (which need not be audited) satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) for a 12-month period commencing on the first day of the first fiscal quarter of the

Company commencing after the effective date of a Registration Statement, which statements shall be made available no later than 45 days after the end of the 12-month period or 90 days if the 12-month period coincides with the fiscal year of the Company.

(k) Cooperate with each Notice Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities sold or to be sold pursuant to a Registration Statement, which certificates shall not bear any restrictive legends, and cause such Registrable Securities to be in such denominations as are permitted by the Indenture and registered in such names as such Notice Holder may request in writing at least one (1) Business Day prior to any sale of such Registrable Securities.

(l) Provide a CUSIP number for all Registrable Securities covered by each Registration Statement not later than the effective date of such Registration Statement and provide the Trustee and the transfer agent for the Common Stock with printed certificates for the Registrable Securities that are in a form eligible for deposit with The Depository Trust Company.

(m) Cooperate and assist in any filings required to be made with the National Association of Securities Dealers, Inc.

(n) Upon (i) the filing of the Initial Shelf Registration Statement and (ii) the effectiveness of the Initial Shelf Registration Statement, announce the same, in each case by release to Reuters Economic Services and Bloomberg Business News.

Section 4. Holder's Obligations. Each Holder agrees, by acquisition of the Registrable Securities, that no Holder shall be entitled to sell any of such Registrable Securities pursuant to a Registration Statement or to receive a Prospectus relating thereto, unless such Holder has furnished the Company with a Notice and Questionnaire as required pursuant to Section 2(d) hereof (including the information required to be included in such Notice and Questionnaire and the information set forth in the next sentence and a sales notice (a "SALES NOTICE") setting forth the amount of Registrable Securities to be sold and the proposed sales date not later than three Business Days prior to the proposed sales date).

Each Notice Holder agrees promptly to furnish to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Notice Holder not misleading and any other information regarding such Notice Holder and the distribution of such Registrable Securities as the Company may from time to time reasonably request. Any sale of any Registrable Securities by any Holder shall constitute a representation and warranty by such Holder that the information relating to such Holder and its plan of distribution is as set forth in the Prospectus delivered by such Holder in connection with such disposition, that such Prospectus does not as of the time of such sale contain any untrue statement of a material fact relating to or provided by

such Holder or its plan of distribution and that such Prospectus does not as of the time of such sale omit to state any material fact relating to or provided by such Holder or its plan of distribution necessary to make the statements in such Prospectus, in the light of the circumstances under which they were made, not misleading.

Each Holder acknowledges and agrees that a Sales Notice will only be valid for a period of five Business Days commencing with the proposed sales date and that if any of the Registrable Securities to which such Sales Notice relates are not sold during such period, a new Sales Notice will need to be submitted to the Company not later than three Business Days prior to the new proposed sales date. Notwithstanding the foregoing, no Sales Notice may be submitted, or if submitted will be of no force and effect, and no Registrable Securities may be sold pursuant to the Shelf Registration Statement if a Deferral Period is then in effect.

Section 5. Registration Expenses. The Company shall bear all fees and expenses incurred in connection with the performance by the Company of its obligations under Sections y2 and y3 of this Agreement whether or not any Registration Statement is declared effective. Such fees and expenses shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (x) with respect to filings required to be made with the National Association of Securities Dealers, Inc. and (y) of compliance with federal and state securities or Blue Sky laws (including, without limitation, reasonable fees and disbursements of the Special Counsel in connection with Blue Sky qualifications of the Registrable Securities under the laws of such jurisdictions as Notice Holders may designate pursuant to Section 3(g) of this Agreement and any filings required to be made with the National Association of Securities Dealers, Inc.), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities in a form eligible for deposit with The Depository Trust Company), (iii) duplication expenses relating to copies of any Registration Statement or Prospectus delivered to any Holders hereunder, (iv) reasonable fees and disbursements of counsel for the Company and of Special Counsel in connection with the Shelf Registration Statement, (v) reasonable fees and disbursements of the Trustee and its counsel and of the registrar and transfer agent for the Common Stock and (vi) any Securities Act liability insurance obtained by the Company in its sole discretion. In addition, the Company shall pay the internal expenses of the Company (including, without limitation, all salaries and expenses of officers and employees performing legal or accounting duties), the expense of any annual audit, the fees and expenses incurred in connection with the listing by the Company of the Registrable Securities on any securities exchange on which similar securities of the Company are then listed and the fees and expenses of any person, including special experts, retained by the Company. Notwithstanding the provisions of this Section 5, each seller of Registrable Securities shall pay selling expenses, including any underwriting discount and commissions, and all registration expenses to the extent required by applicable law.

Section 6. Indemnification and Contribution.

(a) Indemnification by the Company. The Company agrees to indemnify and hold harmless each Holder, each person, if any, who controls any Holder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Holder within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Holder furnished to the Company in writing by such Holder expressly for use therein; provided that the indemnification contained in this paragraph shall not inure to the benefit of any Holder (or to the benefit of any person controlling such Holder) on account of any such losses, claims, damages or liabilities caused by any untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary prospectus; provided in each case the Company has performed its obligations under Section 3(f) hereof if either (A) (x) such Holder failed to send or deliver a copy of the Prospectus with or prior to the delivery of written confirmation of the sale by such Holder to the person asserting the claim from which such losses, claims, damages or liabilities arise and (y) the Prospectus would have corrected such untrue statement or alleged untrue statement or such omission or alleged omission, or (B) (x) such untrue statement or alleged untrue statement, omission or alleged omission is corrected in an amendment or supplement to the Prospectus and (y) having previously been furnished by or on behalf of the Company with copies of the Prospectus as so amended or supplemented, such Holder thereafter fails to deliver such Prospectus as so amended or supplemented, with or prior to the delivery of written confirmation of the sale of a Registrable Security to the person asserting the claim from which such losses, claims, damages or liabilities arise.

(b) Indemnification by Holders. Each Holder agrees severally and not jointly to indemnify and hold harmless the Company and its directors, its officers and each person, if any, who controls the Company (within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act) and each affiliate of the Company within the meaning of Rule 405 under the Securities Act or any other Holder, to the same extent as the foregoing indemnity from the Company to such Holder, but only with reference to information relating to such Holder furnished to the Company in writing by such Holder expressly for use in such Registration Statement or Prospectus or amendment or supplement thereto. In no event shall the liability of any Holder hereunder be greater in amount than

the dollar amount of the proceeds received by such Holder upon the sale of the Registrable Securities pursuant to the Registration Statement giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 6(a) or y6(b) hereof, such person (the "INDEMNIFIED PARTY") shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the reasonable fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by, in the case of parties indemnified pursuant to Section 6(a), the Holders of a majority (with Holders of Debentures deemed to be the Holders, for purposes of determining such majority, of the number of shares of Underlying Common Stock into which such Debentures are or would be convertible as of the date on which such designation is made) of the Registrable Securities covered by the Registration Statement held by Holders that are indemnified parties pursuant to Section 6(a) and, in the case of parties indemnified pursuant to Section 6(b), the Company. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment.

Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior

to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) Contribution. To the extent that the indemnification provided for in Section 6(a) or y6(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company shall be deemed to be equal to the total net proceeds from the initial placement pursuant to the Purchase Agreement (before deducting expenses) of the Registrable Securities to which such losses, claims, damages or liabilities relate. The relative benefits received by any Holder shall be deemed to be equal to the value of receiving Registrable Securities that are registered under the Securities Act. The relative fault of the Holders on the one hand and the Company on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Holders or by the Company, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Holders' respective obligations to contribute pursuant to this Section 6 are several in proportion to the respective number of Registrable Securities they have sold pursuant to a Registration Statement, and not joint.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding this Section 6, no

indemnifying party that is a selling Holder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities sold by it and distributed to the public were offered to the public exceeds the amount of any damages that such indemnifying party has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to an indemnified party at law or in equity, hereunder, under the Purchase Agreement or otherwise.

(f) The indemnity and contribution provisions contained in this Section 6 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Holder, any person controlling any Holder or any affiliate of any Holder or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) the sale of any Registrable Securities by any Holder.

Section 7. Information Requirements. The Company covenants that, if at any time before the end of the Effectiveness Period the Company is not subject to the reporting requirements of the Exchange Act, it will cooperate with any Holder and take such further commercially reasonable action as any Holder may reasonably request in writing (including, without limitation, making such reasonable representations as any such Holder may reasonably request), all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 and Rule 144A under the Securities Act and customarily taken in connection with sales pursuant to such exemptions. Upon the written request of any Holder, the Company shall deliver to such Holder a written statement as to whether it has complied with such filing requirements, unless such a statement has been included in the Company's most recent report filed pursuant to Section 13 or Section 15(d) of Exchange Act. Notwithstanding the foregoing, nothing in this Section 7 shall be deemed to require the Company to register any of its securities (other than the Common Stock) under any section of the Exchange Act.

Section 8. Miscellaneous.

(a) No Conflicting Agreements. The Company is not, as of the date hereof, a party to, nor shall it, on or after the date of this Agreement, enter into, any agreement with respect to its securities that conflicts with the rights granted to the Holders in this Agreement. The Company represents and warrants that the

rights granted to the Holders hereunder do not in any way conflict with the rights granted to the holders of the Company's securities under any other agreements.

(b) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of Holders of a majority of the then outstanding Underlying Common Stock constituting Registrable Securities (with Holders of Debentures deemed to be the Holders, for purposes of this Section, of the number of outstanding shares of Underlying Common Stock into which such Debentures are or would be convertible as of the date on which such consent is requested). Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect the rights of other Holders may be given by Holders of at least a majority of the Registrable Securities being sold by such Holders pursuant to such Registration Statement; provided that the provisions of this sentence may not be amended, modified or supplemented except in accordance with the provisions of the immediately preceding sentence. Notwithstanding the foregoing sentence, (i) this Agreement may be amended by written agreement signed by the Company and the Initial Purchaser, without the consent of the Holders of Registrable Securities, to cure any ambiguity or to correct or supplement any provision contained herein that may be defective or inconsistent with any other provision contained herein, or to make such other provisions in regard to matters or questions arising under this Agreement that shall not adversely affect the interests of the Holders of Registrable Securities. Each Holder of Registrable Securities outstanding at the time of any such amendment, modification, supplement, waiver or consent or thereafter shall be bound by any such amendment, modification, supplement, waiver or consent effected pursuant to this Section 8(b), whether or not any notice, writing or marking indicating such amendment, modification, supplement, waiver or consent appears on the Registrable Securities or is delivered to such Holder.

(c) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, by telecopier, by courier guaranteeing overnight delivery or by first-class mail, return receipt requested, and shall be deemed given (i) when made, if made by hand delivery, (ii) upon confirmation, if made by telecopier, (iii) one (1) Business Day after being deposited with such courier, if made by overnight courier or (iv) on the date indicated on the notice of receipt, if made by first-class mail, to the parties as follows:

(i) if to a Holder, at the most current address given by such Holder to the Company in a Notice and Questionnaire or any amendment thereto;

(ii) if to the Company, to:

The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172
Attention: Treasurer
Telecopy No.: (918) 573-2065

(iii) if to the Initial Purchaser, to:

Lehman Brothers Inc.
399 Park Avenue, 11th Floor
New York, New York 10022
Attention: Syndicate Department
Fax No.: (212) 526-0943

with a copy, in the case of any notice pursuant to Section 6, to the:

Director of Litigation,
Office of the General Counsel,
Lehman Brothers Inc.
399 Park Avenue, 15th Floor
New York, NY 10022

or to such other address as such person may have furnished to the other persons identified in this Section 8(c) in writing in accordance herewith.

(d) Approval of Holders. Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company or its affiliates (as such term is defined in Rule 405 under the Securities Act) (other than the Initial Purchaser or subsequent Holders if such subsequent Holders are deemed to be such affiliates solely by reason of their holdings of such Registrable Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(e) Successors and Assigns. Any person who purchases any Registrable Securities from the Initial Purchaser shall be deemed, for purposes of this Agreement, to be an assignee of the Initial Purchaser. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties and shall inure to the benefit of and be binding upon each Holder of any Registrable Securities, provided that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms of the Indenture. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities, such person shall be conclusively deemed to have agreed to be bound by and to perform all of

the terms and provisions of this Agreement and such person shall be entitled to receive the benefits hereof.

(f) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be original and all of which taken together shall constitute one and the same agreement.

(g) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(h) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. EACH OF THE PARTIES HERETO AGREES TO SUBMIT TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

(i) Severability. If any term provision, covenant or restriction of this Agreement is held to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction, it being intended that all of the rights and privileges of the parties shall be enforceable to the fullest extent permitted by law.

(j) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and the registration rights granted by the Company with respect to the Registrable Securities. Except as provided in the Purchase Agreement, there are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein, with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and undertakings among the parties with respect to such registration rights. No party hereto shall have any rights, duties or obligations other than those specifically set forth in this Agreement. In no event will such methods of distribution take the form of an underwritten offering of the Registrable Securities without the prior agreement of the Company.

(k) Termination. This Agreement and the obligations of the parties hereunder shall terminate upon the end of the Effectiveness Period, except for any

liabilities or obligations under Section 4, 5 or 6 hereof and the obligations to make payments of and provide for liquidated damages under Section 2(e) hereof to the extent such damages accrue prior to the end of the Effectiveness Period, each of which shall remain in effect in accordance with its terms.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

THE WILLIAMS COMPANIES, INC.

By: /s/ James G. Ivey

Name:
Title:

Confirmed and accepted as of
the date first above written:

By: LEHMAN BROTHERS INC.

By: /s/ Robert Pierce

Name:
Title:

EXECUTION COPY

EXHIBIT 10.1

$500,000,000

TERM LOAN AGREEMENT

AMONG

WILLIAMS PRODUCTION HOLDINGS LLC,

WILLIAMS PRODUCTION RMT COMPANY,
AS BORROWER,

THE SEVERAL LENDERS
FROM TIME TO TIME PARTIES HERETO,

LEHMAN BROTHERS INC. AND
BANC OF AMERICA SECURITIES LLC,
AS JOINT LEAD ARRANGERS,

CITICORP USA, INC. AND
JPMORGAN CHASE BANK,
AS CO-SYNDICATION AGENTS,

BANK OF AMERICA, N.A.,
AS DOCUMENTATION AGENT,

AND

LEHMAN COMMERCIAL PAPER INC.,
AS ADMINISTRATIVE AGENT

DATED AS OF MAY 30, 2003

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TERM LOAN AGREEMENT, dated as of May 30, 2003, among 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. ("LBI") and BANC OF AMERICA SECURITIES LLC, as joint advisors, joint lead arrangers and joint book runners (together in such capacities, the "Arrangers"), CITICORP USA, INC. and JPMORGAN CHASE BANK, as co-syndication agents (together in such capacities, the "Co-Syndication Agents"), BANK OF AMERICA, N.A., as documentation agent (in such capacity, the "Documentation Agent"), and LEHMAN COMMERCIAL PAPER INC. ("LCPI"), as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Lenders are willing to make a term loan available to the Borrower upon and subject to the terms and conditions hereinafter set forth; and

WHEREAS, the Borrower intends to refinance the Existing Credit Agreement (as defined below) with proceeds from the term loan hereunder;

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 that, 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.

"Agents": the collective reference to the Co-Syndication Agents, the Documentation Agent and the Administrative Agent.

"Agreement": this Term Loan Agreement, as amended, supplemented or otherwise modified from time to time.

"Applicable Margin": (a) with respect to Base Rate Loans, a rate per annum equal to 2.75%, and (b) with respect to Eurodollar Loans, a rate per annum equal to 3.75%.

"Approved Engineer": any independent engineer recognized in the U.S. oil and gas loan syndication market and reasonably satisfactory to the Administrative Agent.

"Arrangers": 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 clause (a), (b), (c), (d), (e), (f), (i), (j), (k), (l) or (m) of Section 6.5) which yields gross proceeds to Holdings, the Borrower or any of the Borrower's Subsidiaries in excess of $500,000.

"Assignee": as defined in Section 9.6(c).

"Assignor": as defined in Section 9.6(c).

"Barrett Trust": the trust created pursuant to the Trust Agreement dated as of November 1, 1997 by and among Barrett Resources Corporation, a Delaware corporation, in its capacity as the initial Manager, Delaware Trust Capital Management, Inc., a Delaware banking corporation in its capacity as Special Trustee and the Holders signatory thereto (as amended, supplemented or otherwise modified from time to time).

"Base Rate": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest 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%. For purposes hereof: "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 the purpose of displaying such rate), as in effect from time to time. Any change in the Base Rate due to a change in the Prime Rate actually available 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. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually available.

"Base Rate Loans": Term Loans for which the applicable rate of interest is based upon the Base Rate.

"Benefited Lender": as defined in Section 9.7.

"Bison Entities": means, collectively, Bison Royalty LLC, PPH 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.

"Borrowing Notice": with respect to any request for borrowing of Term Loans hereunder, a notice from the Borrower, substantially in the form of, and containing the information prescribed by, Exhibit I, delivered to the Administrative Agent.

"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 for the acquisition or leasing (pursuant to a capital lease) of fixed or capital assets, the drilling of wells or additions to equipment (including replacements, capitalized repairs and improvements during such period) which are required to be capitalized under GAAP on a balance sheet of such Person.

"Capital Lease Obligations": with respect 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 one year 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 $100,000,000; (c) commercial paper of an issuer rated at least A-2 by S&P or P-2 by 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 270 days from the date of acquisition; (d) short-term tax exempt securities including municipal notes, commercial paper, auction rate floaters, and floating rate notes rated either "P-1" by Moody's or "A-1" by S&P and maturing within 270 days from the date of acquisition; (e) 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; (f) 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; (g) securities with maturities of one year 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; and (h) shares of money market mutual or similar funds which invest primarily in assets satisfying the requirements of clauses (a) through (g) of this definition.

"Change of Control": the occurrence of any of the following events: (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; (ii) the board of directors of Parent shall cease to consist of a majority of Continuing Directors; (iii) Parent shall cease to own and control, of record and beneficially, directly, 100% of each class of outstanding Capital Stock of Holdings free and clear of all Liens; or (iv) 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 issued to the Administrative Agent) free and clear of all Liens (except Liens created by the Guarantee and Collateral Agreement).

"Closing Date": the date on which the conditions precedent set forth in Section 4.1 shall have been satisfied, which date shall be not later than June 15, 2003.

"Code": the United States 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; provided that the Collateral shall not include in any event (i) the Properties set forth on Schedules 6.5(f)(i) and 6.5(i), (ii) the Capital Stock of the Bison Entities, (iii) any Property of a Bison Entity other than an Oil and Gas Property of such Bison Entity, and (iv) any Oil and Gas Property with a fair market value of less than $2,000,000 (so long as the aggregate fair market value of the Properties excluded by the Borrower and any other Grantor from inclusion in the Collateral as a result of such threshold at any time does not exceed $10,000,000 in the aggregate) and (v) any other Property excluded from the Collateral pursuant to the terms of the Guarantee and Collateral Agreement.

"Collateral Account": as defined in the Guarantee and the Collateral Agreement.

"Commonly Controlled Entity": an entity, whether or not incorporated, that 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.

"Compliance Certificate": a certificate duly executed by a Responsible Officer, substantially in the form of Exhibit B.

"Confidential Information Memorandum": the Confidential Information Memorandum dated May 2003 and furnished to the initial Lenders in connection with the syndication of the Facility.

"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 calculated in accordance with GAAP 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, depletion 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, (f) regardless of whether such amount is reflected as a charge in the statement of such Consolidated Net Income but only to the extent that such amount is not reflected in Consolidated Net Income, cash received by such Person in respect of hedge agreements entered into by Parent or its Affiliates hedging the oil or gas production of the Borrower, (g) non-cash corporate overhead allocated to the Borrower in amounts consistent with past practice which are not reimbursed by the Borrower pursuant to Section 6.6, (h) any other non-cash charges and (i) any impairment of goodwill or property asset carrying value, and minus, to the extent included in the statement of such Consolidated Net Income for such period, the sum of (w) interest income (except (I) to the extent deducted in determining Consolidated Interest Expense and (II) interest accrued in respect of investments made with the proceeds of the cash collateral contemplated by Section 6.17), (x) any extraordinary, unusual or non-recurring income or gains, (y) to the extent that such amount is not reflected in Consolidated Net Income, cash payments by such Person in respect of hedge agreements entered into by Parent or its Affiliates hedging the oil or gas production of the Borrower and (z) any other non-cash income, all as determined on a consolidated basis; provided that for such relevant fiscal quarter period prior to the fiscal quarter ended September 30, 2003, the applicable "Consolidated EBITDA" shall be as set forth on Schedule 1.1(d).

"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, and excluding all fees and expenses incurred in connection with this Agreement); provided that for the fiscal quarters ending September 30, 2003, December 31, 2003 and March 31, 2004, "Consolidated Interest Expense" for the relevant period shall be deemed to equal Consolidated Interest Expense for such fiscal quarter (and each fiscal quarter commencing on or after July 1, 2003) multiplied by 4, 2 and 4/3, respectively.

"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 (excluding, however, any merger or consolidation of a Subsidiary with and into the Borrower or another Subsidiary), and (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 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 7.1, 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 6.6.

"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) prior to the date one year and one day after the Maturity Date.

"Dollars" and "$": 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 of America.

"Eligible Assignee": (i) a Lender; (ii) an Affiliate of a Lender; (iii) a Related Fund (iv) a commercial bank organized under the laws of the United States, or any State thereof; (v) a savings and loan association or savings bank organized under the laws of the United States, or any State thereof; (vi) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Cooperation and Development or has concluded

special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or a political subdivision of any such country, so long as such bank is acting through a branch or agency located in the country in which it is organized or another country that is described in this clause (vi); (vii) a finance company, insurance company or other financial institution or fund (whether a corporation, partnership, trust or other entity) that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and (viii) the central bank of any country that is a member of the Organization for Economic Cooperation and Development; provided that neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

"Engineering Report": a report prepared by the Borrower (in which case, such report shall be reviewed or audited by an Approved Engineer in a manner consistent with past practices) or an Approved Engineer as of December 31 of each year for purposes of compliance with Section 5.2(d) and, if the Borrower has so elected, as of any other date and, in each case, subject to reasonable review by the Administrative Agent showing the net present value (using a 10.0% discount rate and with prices adjusted to reflect a ten year future market price strip (and, assuming for all periods subsequent to year ten, the price determined for year ten) reasonably determined by the Borrower and reasonably satisfactory to the Administrative Agent) of the projected future net revenues attributable to the Proved Reserves.

"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 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, as has been, is now, or may at any time hereafter be, in effect.

"Environmental Permits": any and all permits, licenses, approvals, registrations, and other authorizations 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, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) 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 Base Rate": with respect to each day during each Interest Period, 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 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 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 for which the applicable rate of interest is based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

"Eurodollar Tranche": the collective reference to Eurodollar Loans the then current Interest Periods with respect to all of which begin on the same date and end on the same later date.

"Event of Default": any of the events specified in Section 7.1, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Excluded Foreign Subsidiaries": any Foreign Subsidiary in respect of which either (a) the pledge of greater than 65% of the Capital Stock of such Subsidiary as Collateral or (b) the guaranteeing by such Subsidiary of the Obligations, would, in the good faith judgment of the Borrower, result in adverse tax consequences to the Borrower.

"Existing Credit Agreement": the Credit Agreement, dated as of July 31, 2002, among Parent, Holdings, the Borrower, the several lenders from time to time party thereto, LBI, as Lead Arranger and Book Manager, LCPI, as Syndication Agent, and LCPI, as Administrative Agent, as the same may be amended, supplemented or otherwise modified from time to time.

"Facility": the Term Loan 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.

"Foreign Subsidiary": any Subsidiary of the Borrower that is not a Domestic Subsidiary.

"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 in effect on the date hereof, with respect to determinations under Section 6.1, and otherwise in effect from time to time.

"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(b) attached hereto.

"GE Equipment": the Equipment (as defined in the UCC) purchased or constructed with the proceeds of the GE Loan.

"GE Loan": the loan made to the Borrower by General Electric Capital Corporation pursuant to the Interim Loan and Security Agreement, dated as of June 16, 2002, in an aggregate principal amount not to exceed $17,000,000.

"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 government.

"Grantor": as defined in the Guarantee and Collateral Agreement.

"Guarantee and Collateral Agreement": the Guarantee and Collateral Agreement to be executed and delivered by Holdings, the Borrower and each Subsidiary Guarantor, substantially in the form of Exhibit A, as the same may be amended, supplemented or otherwise modified from time to time.

"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), if to induce the creation of such obligation of such other Person 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 (x) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (y) 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 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.

"Holdings Subordinated Guaranty": the Amended and Restated Subordinated Guaranty, dated as of October 31, 2002, by Holdings in favor of the Financial Institutions (as defined therein).

"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 (I) trade payables and (II) customary obligations under Oil and Gas Agreements, in each case, incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds (other than obligations in respect of surety, performance and guarantee bonds issued for the account of such Person in the ordinary course of business), 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 of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities, (g) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (f) above, (h) all obligations of the kind referred to in clauses (a) through (g) 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 (i) for the purposes of Section 7.1(e) only, all obligations of such Person in respect of Hedge Agreements.

"Indemnified Liabilities": as defined in Section 9.5.

"Indemnitee": as defined in Section 9.5.

"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, multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, 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 and the final maturity date of such Term Loan, (b) as to any Eurodollar Loan having an Interest Period of three months or shorter, the last day of such Interest Period, (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period and (d) as to any Term Loan, the date of any repayment or prepayment made in respect thereof.

"Interest Period": as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(1) 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;

(2) any Interest Period that would otherwise extend beyond the date final payment is due on the Term Loans, shall end on the such due date, as applicable; and

(3) 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 the calendar month at the end of such Interest Period.

"Investments": as defined in Section 6.7.

"Lehman Entity": any of LCPI or any of its affiliates (including Syndicated Loan Funding Trust).

"Lender Addendum": with respect to any initial Lender, a Lender Addendum, substantially in the form of Exhibit H, to be executed and delivered by such Lender on the Closing Date as provided in Section 9.17.

"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 Term Notes, and all documents, instruments, agreements, certificates and notices at any time executed and/or delivered to the Administrative Agent, any of the other Agents, the Arrangers or any Lender in connection herewith or therewith.

"Loan Parties": Holdings, the Borrower and each Subsidiary of the Borrower that is a party to a Loan Document.

"Loans": the collective reference to the Term Loans and any other loan made by any Lender pursuant to this Agreement.

"Material Adverse Effect": a material adverse effect on or affecting in a material and adverse manner (a) the business, assets, property, condition (financial or otherwise) or prospects of Holdings, the Borrower and the Borrower's Subsidiaries taken as a whole, or (b) the validity or enforceability of this Agreement, the Guarantee and Collateral Agreement, the Mortgages or the other Security Documents, or the Term Notes or the rights or remedies of the Agents or the Lenders hereunder or thereunder.

"Material Environmental Amount": an amount or amounts payable by the Borrower and/or any of its Subsidiaries, in the aggregate in excess of $10,000,000 in any one year for: costs to (i) comply with any requirement or interpretation of Environmental Law imposed after the Closing Date that constitutes a material change; or (ii) respond to, remove or remediate a release to the environment of Materials of Environmental Concern; provided, however, such amount excludes ordinary and customary costs for obtaining, complying with and maintaining Environmental Permits, and for plugging and abandonment and site restoration upon cessation of production. Such amount includes 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 of any kind, whether or not any such substance is defined as hazardous or toxic under any Environmental Law, that is regulated pursuant to or reasonably could give rise to liability under any Environmental Law.

"Maturity Date: May 30, 2007.

"Moody's": Moody's Investors Service, Inc. and its successors.

"Mortgaged Properties": the real properties and leasehold estates listed on Schedule 1.1(a), 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 and deeds of trust 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 or otherwise modified from time to time.

"Multiemployer Plan": a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds": (a) in connection with any Asset Sale or any Recovery Event, the proceeds thereof in the form of cash and cash equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received) of such Asset Sale or Recovery Event, net of 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 or Recovery Event (other than any Lien pursuant to a Security Document) and other customary fees and expenses 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 attorneys' fees, investment banking fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

"New Notes": as defined in Section 6.2(i).

"Non-Excluded Taxes": as defined in Section 2.15(a).

"Non-U.S. Lender": as defined in Section 2.15(d).

"Obligations": the unpaid principal of and interest on (including, without limitation, interest accruing after the maturity of the 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 Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans, and all other obligations and liabilities of the Borrower to the Administrative Agent or to any Lender or any Qualified Counterparty, 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, any Specified Hedge Agreement or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise; provided, that (i) obligations of the Borrower or any Subsidiary under any Specified Hedge Agreement shall be secured and guaranteed pursuant to the Security Documents only to the extent that, and for so long as, the other Obligations are so secured and guaranteed and (ii) any release of Collateral or Guarantors effected in the manner permitted by this Agreement shall not require the consent of holders of obligations under Specified Hedge Agreements.

"Oil and Gas Agreements": operating agreements, processing agreements, farm-out and farm-in agreements, development agreements, area of mutual interest agreements, contracts for the gathering and/or transportation of oil and natural gas, unitization agreements, pooling arrangements, joint bidding agreements, joint venture agreements, participation agreements, surface use agreements, service contracts, tax credit agreements, leases and subleases of Oil and Gas Properties or other similar customary agreements, transactions, properties, interests or arrangements, howsoever designated, in each case made or entered into in the ordinary course of business as conducted by the Borrower and its Subsidiaries.

"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; (c) 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; (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 and (g) to the extent not included in the foregoing, any and all other oil or gas property described in Section 4.09(y) of the RMT Senior Notes Indenture.

"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": The Williams Companies, Inc., a Delaware corporation.

"Parent Event of Default": the occurrence of any of the following: (i) Parent 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 shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Parent 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 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 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 shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or (vi) Parent shall default in making any payment of any principal of or interest on any Indebtedness of Parent the outstanding principal amount of which exceeds $150,000,000 on the scheduled or original due date with respect thereto.

"Participant": as defined in Section 9.6(b).

"Payment Office": the office 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).

"Permitted Cure Security": an equity security of Holdings that is not Disqualified Stock and upon which all dividends or distributions are payable and paid in additional shares of such equity security.

"Permitted Liens": the collective reference to (i) in the case of Collateral other than Pledged Stock, Liens permitted by Section 6.3 and (ii) in the case of Collateral consisting of Pledged Stock, non-consensual Liens permitted by Section 6.3 to the extent arising by operation of law.

"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.

"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 in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pledged Notes": as defined in the Guarantee and Collateral Agreement

"Pledged Stock": as defined in the Guarantee and Collateral Agreement.

"PPH": Piceance Production Holdings LLC, a Delaware limited liability company.

"Pro Forma Balance Sheet": as defined in Section 3.1(a).

"Projections": as defined in Section 5.2(e).

"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 Reserves" those recoverable Hydrocarbons which have been estimated with reasonable certainty, as demonstrated by geological and engineering data, to be economically recoverable from the Borrower's Oil and Gas Properties by existing operating methods under existing economic conditions.

"PV-10 Value": at the particular time in question, the net present value (determined in accordance with the definition of Engineering Report) of the projected future net revenues attributable to the Proved Reserves included in the Borrower's Oil and Gas Properties, as set forth in the Engineering Report most recently provided by the Borrower pursuant to Section 5.2(d).

"Qualified Counterparty": with respect to any Specified Hedge Agreement, any counterparty thereto that, at the time such Specified Hedge Agreement was entered into, was a Lender or an affiliate of a Lender.

"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.

"Recovery Event": any settlement of or payment in respect of any property or casualty insurance claim or any condemnation proceeding relating to any asset of Holdings, the Borrower or any of the Borrower's Subsidiaries.

"Register": as defined in Section 9.6(d).

"Regulation U": Regulation U of the Board as in effect from time to time.

"Reinvestment Deferred Amount": with respect to any Reinvestment Event, the aggregate Net Cash Proceeds received by Holdings, the Borrower or any of Borrower's Subsidiaries in connection therewith that are not applied to prepay the Term Loans pursuant to Section 2.7(b) as a result of the delivery of a Reinvestment Notice.

"Reinvestment Event": any Asset Sale or Recovery Event in respect of which the Borrower has delivered a Reinvestment Notice.

"Reinvestment Notice": a written notice executed by a Responsible Officer stating that no Default or Event of Default has occurred and is continuing and that the Borrower (directly or indirectly through a Subsidiary) intends and expects to use all or a specified portion of the Net Cash Proceeds of an Asset Sale or Recovery Event to make capital expenditures useful in its business or otherwise acquire assets useful in its business.

"Reinvestment Prepayment Amount": with respect to any Reinvestment Event, the Reinvestment Deferred Amount relating thereto less any amount expended prior to the relevant Reinvestment Prepayment Date to make capital expenditures useful in its business or otherwise acquire assets useful in the Borrower's business.

"Reinvestment Prepayment Date": with respect to any Reinvestment Event, the earlier of (a) the date occurring twelve months after such Reinvestment Event and (b) the date on which the Borrower shall have determined not to, or shall have otherwise ceased to undertake to, make capital expenditures useful in the Borrower's business or otherwise acquire assets useful in the Borrower's business with all or any portion of the relevant Reinvestment Deferred Amount.

"Related Fund": with respect to any Lender, any fund that (x) invests as a regular part of its business in commercial loans and (y) is managed or advised by the same investment advisor as such Lender, by such Lender or an Affiliate of such Lender.

"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 described in Section 4043(c)(3) of ERISA and other than those events as to which the thirty day notice period is waived under subsections .22, .24 (solely with respect to partial termination of a Plan), .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. Section 4043.

"Required Lenders": at any time, the holders of more than 50% of (a) until the Closing Date, the Term Loan Commitments and (b) thereafter, the sum of the aggregate unpaid principal amount of the Term Loans then outstanding.

"Requirement of Law": as to any Person, the Certificate of Incorporation and By Laws or other organizational or 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, reviewed or audited in a manner consistent with the past practices of the Borrower by an Approved Engineer.

"Responsible Officer": the chief executive officer, president, senior vice president, chief financial officer, treasurer or controller of the Borrower, but in any event, with respect to financial matters, the chief financial officer, treasurer or controller of the Borrower.

"Restricted Payments": as defined in Section 6.6.

"RMT Senior Notes": the $150,000,000 7.55% Senior Notes due 2007 of the Borrower issued pursuant to the Indenture, dated as of February 1, 1997 (as amended, supplemented or otherwise modified from time to time, the "Senior Note Indenture"), between the Borrower and Bankers Trust Company, as Trustee.

"SEC": the Securities and Exchange Commission (or successors thereto or an analogous Governmental Authority).

"Secured Parties": as defined in the Guarantee and Collateral Agreement.

"Security Documents": the collective reference to the Guarantee and Collateral Agreement, the Mortgages and all other security documents hereafter delivered to the Administrative Agent granting a Lien on any Property of any Person to secure the obligations and liabilities of 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.

"Solvent": 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, and (d) such Person will be able to pay its debts as they mature. 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.

"Specified Hedge Agreement": any Hedge Agreement described in clause (a) of such definition entered into by the Borrower or any Subsidiary and any Qualified Counterparty.

"S&P": Standard & Poor's Rating Services and its successors.

"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.

"Term Loan": as defined in Section 2.1.

"Term Loan Commitment": as to any Lender, the obligation of such Lender, if any, to make a Term Loan to the Borrower hereunder in a principal amount not to exceed the amount set forth under the heading "Term Loan 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. The original aggregate amount of the Term Loan Commitments is $500,000,000.

"Term Loan Percentage": as to any Lender at any time, the percentage which such Lender's Term Loan Commitment then constitutes of the aggregate Term Loan Commitments (or, 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 Note": as defined in Section 2.4(e).

"Total Senior Secured Debt": at any time, an amount equal to the sum of the aggregate principal amount of Indebtedness outstanding at such time under this Agreement.

"Transferee": as defined in Section 9.14.

"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 the State of New York.

"U.S. Lender": each Lender (or Transferee), each Issuing Lender and each Agent that is a United States person as defined in section 7701(a)(30) of the Code.

"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. 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.

(a) 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 Holdings, 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.

(b) 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.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(d) All calculations of financial ratios set forth in Section 6.1 shall be calculated to the same number of decimal places as the relevant ratios are expressed in and shall be rounded upward if the number in the decimal place immediately following the last calculated decimal place is five or greater. For example, if the relevant ratio is to be calculated to the hundredth decimal place and the calculation of the ratio is 5.126, the ratio will be rounded up to 5.13.

SECTION 2. AMOUNT AND TERMS OF TERM LOAN COMMITMENTS

2.1 Term Loan Commitments. Subject to the terms and conditions hereof, the Lenders severally agree to make term loans (each, a "Term Loan") to the Borrower on the Closing Date in an amount for each Lender not to exceed the amount of the Term Loan Commitment of such Lender. The Term Loans may from time to time be Eurodollar Loans or Base Rate Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.2 and 2.8.

2.2 Procedure for Term Loan Borrowing. The Borrower shall deliver to the Administrative Agent a Borrowing Notice (which Borrowing 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. The Term Loans made on the Closing Date shall initially be Base Rate Loans, and no Term Loan may be converted into or continued as a Eurodollar Loan prior to the date which is 5 Business Days after the Closing Date or such shorter period as may be reasonably acceptable to the Administrative Agent. Upon receipt of such Borrowing 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 or Term Loans 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 as received by the Administrative Agent.

2.3 Repayment of Term Loans. The Term Loan of each Lender shall mature in 16 consecutive quarterly installments, commencing on September 30, 2003, each of which shall be in an amount equal to such Lender's Term Loan Percentage multiplied by the percentage set forth below opposite such installment of the aggregate principal amount of Term Loans made on the Closing Date:

Installment	Percentage
September 30, 2003	0.25%
December 31, 2003	0.25%
March 31, 2004	0.25%
June 30, 2004	0.25%
September 30, 2004	0.25%
December 31, 2004	0.25%
March 31, 2005	0.25%
June 30, 2005	0.25%
September 30, 2005	0.25%
December 31, 2005	0.25%
March 31, 2006	0.25%
June 30, 2006	0.25%
September 30, 2006	0.25%
December 31, 2006	0.25%
March 31, 2007	0.25%
May 30, 2007	96.25%

2.4 Repayment of Term Loans; Evidence of Debt. The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of the appropriate Lender the principal amount of each Term Loan of such Lender in installments according to the schedule set forth in Section 2.3 (or on such earlier date on which the Term Loans become due and payable pursuant to Section 7.1); provided that the Borrower shall repay the unpaid principal amount of the Term Loans on the Maturity Date. 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, set forth in Section 2.10.

(a) 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.

(b) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 9.6(d), and a subaccount 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, the Type of such Term Loan and each Interest Period applicable thereto, (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.

(c) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.4(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 the Borrower by such Lender in accordance with the terms of this Agreement.

(d) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will promptly execute and deliver to such Lender a promissory note of the Borrower evidencing any Term Loans of such Lender, substantially in the forms of Exhibit G (a "Term Note"), with appropriate insertions as to date and principal amount; provided, that delivery of Term Notes shall not be a condition precedent to the occurrence of the Closing Date or the making of the Term Loans on the Closing Date.

2.5 Fees, etc. The Borrower agrees to pay to the Arrangers and the Agents the fees in the amounts and on the dates previously agreed to in writing by the Borrower, the Arrangers and the Agents.

2.6 Optional Prepayments. The Borrower may at any time and from time to time prepay the Term Loans, in whole or in part, without premium or penalty (except as otherwise provided herein), upon irrevocable notice delivered to the Administrative Agent at least three Business Days prior thereto in the case of Eurodollar Loans and at least one Business Day prior thereto in the case of Base Rate Loans, which notice shall specify the date and amount of such prepayment, and whether such prepayment is of Eurodollar Loans or Base Rate Loans; provided, that if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.16. Upon receipt of any such notice the Administrative Agent shall promptly notify each Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to such date on the amount prepaid. Partial prepayments of Term Loans shall be in an aggregate principal amount of $1,000,000 or a whole multiple thereof.

2.7 Mandatory Prepayments. If any Capital Stock shall be issued (excluding any Capital Stock issued to Parent or any of its Affiliates), or Indebtedness incurred, by Holdings, the Borrower or any of Borrower's Subsidiaries (excluding any Indebtedness incurred in accordance with Section 6.2(a) to (h), (i) (to the extent set forth therein), and (j) and (k)), then on the date of such issuance or incurrence, the Term Loans shall be prepaid, by an amount equal to the amount of the Net Cash Proceeds of such issuance or incurrence. The provisions of this Section do not constitute a consent to the issuance of any equity securities by any entity whose equity securities are pledged pursuant to the Guarantee and Collateral Agreement, or a consent to the incurrence of any Indebtedness by Holdings, the Borrower or any of the Borrower's Subsidiaries.

(a) If on any date Holdings, the Borrower or any of Borrower's Subsidiaries shall receive Net Cash Proceeds from any Asset Sale or Recovery Event then, unless a Reinvestment Notice shall be delivered in respect thereof, on the date of receipt by Holdings, the Borrower or any of the Borrower's Subsidiaries of such Net Cash Proceeds, the Term Loans shall be prepaid by an amount equal to the amount of such Net Cash Proceeds; provided that such prepayment of the Term Loans need not be made pursuant to this Section 2.7(b) until the Borrower or any of its Subsidiaries shall have received at least $10,000,000 in Net Cash Proceeds in the aggregate from Asset Sales or Recovery Events, at which time, such $10,000,000

in Net Cash Proceeds from any Asset Sales or Recovery Events and all further Net Cash Proceeds from any Asset Sales or Recovery Events received prior to application, shall be promptly applied to the prepayment of the Term Loans as set forth in this Section 2.7(b) and after giving effect to such prepayment the foregoing $10,000,000 basket shall be reinstated; and provided, further, that, notwithstanding the foregoing, (i) the aggregate Net Cash Proceeds of Asset Sales and Recovery Events that may be excluded from the foregoing requirement pursuant to a Reinvestment Notice shall not exceed $50,000,000 in any fiscal year of the Borrower and (ii) on each Reinvestment Prepayment Date the Term Loans shall be prepaid by an amount equal to the Reinvestment Prepayment Amount with respect to the relevant Reinvestment Event. The provisions of this Section do not constitute a consent to the consummation of any Disposition not permitted by Section 6.5.

2.8 Conversion and Continuation Options. The Borrower may elect from time to time to convert Eurodollar Loans to Base Rate Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of such election, provided that any such conversion of Eurodollar Loans may be made only on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert Base Rate Loans to Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice of such election (which notice shall specify the length of the initial Interest Period therefor), provided that no Base Rate Loan may be converted into a Eurodollar Loan (i) when any Event of Default has occurred and is continuing and the Administrative Agent has, or the Required Lenders have, determined in its or their sole discretion not to permit such conversions or (ii) after the date that is one month prior to the final scheduled termination or maturity date of the Facility. Upon receipt of any such notice the Administrative Agent shall promptly notify each Lender thereof.

(a) The Borrower may elect to continue any Eurodollar Loan as such upon the expiration of the then current Interest Period with respect thereto by giving irrevocable notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Term Loans, provided that no Eurodollar Loan may be continued as such (i) when any Event of Default has occurred and is continuing and the Administrative Agent has, or the Required Lenders have, determined in its or their sole discretion not to permit such continuations or (ii) after the date that is one month prior to the final scheduled termination or maturity date of the Facility, and provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso, such Term Loans shall be converted automatically to Base Rate Loans on the last day of such then expiring Interest Period. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

2.9 Minimum Amounts and Maximum Number of Eurodollar Tranches. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions, continuations and optional prepayments of Eurodollar Loans and all selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that, (a) after giving effect thereto, the aggregate principal amount of the Eurodollar Loans comprising each Eurodollar Tranche shall be equal to $5,000,000 or a whole multiple of $1,000,000 in excess thereof and (b) no more than ten Eurodollar Tranches shall be outstanding at any one time.

2.10 Interest Rates and Payment Dates. Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(a) Each Base Rate Loan shall bear interest for each day on which it is outstanding at a rate per annum equal to the Base Rate in effect for such day plus the Applicable Margin.

(b) (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 Obligations (whether or not overdue) (to the extent legally permitted) 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% and (ii) if all or a portion of any interest payable on any Term Loan or any fee 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%, 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).

(c) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this Section shall be payable from time to time on demand.

2.11 Computation of Interest and Fees. Interest, fees, commissions payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed, except that, with respect to Base Rate Loans on which interest is calculated on the basis of the Prime Rate, the interest thereon shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the 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 Lenders of the effective date and the amount of each such change in interest rate.

(a) 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 2.10(a).

2.12 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 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, (y) any Term Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as Base Rate Loans and (z) 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 made or continued as such, nor shall the Borrower have the right to convert Term Loans to Eurodollar Loans.

2.13 Pro Rata Treatment and Payments. 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 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.

(a) Each payment (including each prepayment) of the Term Loans 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, and shall be applied to the installments of such Term Loans pro rata based on the remaining outstanding principal amount of such installments. Amounts prepaid on account of the Term Loans may not be reborrowed.

(b) The application of any payment of Term Loans (including optional and mandatory prepayments) shall be made, first, to Base Rate Loans and, second, to Eurodollar Loans. Each payment of the Term Loans shall be accompanied by accrued interest to the date of such payment on the amount paid.

(c) 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. Any payment made by the Borrower after 12:00 Noon, New York City time, on any Business Day shall be deemed to have been on the next following Business Day. 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.

(d) 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 after such 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.

(e) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment due to be made by the Borrower 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 after such due 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.

2.14 Requirements of Law. 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 2.15 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, converting into, continuing 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, within 30 days of written demand therefor, any additional amounts necessary to compensate such Lender 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 corporation 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 or under 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 within 30 days of such written demand therefor, such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) A certificate describing in reasonable detail the basis for 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 Borrower shall not be obligated to make any payment to any Lender under this Section which is attributable to any period of time occurring more than 180 days prior to the date of any certificate delivered pursuant to the preceding sentence. The obligations of the Borrower pursuant to this Section shall survive the termination of this Agreement and the payment of the Term Loans and all other amounts payable hereunder.

2.15 Taxes. All payments made by the Borrower or any other Loan Party under this Agreement and the other Loan Documents 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 any Agent or

any Lender as a result of a present or former connection between 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 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") or any Other Taxes are required to be withheld from any amounts payable to any Agent or any Lender hereunder, the amounts so payable to such Agent or such Lender shall be increased to the extent necessary to yield to such Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement; provided, however, that the Borrower or any other Loan Party shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section or (ii) that are United States withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes pursuant to this paragraph (a).

(a) In addition, the Borrower and each other Loan Party shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(b) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower or any other Loan Party, as promptly as possible thereafter the Borrower or such other Loan Party shall send to the Administrative Agent for the account of the relevant Agent or Lender, as the case may be, a certified copy of an original official receipt received by the Borrower or any other Loan Party showing payment thereof. If the Borrower or such other Loan Party fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower and each other Loan Party shall indemnify the Agents and the Lenders for the full amount of Non-Excluded Taxes or Other Taxes and any incremental taxes, interest or penalties that may become payable by any Agent or any Lender as a result of any such failure. The agreements in this Section 2.15 shall survive the termination of this Agreement and the payment of the Term Loans and all other amounts payable hereunder.

(c) (i) Each Lender (or Transferee) and each administrative agent that is not a person (as defined in section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (or, 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, in the case of a Non-U.S. Lender entitled to exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest" 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.

(ii) Each U.S. Lender shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of U.S. Internal Revenue Service Form W-9, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such U.S. Lender certifying that such Lender is entitled to an exemption from United States backup withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each 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 U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such U.S. Lender. Each 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). Solely for purposes of this Section 2.15(d), a U.S. Lender shall not include a Lender (or Transferee), or Issuing Lender or Agent, as the case may be, that is treated as an exempt recipient based on the indicators described in Treasury Regulation section 1.6049-4(c)(1)(ii).

(d) 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 payments 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.

2.16 If any payment of principal, or conversion, of any Eurodollar Loan made to the Borrower is made other than on the last day of an Interest Period relating to such Eurodollar Loan, as a result of a payment made pursuant to Section 2.6 or 2.7 or acceleration of the maturity of such Eurodollar Loan pursuant to Section 7.1 or for any other reason or any conversion pursuant to Section 2.8, the Borrower shall, upon demand of any Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses which it may reasonably incur as a result of any such payment, purchase or conversion, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain such Eurodollar Loan.

2.17 Illegality. Notwithstanding any other provision herein, 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, continue Eurodollar Loans as such and convert Base Rate Loans to Eurodollar Loans shall forthwith be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such suspension no longer exist 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 2.16.

2.18 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.14, 2.15(a) or 2.17 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 2.14, 2.15(a) or 2.17.

2.19 Replacement of Lenders under Certain Circumstances. The Borrower shall be permitted to replace any Lender that (a) requests reimbursement for amounts owing pursuant to Section 2.14 or 2.15 or gives a notice of illegality pursuant to Section 2.17 or (b) defaults in its obligation to make Term Loans hereunder, with a replacement financial institution; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) prior to any such replacement, such Lender shall have taken no action under Section 2.18 so as to eliminate the continued need for payment of amounts owing pursuant to Section 2.14 or 2.15 or to eliminate the illegality referred to in such notice of illegality given pursuant to Section 2.17, (iv) the replacement financial institution shall purchase, at par, all Term Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (v) the Borrower shall be liable to such replaced Lender under Section 2.16 (as though Section 2.16 were applicable) if any Eurodollar Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (vi) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (vii) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 9.6 (provided that the Borrower shall be obligated to pay the registration and processing fee referred to therein), (viii) the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.14 or 2.15, as the case may be, in respect of any period prior to the date on which such replacement shall be consummated, and (ix) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

SECTION 3. REPRESENTATIONS AND WARRANTIES

To induce the Arrangers, the Agents and the Lenders to enter into this Agreement and to make the Term Loans, Holdings and the Borrower hereby jointly and severally represent and warrant to each Arranger, each Agent and each Lender that:

3.1 Financial Condition. The unaudited pro forma consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at March 31, 2003 (the "Pro Forma Balance Sheet"), copies of which have heretofore been furnished to each 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 March 31, 2003, assuming that the events specified in the preceding sentence had actually occurred at such date.

(a) The audited consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2002, and the related consolidated statements of income and of cash flows for the fiscal year ended on such date, and the audited 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 period from May 4, 2001 to December 31, 2001, each reported on by and accompanied by an unqualified report from Ernst & Young LLP, 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 respective periods then ended. The unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at March 31, 2003, and the related unaudited consolidated statements of income and cash flows for the 3-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 its operations and its consolidated cash flows for the respective 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 approved by the aforementioned firm of accountants and disclosed therein and the absence of footnotes in unaudited statements). Except for the Holdings Subordinated Guaranty and intercompany Indebtedness eliminated in a consolidation of Holdings and its Subsidiaries, Holdings, the Borrower and Borrower's 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 or the footnotes thereto. Except as disclosed on Schedule 3.1, during the period from December 31, 2002 to and including the date hereof there has been no Disposition by the Borrower and its Subsidiaries of any material part of its business or Property.

3.2 No Change. Since December 31, 2002, there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

3.3 Corporate Existence; Compliance with Law. Each of Holdings, the Borrower and the Borrower's Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the corporate or equivalent power and authority 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, (c) is duly qualified as a foreign corporation 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 in the case of clauses (c) and (d), to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

3.4 Corporate Power; Authorization; Enforceable Obligations. Each Loan Party has the corporate or equivalent power and authority to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to borrow hereunder. Each Loan Party has taken all necessary corporate 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 the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents, except (i) consents, authorizations, filings and notices described in Schedule 3.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and (ii) the filings referred to in Section 3.19. This Agreement has been, and each other Loan Document to which any Loan Party is a party will be, duly executed and delivered on behalf of each Loan Party that is a party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party that is a party thereto, enforceable against 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).

3.5 No Legal Bar. The execution, delivery and performance of this Agreement and 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 Holdings, the Borrower or any of their respective 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 Holdings, the Borrower or any of the Borrower's Subsidiaries could reasonably be expected to have a Material Adverse Effect.

3.6 No Material Litigation. Except as set forth on Schedule 3.6 (any such litigation set forth therein could not, in the judgment of the Borrower, reasonably be expected to have a Material Adverse Effect), no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of Holdings or the Borrower, threatened by or against 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.

3.7 No Default. Neither Holdings, the Borrower nor 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. No Default or Event of Default has occurred and is continuing.

3.8 Ownership of Property; Liens. Each of Holdings, the Borrower and the Borrower's Subsidiaries has a valid interest in all its Property, and none of such Property is subject to any Lien other than Permitted Liens and imperfections in title that do not in the aggregate materially detract from the value or use of such Property in the business of Borrower and its Subsidiaries.

3.9 Intellectual Property. Each of Holdings, the Borrower and 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 and 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 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.

3.10 Taxes. Each of 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 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 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 their respective Subsidiaries, as the case may be); and no tax Lien has been filed that is not a Permitted Lien, and, to the knowledge of Holdings and the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

3.11 Federal Regulations. No part of the proceeds of any Term Loans will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board. 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.

3.12 Labor Matters. There are no strikes or other labor disputes against Holdings, the Borrower or any of the Borrower's Subsidiaries pending or, to the knowledge of 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.

3.13 ERISA. Except as set forth on Schedule 3.13, 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 with respect to any Plan. Each Plan has complied in all material respects with the 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 on Section 3.13, 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, 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.

3.14 Investment Company Act; Other Regulations. No 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. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the Board) which limits its ability to incur Indebtedness.

3.15 Subsidiaries. The Subsidiaries listed on Schedule 3.15 constitute all the Subsidiaries of Holdings at the date hereof. Schedule 3.15 sets forth as of the Closing Date the name and jurisdiction of incorporation of each Subsidiary of Holdings and, as to each Subsidiary, the percentage of each class of Capital Stock owned by each Loan Party.

(a) 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 Holdings, the Borrower or any of the Borrower's Subsidiaries.

3.16 Use of Proceeds. The proceeds of the Term Loans shall be used (i) to repay in part loans outstanding under, and other amounts due in respect of, the Existing Credit Agreement, and to pay related fees and expenses, and (ii) for general corporate purposes.

3.17 Environmental Matters. Except as set forth on Schedule 3.17 (provided, however, that any such matters set forth therein could not, in the judgment of the Borrower,

reasonably be expected to have a Material Adverse Effect) and 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:

(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; (ii) hold all Environmental Permits (each of which is in full force and effect) required for any of their current operations or for any property owned, leased, or otherwise operated by any of them; (iii) are, and within the period of all applicable statutes of limitation have been, in compliance with all of their Environmental Permits; and (iv) reasonably believe that: each of their Environmental Permits will be timely renewed and complied with; any additional Environmental Permits that may be required of any of them will be timely obtained and complied with; and compliance with any Environmental Law that is or is expected to become applicable to any of them will be timely attained and maintained.

(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 (including, without limitation, any location to which Materials of Environmental Concern have been sent for re-use or recycling or for treatment, storage, or disposal) which could reasonably be expected to (i) give rise to 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) interfere with Holdings', the Borrower's or any of the Borrower's Subsidiaries' continued operations, or (iii) impair the fair saleable value of any real property 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 Holdings or the Borrower will be, named as a party that is pending or, to the knowledge of 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.

(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) None of Holdings, the Borrower or any of the Borrower's Subsidiaries has assumed or retained, by contract or operation of law, any liabilities of any kind, fixed or contingent, known or unknown, under any Environmental Law.

3.18 Accuracy of Information, etc. No statement or information contained in this Agreement, any other Loan Document, the Confidential Information Memorandum or any other document, certificate or statement (other than projections and the financial statements of the Borrower for fiscal years 1998, 1999 and 2000 and the first 7 months of fiscal year 2001) furnished to the Arrangers, the Administrative Agent, any other Agent or the Lenders or any of them, by or on behalf of any Loan Party 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 (or, in the case of the Confidential Information Memorandum, as of the date of this Agreement) and taken as a whole, 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 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 any Loan Party that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the other Loan Documents, in the Confidential Information Memorandum or in any other documents, certificates and statements furnished to the Arrangers, the Administrative Agent, any other Agent and the Lenders for use in connection with the transactions contemplated hereby and by the other Loan Documents.

3.19 Security Documents. 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 and enforceable security interest in the Collateral described therein and proceeds thereof. In the case of the Pledged Stock described in the Guarantee and Collateral Agreement, 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 3.19(a)-1 (which financing statements have been duly completed and executed, delivered to and authorized to be filed by the Administrative Agent) and such other filings as are specified on Schedule 3 to the Guarantee and Collateral Agreement have been completed, the Guarantee and Collateral Agreement shall constitute (to the extent perfection can be accomplished by filings of UCC financing statements or the delivery and possession of Pledged Stock or Pledged Notes) a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds 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, in the case of Collateral other than Pledged Stock, Permitted Liens). Schedule 3.19(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. Schedule 3.19(a)-3 lists each UCC Financing Statement that (i) names any Loan Party as debtor and (ii) will be terminated on or prior to the Closing Date; and on or prior to the Closing Date, the Borrower will have delivered to the Administrative Agent, or caused to be filed, duly completed UCC termination statements, authorized or authenticated by the relevant secured party, in respect of each UCC Financing Statement listed in Schedule 3.19(a)-3.

(a) Upon the due execution and recordation 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 3.19(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.

3.20 Solvency. The Loan Parties are, taken as a whole, and after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith will be, and will continue to be, Solvent.

3.21 Hydrocarbon Interests. As of the Closing Date, Schedule 3.21 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.

3.22 Permits. Except as set forth in Section 3.17 (provided, however, that any such matters set forth therein could not, in the judgment of the Borrower, reasonably be expected to have a Material Adverse Effect) and 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: (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, (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 the Permits necessary for the operation of its Oil and Gas Business, taken as a whole, will be renewed and complied with and that any additional permits necessary for the operation of its Oil and Gas Business, taken as a whole, will be obtained and complied with.

(a) Except as set forth on Schedule 3.22(b) and except for filings and recordings required for the perfection of Liens, 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.

3.23 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 reasonably be expected 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); to the knowledge of Holdings or the Borrower, no claim is being asserted with respect to any such payments that, individually or in the aggregate, could be reasonably expected to have a Material Adverse Effect.

3.24 Public Utility Holding Company Act. Neither the Borrower nor any of its Subsidiaries is a "holding company," or a "Subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "Subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

SECTION 4. CONDITIONS PRECEDENT

4.1 Conditions to the Term Loan. The agreement of each Lender to make the Term Loan requested to be made by it hereunder is subject to the satisfaction, prior to or concurrently with the making of such Term Loan 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 Holdings and the Borrower, (ii) the Guarantee and Collateral Agreement, executed and delivered by a duly authorized officer of Holdings, the Borrower and each Subsidiary Guarantor, and (iii) a Lender Addendum executed and delivered by each Lender and accepted by the Borrower.

(b) Pro Forma Balance Sheet; Financial Statements. The Lenders shall have received (i) the Pro Forma Balance Sheet, (ii) audited consolidated financial statements of the Borrower and its Subsidiaries for the 1998, 1999, 2000 and 2002 fiscal years, (iii) audited consolidated financial statements of the Borrower and its Subsidiaries for the period from August 1, 2001 to December 31, 2001, (iv) unaudited consolidated financial statements of the Borrower and its Subsidiaries for the period from January 1, 2001 to July 31, 2001 (without footnotes) and (v) unaudited interim consolidated financial statements of the Borrower and its Subsidiaries for the fiscal quarter of the Borrower ended March 31, 2003; and such financial statements shall not, in the reasonable judgment of the Lenders, reflect any material adverse change in the consolidated financial condition of the Borrower and its Subsidiaries, as reflected in the financial statements or projections contained in the Confidential Information Memorandum.

(c) Approvals. All governmental and third party approvals (including landlords' and other consents) necessary or, in the reasonable judgment of the Administrative Agent, advisable in connection with the continuing operations of Holdings, the Borrower and the Borrower's Subsidiaries and the transactions contemplated hereby shall have been obtained and be in full force and effect.

(d) Related Agreements. The Administrative Agent shall have received (in a form reasonably satisfactory to the Administrative Agent), true and correct copies, certified as to authenticity by the Borrower, of such documents or instruments as may be reasonably requested by the Administrative Agent, including, without limitation, a copy of any debt instrument, security agreement or other material contract to which Parent or any Loan Party may be a party that is requested by the Administrative Agent.

(e) Termination of Existing Credit Agreement. The Administrative Agent shall have received evidence reasonably satisfactory to the Administrative Agent that the Existing Credit Agreement shall be simultaneously terminated, all amounts thereunder shall be simultaneously paid in full and arrangements reasonably satisfactory to the Administrative Agent shall have been made for the termination of Liens and security interests granted in connection therewith.

(f) Fees. The Administrative Agent and the other Agents shall have received all fees required to be paid, and all expenses for which invoices have been presented (including reasonable fees, disbursements and other charges of Weil, Gotshal & Manges LLP and LeBoeuf Lamb, Greene & MacRae, L.L.P., counsel to the Administrative Agent), 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.

(g) Business Plan. The Lenders shall have received satisfactory business projections for fiscal years 2003 - 2007.

(h) Solvency Certification. The Lenders shall have received a Solvency Certificate, substantially in the form of Exhibit J, from the treasurer or controller of Holdings and the Borrower, which shall document the solvency of Holdings, the Borrower and the Borrower's Subsidiaries considered as a whole after giving effect to the transactions contemplated hereby.

(i) Lien Searches. The Administrative Agent shall have received the results of a recent lien search in each of the jurisdictions in which Uniform Commercial Code financing statements or other filings or recordations have been or should be made to evidence or perfect security interests in all assets of the Loan Parties, and such search shall reveal no liens on any of the assets of the Loan Party, except for Liens permitted by Section 6.3.

(j) Reserve Reports. The Administrative Agent shall have received a Reserve Report dated as of December 31, 2002, covering the Hydrocarbon Interests of the Borrower and its Subsidiaries, in form and substance satisfactory to the Administrative Agent.

(k) Closing Certificate. The Administrative Agent shall have received a certificate of each Loan Party, dated the Closing Date, substantially in the form of Exhibit C, with appropriate insertions and attachments.

(l) Legal Opinions. The Administrative Agent shall have received the following executed legal opinions:

(i) the legal opinion of Gibson, Dunn & Crutcher LLP, counsel to Holdings, the Borrower and the Borrower's Subsidiaries, substantially in the form of Exhibit F-1;

(ii) the legal opinion of Davis Graham & Stubbs LLP, counsel to the Borrower, substantially in the form of Exhibit F-2; and

(iii) such other legal opinions of local counsel as are requested by the Administrative Agent in form and substance reasonably satisfactory to the Administrative Agent.

Each such legal opinion shall cover such other matters incident to the transactions contemplated by this Agreement as the Administrative Agent may reasonably require.

(m) Pledged Stock; Stock Powers; Acknowledgment and Consent; 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, (ii) an Acknowledgment and Consent, substantially in the form of Annex II to the Guarantee and Collateral Agreement, duly executed by any issuer of Capital Stock pledged pursuant to the Guarantee and Collateral Agreement that is not itself a party to the Guarantee and Collateral Agreement and (iii) each promissory note pledged 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.

(n) Filings, Registrations and Recordings. Each document (including, without limitation, any Uniform Commercial Code 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 the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 6.3 and Liens subject to releases delivered at Closing), shall have been filed, registered or recorded or shall have been delivered to the Administrative Agent be in proper form for filing, registration or recordation.

(o) Oil and Gas Mortgages. The Lenders shall have received, in form satisfactory for filing, Mortgages on each of the Borrower's Oil and Gas Properties, other than those set forth on Schedules 6.5(f)(i) or 6.5(i) or any Oil and Gas Property with a fair market value as of the Closing Date of less than $2,000,000 (so long as the aggregate fair market value of the Properties excluded by the Borrower from inclusion in the Collateral as a result of such threshold at any time does not exceed $10,000,000 in the aggregate).

(p) Insurance. The Administrative Agent shall have received insurance certificates satisfying the requirements of Section 5.3 of the Guarantee and Collateral Agreement.

(q) Minimum Rating. The Facility shall have been assigned a senior secured credit rating of not less than B3 from Moody's and B+ from S&P, which ratings shall remain in effect on the Closing Date.

(r) Environmental. The Lenders shall be reasonably satisfied with the environmental affairs of the Borrower and its Subsidiaries.

(s) Representations and Warranties. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct on and as of the Closing Date.

(t) No Default. No Default or Event of Default shall have occurred and be continuing on the Closing Date or after giving effect to the Term Loans requested to be made on the Closing Date.

SECTION 5. AFFIRMATIVE COVENANTS

Holdings and the Borrower hereby jointly and severally agree that, so long as any Term Loan or other amount is owing to any Lender, any Arranger or any Agent hereunder, each of Holdings and the Borrower shall and shall cause each of the Borrower's Subsidiaries to:

5.1 Financial Statements. Furnish to the Administrative Agent for the benefit of 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 as of the end of and 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 Ernst & Young LLP or other independent certified public accountants of nationally recognized standing;

(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 as of the end of and for the corresponding period in the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year end audit adjustments and the absence of footnotes); and

all such financial statements to be prepared 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) and to present fairly the financial condition of the Borrower and its Subsidiaries as of the dates thereof and the results of operations for the periods covered thereby.

5.2 Certificates; Other Information. Furnish to the Administrative Agent:

(a) concurrently with the delivery of the financial statements referred to in Section 5.1(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 5.1, (i) a certificate of a Responsible Officer stating 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 the Borrower with Section 6.1 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 and state, where any Loan Party has an Oil and Gas Property required to be pledged to the Lenders pursuant to Section 5.9;

(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 net revenue interests of Hydrocarbons sold by 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) concurrently with the delivery of any financial statements pursuant to Section 5.1(a), and such other time as the Borrower may, in its sole discretion elect, an Engineering Report;

(e) 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, by the Borrower for any material changes to 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;

(f) within 60 days after the end of each fiscal quarter of the Borrower (or in the case of the fourth fiscal quarter of each year, within 105 days after the end of such fiscal quarter), 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;

(g) 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 that could reasonably be expected to have a Material Adverse Effect;

(h) to the extent not previously provided, 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 public 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;

(i) promptly and in any event within 10 days of a Responsible Officer 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 Permit held by Holdings, the Borrower or any of the Borrower's Subsidiaries on terms and conditions that could reasonably be expected to have a Material Adverse Effect;

(j) promptly upon receipt thereof, copies of all title opinions produced in the ordinary course of business or delivered to or received by the Borrower or its Subsidiaries covering any Oil and Gas Properties acquired by the Borrower or its Subsidiaries after the Closing Date; and

(k) promptly, such additional financial and other information as the Administrative Agent may from time to time reasonably request.

5.3 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 (i) where the failure to pay, discharge or otherwise satisfy such obligations, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, or (ii) 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 Borrower's Subsidiaries, as the case may be.

5.4 Conduct of Business and Maintenance of Existence, etc. (a) (i) Preserve, renew and keep in full force and effect its corporate or other existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 6.4 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) 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.

5.5 Maintenance of Property; Insurance. Keep all of its Property and systems useful and necessary in its business in good working order and condition, ordinary wear and tear and casualty and condemnation excepted, subject to Dispositions permitted under Section 6.5 and maintain with financially sound and reputable insurance companies insurance on all its Property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business.

(a) Maintain all rights of way, easements, grants, privileges, licenses, certificates, and permits necessary for the use of any Real Estate the failure of which to maintain could reasonably be expected to result in a Material Adverse Effect 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 that could reasonably be expected to interfere materially with the use or operation of a material portion of the Real Estate by the Borrower or any of its Subsidiaries.

(b) (i) 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 and renew the terms of such leases on commercially reasonable terms, except such defaults and expiration of leases that could not be reasonably expected to have a Material Adverse Effect and (ii) in accordance with prudent industry practices, perform or cause to be performed each and every material act required by each and all of the leases in respect of its material Oil and Gas Properties and all other material agreements and material contracts constituting or affecting its material Oil and Gas Properties, do all things necessary to keep unimpaired its rights thereunder and prevent any forfeiture thereof or default thereunder, and operate or cause to be operated such Oil and Gas Properties in a diligent, careful and efficient manner in material compliance with all applicable Requirements of Law, in each case, except to the extent the failure to so act could not reasonably be expected to have a Material Adverse Effect.

(c) Preserve and protect the Lien status of each respective Mortgage and, if any Lien (other than unrecorded Liens permitted under Section 6.3 that arise by operation of law and other Liens permitted under Section 6.3(b)(i), (ii), (v), (vi), (x), (xi), (xii), (xiii), (xiv), (xv) and (xvi)) is asserted against any material 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.

5.6 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 make abstracts from any of its books and records upon reasonably prior written notice, at any reasonable time, at such Lender's expense (so long as no Event of Default shall have occurred and be continuing) and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of Holdings, the Borrower and Borrower's Subsidiaries with officers and employees of Holdings, the Borrower and Borrower's Subsidiaries and, so long as (i) accompanied by a Responsible Officer and (ii) no

more often than annually unless an Event of Default shall have occurred and be continuing, with its independent certified public accountants.

5.7 Notices. Promptly after a Responsible Officer has knowledge, give notice to the Administrative Agent for the benefit of each Lender:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of Holdings, the Borrower or any of Borrower's Subsidiaries or (ii) litigation, investigation or proceeding which may exist at any time between Holdings, the Borrower or any of 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 Borrower's Subsidiaries in which the amount involved is $10,000,000 or more and not covered by insurance or in which injunctive or similar relief is sought which, if granted, could reasonably be expected to cause a Material Adverse Effect;

(d) the following events, as soon as possible and in any event within 30 days after a Responsible Officer knows 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; and

(e) any development or event that has had or could reasonably be expected to have a Material Adverse Effect.

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.

5.8 Environmental Laws. Comply in all material respects with, and use commercially reasonable best efforts to cause compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain, comply with and maintain, in each case in all material respects, and use commercially reasonable best efforts to cause all tenants and subtenants, if any, to obtain, comply with and maintain, in each case in all material respects, the Environmental Permits that are material and necessary for the continued operation of its Oil and Gas Business.

(a) Conduct and complete all investigations, studies, sampling and testing associated with response, removal or remediation actions required under Environmental Laws.

5.9 Additional Collateral, etc. With respect to any Property having a value of at least $2,000,000 individually (so long as the aggregate fair market value of the Properties

excluded by the Borrower from inclusion in the Collateral as a result of such threshold at any time does not exceed $10,000,000 in the aggregate) acquired after the Closing Date by any Grantor (other than (x) Property acquired by an Excluded Foreign Subsidiary, (y) Property (other than any Oil and Gas Property) acquired by any Bison Entities, and (z) any other Property excluded from the Collateral pursuant to the terms of the Guarantee and Collateral Agreement) as to which the Administrative Agent, for the benefit of the Secured Parties, does not have a perfected Lien, promptly (i) execute and deliver to the Administrative Agent Mortgages, 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 (subject to Permitted Liens) 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 in such Property, including without limitation, the filing of Mortgages or Uniform Commercial Code 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.

(a) With respect to any new Subsidiary (other than an Excluded Foreign Subsidiary) created or acquired after the Closing Date (which, for the purposes of this paragraph, shall include any existing Subsidiary that ceases to be an Excluded Foreign Subsidiary), by Holdings, the Borrower or any of Borrower's Subsidiaries, cause such new Subsidiary (A) to become a party to the Guarantee and Collateral Agreement and (B) to take such actions necessary or advisable to grant to the Administrative Agent for the benefit of the Secured Parties a security interest (subject to Permitted Liens) in the Collateral described in the Guarantee and Collateral Agreement with respect to such new Subsidiary, including, without limitation, the filing of Uniform Commercial Code 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) Use commercially reasonable efforts to deliver to the Administrative Agent, for the benefit of the Lenders, as soon as commercially practicable, the certificates representing the shares of Class B Common Stock of the Borrower (or substitute certificates with the same rights) issued to the Original Lenders (as defined in the Existing Credit Agreement), together with a stock power for each such certificate executed by a duly authorized officer of such Original Lender.

5.10 Further Assurances. From time to time execute and deliver, or cause to be executed and delivered, such additional instruments, certificates or documents, and take 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 thereof or with respect to any other property or assets hereafter acquired by Holdings, 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, Holdings and 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 Holdings, the Borrower or any of the Borrower's Subsidiaries for such governmental consent, approval, recording, qualification or authorization.

5.11 Capital Expenditure. The Capital Expenditures of the Borrower and its Subsidiaries shall be at least $40,000,000 in each fiscal year beginning on or after January 1, 2004, (excluding any Capital Expenditures made with the proceeds of any Reinvestment Deferred Amount).

SECTION 6. NEGATIVE COVENANTS

Holdings and the Borrower hereby jointly and severally agree that, so long as any Term Loan or other amount is owing to any Lender, any Arranger or any Agent hereunder, each of Holdings and the Borrower shall not, and shall not permit any of the Borrower's Subsidiaries to, directly or indirectly:

6.1 Financial Condition Covenants.

(a) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower ending September 30, 2003 and each fiscal quarter thereafter to be less than 3.00 to 1.00.

(b) PV-10 Value to Total Senior Secured Debt Ratio. Permit the ratio of PV-10 Value to Total Senior Secured Debt as of September 30, 2003 and as of each March 31 and September 30 thereafter to be less than 1.75 to 1.00.

6.2 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of any Loan Party pursuant to any Loan Document;

(b) Indebtedness of the Borrower to any Subsidiary and of any Wholly Owned Subsidiary Guarantor to the Borrower or any other Subsidiary;

(c) Indebtedness outstanding on the date hereof and listed on Schedule 6.2(c) and any refinancings, refundings, renewals or extensions thereof (without any increase in the principal amount thereof or any shortening of the maturity of any principal amount thereof);

(d) Guarantee Obligations made in the ordinary course of business by the Borrower or any of its Subsidiaries of obligations of the Borrower or any Subsidiary Guarantor;

(e) Guarantee Obligations of the Borrower or any Subsidiary Guarantor in respect of any other Indebtedness permitted under this Section 6.2;

(f) Indebtedness of Holdings pursuant to the Holdings Subordinated Guaranty;

(g) Indebtedness in respect of acceptances, letters of credit or similar instruments in the ordinary course of the Borrower's exploration and production activities in an aggregate face or principal amount not to exceed $30,000,000;

(h) Indebtedness of any Loan Party to Parent or its Affiliates (other than the Loan Parties) that has been subordinated to such Loan Party's Obligations on terms reasonably satisfactory to the Administrative Agent;

(i) senior unsecured notes and senior unsecured subordinated notes (collectively, the "New Notes") issued by the Borrower or Holdings containing covenants, events of default and other terms customary for such transactions or otherwise less restrictive to Holdings and its Subsidiaries than those set forth in this Agreement or otherwise reasonably satisfactory to the Administrative Agent; provided that (x) the interest rate applicable thereto does not exceed the then applicable market interest rate and the maturity date therefor is no earlier than the date one year and one day after the Maturity Date, (y) no Default or Event of Default exists at the time of the issuance of such notes or would result therefrom and (z) the requirements of Section 2.7(a) are complied with in connection therewith for the Net Cash Proceeds of any Indebtedness permitted by this Section 6.2(i) in excess of $150,000,000;

(j) Indebtedness in respect of any standby letters of credit that may be delivered in connection with Section 6.17; and

(k) additional Indebtedness of the Borrower or any of its Subsidiaries in an aggregate principal amount (for the Borrower and all Subsidiaries) not to exceed $50,000,000 at any one time outstanding.

6.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its Property, whether now owned or hereafter acquired, except for (a) with respect to Holdings, Liens granted pursuant to the Loan Documents and (b) with respect to the Borrower and its Subsidiaries only, the following Liens:

(i) Lessors' royalties, overriding royalties, reversionary interests and similar burdens;

(ii) Any required third-party consents to assignment of leases and contracts and preferential purchase rights;

(iii) 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;

(iv) 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;

(v) Rights of reassignment upon the surrender or expiration of any lease;

(vi) 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;

(vii) 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 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;

(viii) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(ix) Liens, pledges or 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;

(x) Liens in existence on the date hereof listed on Schedule 6.3(b)(x), securing Indebtedness permitted by Section 6.2(c), including extensions, renewals and replacements of such Liens granted in connection with any refinancing, refunding, renewal or extension of any such Indebtedness, 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;

(xi) 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;

(xii) 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 (xii) shall be granted or created in connection with the incurrence of Indebtedness;

(xiii) 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;

(xiv) 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;

(xv) 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;

(xvi) 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;

(xvii) Liens on the GE Equipment to secure the GE Loan;

(xviii) Liens granted pursuant to the Loan Documents to secure the Obligations (including Specified Hedge Agreements);

(xix) purchase money security interests and Liens in respect of Capital Lease Obligations permitted by Section 6.2(c) or Section 6.2(k);

(xx) Liens granted in cash collateral to support the issuance of letters of credit permitted pursuant to Section 6.2;

(xxi) normal and customary depositary Liens in favor of banks or other depositary institutions incurred in the ordinary course of business; and

(xxii) Liens securing other Indebtedness of the Borrower and its Subsidiaries; provided, the aggregate amount of the Indebtedness, secured by Liens permitted pursuant to this clause (xxiii) shall not exceed $50,000,000 at any one time outstanding less the amount of Indebtedness secured pursuant to clause (xix) of this Section 6.3.

6.4 Limitation on Fundamental Changes. 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 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 (i) the Subsidiary Guarantor shall be the continuing or surviving corporation or (ii) simultaneously with such transaction, the continuing or surviving corporation shall become a Subsidiary Guarantor and the Borrower shall comply with Section 5.10 in connection therewith);

(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; and

(c) the Borrower or any Subsidiary may Dispose of the Capital Stock or other Property or business of a Subsidiary of Borrower in a transaction permitted under Section 6.5.

6.5 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, surplus or worn out property in the ordinary course of business;

(b) the Disposition of Hydrocarbons or other inventory in the ordinary course of business;

(c) Dispositions permitted by Section 6.4(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;

(e) any trade or exchange of Oil and Gas Properties or Capital Stock in any corporation or royalty trust in the Oil and Gas Business owned by the Borrower or any of its Subsidiaries for Oil and Gas Properties owned or held by another Person if the fair market value of such Oil and Gas Properties or Capital Stock traded or exchanged by the Borrower or any such Subsidiary (including any cash or Cash Equivalents (excluding cash exchanged with respect to the reimbursement of drilling costs or revenues received by the parties thereto), not to exceed 15% of the such fair market value, to be delivered to the Borrower or such Subsidiary) is reasonably equivalent to the fair market value of the Oil and Gas Properties (together with any cash or Cash Equivalents (excluding cash exchanged with respect to the reimbursement of drilling costs or revenues received by the parties thereto), not to exceed 15% of such fair market value) to be received by the Borrower or such Subsidiary; provided that, such fair market value shall, if at such time the ratio of PV-10 Value to Total Senior Secured Debt is less than 2.25 to 1.00 and such fair market value is equal to or greater than $25,000,000 be as determined in good faith by the Board of Directors of the Borrower as evidenced by a Board resolution delivered to the Administrative Agent; provided further that the Borrower and its Subsidiaries shall execute and deliver Mortgages to the Administrative Agent on any Oil and Gas Properties received by the Borrower or its Subsidiaries to the extent required by Section 5.9 (provided, however, that notwithstanding anything in this Section 6.5(e) to the contrary, Holdings, the Borrower and the Borrower's Subsidiaries may not trade or exchange Oil and Gas Properties or Capital Stock in any corporation or royalty trust in the Oil and Gas Business owned by the Borrower or any of its Subsidiaries for Oil and Gas Properties owned or held by another Person in an amount exceeding $50,000,000 per fiscal year;

(f) (i) Dispositions described in detail on Schedule 6.5(f)(i) required in connection with operating contracts, joint venture agreements and lease agreements existing on the date hereof and (ii) Dispositions of Property acquired after the Closing Date required in connection with operating contracts, joint venture agreements and lease arrangements entered into after the date hereof in the ordinary course of business and on arm's-length terms (which Disposition is with the other party to such agreement), the aggregate value of which shall not exceed $25,000,000 per fiscal year;

(g) the Disposition of assets having a fair market value not to exceed $50,000,000 per fiscal year; provided that not less than 85% of the proceeds of any such Disposition are solely in the form of cash and the Loan Parties party to such Disposition comply with the provisions of Section 2.7(b);

(h) any Recovery Event, provided, that the requirements of Section 2.7(b) are complied with in connection therewith;

(i) the Dispositions described on Schedule 6.5(i);

(j) (i) Dispositions by a Loan Party to a Grantor and (ii) Dispositions by a Loan Party that is not a Grantor to another Loan Party;

(k) so long as no Default or Event of Default shall have occurred and be continuing prior to or after giving effect to such Disposition (without giving effect in any fiscal quarter of the Borrower or at any time to any Cure Amount provided for in Section 7.2 and the Borrower is in compliance with Section 6.1 without giving effect to Section 7.2), the Disposition of Hedge Agreements or other contracts by a Loan Party to the Parent or one of its Affiliates to the extent permitted by Section 6.9;

(l) Dispositions consummated in the ordinary course of business on an arm's-length basis pursuant to Oil and Gas Agreements; and

(m) Dispositions described on Schedule 6.5(m).

6.6 Limitation on Restricted Payments. Declare or pay any dividend (other than in common stock of the Borrower) 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 financial institution, commodities or stock exchange or clearinghouse (a "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 any such Capital Stock (collectively, "Restricted Payments"), except that:

(a) any Subsidiary may make Restricted Payments to the Borrower or any Subsidiary Guarantor;

(b) the Borrower may pay dividends to Holdings to permit Holdings to (i) pay corporate overhead expenses incurred in the ordinary course of business not to exceed $2,000,000 in any fiscal year; (ii) pay dividends to the Parent to pay the corporate overhead and administration expenses allocated (in a manner consistent with past practices) to the Borrower and its Subsidiaries, and (iii) pay any taxes which are due and payable by Holdings and the Borrower as part of a consolidated group;

(c) any Loan Party may make Dispositions permitted in Section 6.5(l); and

(d) so long as (i) no Default or Event of Default shall have occurred and be continuing prior to or after giving effect to such dividend (without giving effect in any fiscal quarter of the Borrower or at any time to any Cure Amount provided for in Section 7.2 and the Borrower is in compliance with Section 6.1 without giving effect to Section 7.2), including compliance on a pro forma basis with Section 6.16, and (ii) five Business Days prior to making such dividend, the Borrower delivers to the Administrative Agent a Compliance Certificate containing all information and calculations necessary for determining compliance by the Borrower with Section 6.1(b) as of the date of such Compliance Certificate, based on the PV-10 Value and the Total Senior Secured Debt as of the date of such Compliance Certificate and the Engineering Report most recently delivered to the Administrative Agent, then the Borrower may pay dividends to Holdings and the Parent.

6.7 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 all or substantially all of the assets of an unrelated Person or a division of an unrelated Person, 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 6.2(b) and (c);

(d) loans and advances to employees of Holdings, 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;

(e) Investments (other than those relating to the incurrence of Indebtedness permitted by Section 6.7(c)) by Holdings, the Borrower or any of Borrower's Subsidiaries in the Borrower or any Person that, prior to such Investment, is a Subsidiary Guarantor;

(f) Investments arising in connection with the Holdings Subordinated Guaranty;

(g) Investments pursuant to Oil and Gas Agreements;

(h) the acquisition of the beneficial interests in the Barrett Trust not already held by the Borrower, so long as after giving effect to such acquisition all beneficial interests of the Barrett Trust are held by the Borrower for aggregate consideration not to exceed $3,000,000;

(i) loans by a Grantor to the Parent or any of its Subsidiaries so long as (i) no Parent Event of Default has occurred and is continuing; (ii) no Default or Event of Default shall have occurred and be continuing prior and after giving effect thereto without giving effect in any fiscal quarter of the Borrower or at any time to any Cure Amount provided for in Section 7.2 and the Borrower is in compliance with Section 6.1 without giving effect to Section 7.2; and (iii) any such loans are represented by a note, which shall be pledged to the Administrative Agent for the benefit of the Lenders pursuant to Section 5.9;

(j) Investments made in connection with the acquisition of (i) the Capital Stock of any Person, so long as (x) after giving effect to such acquisition, such Person becomes a Subsidiary Guarantor, (y) the Borrower complies with Section 5.9 and (z) such Person is engaged in the Oil and Gas Business; and (ii) all or substantially all of the assets of an unrelated Person or a division of an unrelated Person, in each case engaged in the Oil and Gas Business; provided the aggregate amount of such Investments pursuant to this Section 6.7(j) shall not exceed $100,000,000 during the term of this Agreement; and

(k) other Investments in any fiscal year not to exceed $25,000,000.

6.8 Limitation on Optional Payments and Modifications of Indebtedness. (i) Make or offer to make any optional or voluntary payment, prepayment, repurchase or redemption of, or otherwise voluntarily or optionally defease, any New Notes, 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 New Notes, (ii) amend or permit the amendment of its Governing Documents in any manner determined by the Administrative Agent to be materially adverse to the Lenders or (iii) 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 RMT Senior Notes or New Notes (other than any such amendment, modification, waiver or other change that would not adversely affect the interests of the Lenders in any material respect).

6.9 Limitation on Transactions with Affiliates. Except for the Holdings Subordinated Guaranty, enter into any transaction, relating to 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 other Grantor) unless such transaction is (a) not prohibited by this Agreement and (b) in the ordinary course of business of Holdings, Borrower or such Subsidiary, as the case may be, 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 if (i) such transaction (or series of transactions) is a Disposition of Property the fair market value of which is greater than $25,000,000 and (ii) at the time of such transaction, the ratio of the PV-10 Value to Total Senior Secured Debt is less than 2.25 to 1.00, then Holdings, the Borrower or any of the Borrower's Subsidiaries shall not enter into such transaction unless the Board of Directors of the Borrower has approved such transaction, as evidenced by a resolution of such Board of Directors delivered to the Administrative Agent.

6.10 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.

6.11 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.

6.12 Limitation on Negative Pledge Clauses. 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), (c) any agreements in effect on the date of this Agreement, (d) customary provisions in Oil and Gas Agreements in respect of Collateral the fair market value of which does not exceed $10,000,000 in the aggregate, and (e) customary anti-assignment provisions in any contract entered into from and after the date of this Agreement.

6.13 Limitation on Restrictions on Subsidiary Distributions, etc. 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 any Indebtedness or other obligation owed to Holdings, the Borrower or any other Subsidiary or (b) make loans or advances 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, (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, (iii) encumbrances and restrictions on any Subsidiary that is not a material Subsidiary, (iv) those encumbrances and restrictions existing on the Closing Date, and (v) 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 Closing Date.

6.14 Business Activities. In the case of the Borrower and its Subsidiaries, 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, (iv) the Holdings Subordinated Guaranty, (v) intercompany Indebtedness permitted hereunder, (vi) liabilities in respect of Hedge Agreements temporarily held by Holdings prior to transfer to an Affiliate, 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 6.6 and intercompany loans permitted under Section 6.2 and cash received from Parent or any Affiliate for transmittal to the Borrower and its Subsidiaries) and Cash Equivalents) other than the ownership of shares of Capital Stock of the Borrower and Hedge Agreements temporarily held prior to transfer to an Affiliate.

6.15 Holdings 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, except for (X) Liens granted pursuant to the Loan Documents, (Y) non-consensual Liens imposed by operation of law and (Z) Liens permitted by Section 6.3(b)(iii) or (b) hold any Property other than (i) all of the Capital Stock of the Borrower, and (ii) temporary ownership of assets being conveyed by the Borrower to the Parent, or the Parent to the Borrower, in accordance with the terms of this Agreement.

6.16 Minimum Borrower Liquidity. Permit the sum of (a) cash and Cash Equivalents held by the Borrower in the Collateral Account plus (b) an irrevocable standby letter of credit naming the Administrative Agent as beneficiary issued by a financial institution reasonably acceptable to the Administrative Agent, to be less than $20,000,000, multiplied by a fraction, the numerator of which is the aggregate unpaid principal amount of Term Loans at the time of determination, and the denominator of which is $500,000,000.

SECTION 7. EVENTS OF DEFAULT

7.1 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 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 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) Any Loan Party shall default in the observance or performance of any agreement contained in Section 5.2(k), clause (i) of Section 5.4(a) (with respect to Holdings and the Borrower only), Section 5.7(a), Section 6 or Section 5 of the Guarantee and Collateral Agreement, or (ii) an "Event of Default" under and as defined in any material Mortgage shall have occurred and be continuing;

(d) 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 following the first to occur of (i) a Responsible Officer obtaining knowledge of such default and (ii) the Administrative Agent delivering written notice of such default to the Borrower;

(e) 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 $25,000,000;

(f) (i) 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 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 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 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) 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) 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 7(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 7(g)(ii) with respect to such fiscal year or; and in each case in clauses (i) through (vii) 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 $25,000,000 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 guarantees contained in (i) 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, any Loan Party shall so assert;

(k) Any Loan Party or any Affiliate of any Loan Party shall assert that any provision of any Loan Document is not in full force and effect; or

(l) Any Change of Control shall occur;

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 any Loan Party, automatically 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.

7.2 Certain Cure Rights.

(a) Financial Condition Covenants. Notwithstanding anything to the contrary contained in Section 7.1, in the event that the Borrower fails to comply with the requirements of Sections 6.1(a) or (b) (each, a "Financial Condition Covenant"), (i) with respect to Section 6.1(a), until the expiration of the 10th Business Day (the "Section 6.1(a) Cure Period Date") subsequent to the date the certificate calculating such Financial Condition Covenant is required to be delivered pursuant to Section 5.2(b), Holdings shall have the right to issue to the Parent or an Affiliate Permitted Cure Securities for cash or otherwise receive cash contributions to the capital of Holdings, and to contribute such cash to the capital of the Borrower or (ii) with respect to Section 6.1(b), the Borrower shall have the right to prepay the Term Loans in an amount necessary to comply with Section 6.1(b), which prepayment shall be in no more than three substantially equal monthly installments, the first such payment to be due within 30 days after the date the certificate calculating such Financial Condition Covenant is required to be delivered pursuant to Section 5.2(b) and the remaining payments due on the numerically corresponding day of each of the subsequent two months (or, if a subsequent month does not contain a numerically corresponding day or such corresponding day is not a Business Day, such payment will be due on the immediately preceding Business Day) or such earlier dates as are reasonably satisfactory to the Administrative Agent (each such three monthly dates or earlier dates approved by the Administrative Agent, the "Section 6.1(b) Cure Period Dates")(clauses (i) and (ii) collectively, the "Cure Right"). Upon the receipt by the Borrower of such cash for purposes of Section 6.1(a) (the "Cure Amount") or upon such prepayment of the Term Loans for purposes of Section 6.1(b) (the amount of such payment or prepayment being the "Prepayment Amount"), pursuant to the exercise by the Borrower of such Cure Right, such Financial Condition Covenant shall be recalculated giving effect to the following pro forma adjustments:

(A) with respect to Section 6.1(a), Consolidated EBITDA shall be increased, solely for the purpose of measuring the Financial Condition Covenant in Section 6.1(a) and not for any other purpose under this Agreement, by an amount equal to the Cure Amount;

(B) with respect to Section 6.1(b), Total Senior Secured Debt shall be decreased by an amount equal to the Prepayment Amount; and

(C) if, after giving effect to the foregoing recalculations, the Borrower shall then be in compliance with the requirements of all Financial Condition Covenants, the Borrower shall be deemed to have satisfied the requirements of the Financial Condition Covenants as of the relevant date of determination with the same effect as though there had been no failure to comply therewith at such date, and the applicable breach or default of the Financial Condition Covenants which had occurred shall be deemed cured for all

purposes of this Agreement. Prior to the Section 6.1(a) Cure Period Date in the case of Section 6.1(a), and prior to any of the Section 6.1(b) Cure Period Dates in the case of Section 6.1(b), notwithstanding anything to the contrary contained in Section 7.1, no Default or Event of Default shall be deemed to have occurred as a result of any failure of the Borrower to comply with such respective Sections. If, after giving effect to the foregoing calculations or otherwise, the Borrower is not in compliance with Section 6.1(a) on the Section 6.1(a) Cure Period Date or with Section 6.1(b) on the third Section 6.1(b) Cure Period Date or there is a failure to make any of the three required prepayments on the dates specified above or other dates approved by the Administrative Agent, an Event of Default shall be in existence as of such date.

(b) Limitations on Exercise of Cure Right, etc. Notwithstanding anything herein to the contrary, (i) in no event shall the Borrower be entitled to exercise the Cure Right with respect to Section 6.1(a) in more than two consecutive fiscal quarters and (ii) in any six fiscal quarter period, there must be a period of at least two consecutive fiscal quarters during which the Borrower has not exercised its Cure Right with respect to Section 6.1(a). To the extent a fiscal quarter ended for which the Financial Condition Covenants are initially recalculated as a result of a Cure Right is included in the calculation of a Financial Condition Covenant in a subsequent fiscal period, the Cure Amount shall be included in the amount of Consolidated EBITDA for such initial fiscal period.

SECTION 8. THE AGENTS

8.1 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 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, no Agent shall have any duties or responsibilities, except those expressly set forth herein, 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.

8.2 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.

8.3 Exculpatory Provisions. Neither any Agent nor any of its officers, directors, employees, agents, 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 nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) 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 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 any Loan Party 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 any Loan Party.

8.4 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 the Loan Parties), independent accountants and other experts selected by such Agent. The Agents may deem and treat the payee of any Term Note as the owner thereof for all purposes unless such Term Note shall have been transferred in accordance with Section 9.6 and all actions required by such Section in connection with such transfer shall have been taken. 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, if so specified by this Agreement, all Lenders or any other instructing group of Lenders specified by this Agreement) 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, if so specified by this Agreement, all Lenders or any other instructing group of Lenders specified by this Agreement), 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.

8.5 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 shall have 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 shall receive 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 Required Lenders (or, if so specified by this Agreement, all Lenders or any other instructing group of Lenders specified by this Agreement); 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.

8.6 Non-Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that neither any of the Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon 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 and creditworthiness of 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 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 and creditworthiness of 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, no 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 any Loan Party or any affiliate of a Loan Party that may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys in fact or affiliates.

8.7 Indemnification. The Lenders agree to indemnify 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 Term Loan 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), for, and to save each Agent harmless 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 such Agent in any way relating to or arising out of, the Term Loan 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 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 nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Term Loans and all other amounts payable hereunder.

8.8 Agent in Its Individual Capacity. Each Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Loan Party as though such Agent were not an Agent. With respect to its Term Loans made or renewed by it, 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 an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

8.9 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 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 7.1(a) or Section 7.1(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 30 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. Any of the Co-Syndication Agents may, at any time, by notice to the Lenders and the Administrative Agent, resign as Co-Syndication Agent hereunder, whereupon the duties, rights, obligations and responsibilities of such Co-Syndication Agent hereunder shall automatically be assumed by, and inure to the benefit of, the remaining Co-Syndication Agent, or if none, the Administrative Agent, without any further act by any Co-Syndication Agent, the Administrative Agent or any Lender. After any retiring Agent's resignation as Agent, the provisions of this Section 8 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.

8.10 Authorization to Release Liens and Guarantees. The Administrative Agent is hereby irrevocably authorized by each of the Lenders to effect any release of Liens or guarantee obligations contemplated by Section 9.15.

8.11 The Arrangers; the Co-Syndication Agents; the Documentation Agent. Neither the Arrangers, the Co-Syndication Agents nor the Documentation Agent, in their respective capacities as such, shall have any duties or responsibilities, and shall incur no liability, under this Agreement and the other Loan Documents.

SECTION 9. MISCELLANEOUS

9.1 Amendments and Waivers. Neither this Agreement or 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 9.1. The Required Lenders and each Loan Party party to the relevant Loan Document may, or (with the written consent of the Required Lenders) the Administrative Agent and 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 of 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 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, increase the amount or extend the expiration date of any Term Loan Commitment of any Lender, or require additional consents to be obtained with respect to the sale or any assignment or participations of any interests of the Lenders hereunder, 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 consent to the assignment or transfer by the Borrower 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, or amend the definition of Interest Period so as to allow intervals of greater than six months, in each case without the consent of all Lenders;

(iii) amend, modify or waive any provision of Section 8, or any other provision of this Agreement affecting the rights and obligations of any Agent, without the consent of any Agent directly affected thereby; or

(iv) amend, modify or waive any provision of 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 the Loan Parties, the Lenders, the Agents and all future holders of the Term Loans. In the case of any waiver, the Loan Parties, the Lenders 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.

For the avoidance of doubt, this Agreement and any other Loan Document may be amended (or amended and restated) with the written consent of the Required Lenders, the Administrative Agent and each Loan Party to each relevant Loan Document (x) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof (collectively, the "Additional Extensions of Credit") to share ratably in the benefits of this Agreement and the other Loan Documents with the Term Loans and the accrued interest and fees in respect thereof and (y) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders; provided, however, that no such amendment shall permit the Additional Extensions of Credit to share ratably with or with preference to the Term Loans in the application of mandatory prepayments without the consent of the Required Lenders.

9.2 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 (registered or certified), postage prepaid, or, in the case of telecopy notice, when received, addressed (a) in the case of Holdings, the Borrower and the Agents, as follows and (b) in the case of the Lenders, as set forth in an administrative questionnaire delivered to the Administrative Agent or 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:

Holdings or the Borrower:

Williams Production Holdings LLC
One Williams Center
Suite 4100
Tulsa, Oklahoma 74172
Attention: Jim Kimble;
Treasury Compliance Group
Telecopy: (918) 573-2065
Telephone: (918) 573-7159

with a copy to:

	Williams Production RMT Company One Williams Center Suite 4100 Tulsa, Oklahoma 74172 Attention: Assistant General Counsel - Corporate Telecopy: (918) 573-4503 Telephone: (918) 573-2613
The Administrative 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: Attention: Michelle Rosolinsky Telecopy: (212) 526-6590 Telephone: (212) 526-4979
The Arrangers:	Lehman Brothers Inc. 745 Seventh Avenue New York, New York 10019 Attention: Francis Chang Telecopy: (212) 526-0242 Telephone: (212) 526-5390 Banc of America Securities LLC 100 North Tryon Street NC1-007-06-07 Charlotte, North Carolina 28255 Attention: Kelly Warnement/Anabel Morris/Diana Himes Telecopy: (704) 388-0648 Telephone: (704) 388-8943/(704) 387-1939/(704) 387-9951

provided that any notice, request or demand to or upon the Agent or any Lender shall not be effective until received.

9.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of 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.

9.4 Survival of Representations and Warranties. All representations and warranties made herein, 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.

9.5 Payment of Expenses. The Borrower agrees (a) to pay or reimburse the Agents and the Arrangers for all their reasonable out of pocket costs and expenses incurred in connection with the syndication of the Facilities (other than fees payable to syndicate members) and the development, preparation and execution of, or preservation of any rights under, 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 Weil, Gotshal & Manges LLP and LeBoeuf, Lamb, Greene & MacRae, LLP and the charges of Intralinks, (b) to pay or reimburse each Lender, the Arrangers, and the Agents for all their costs and expenses incurred in connection with the enforcement of any rights under this Agreement, the other Loan Documents and any other documents prepared in connection herewith or therewith, including, without limitation, the fees and disbursements of outside counsel to each Lender and of counsel to each of the Arrangers and the Administrative Agent, (c) to pay, indemnify, or reimburse each Lender Arranger, and the Agents for, and hold each Lender, 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 or reimburse each Lender, each Arranger, each Agent, their respective affiliates, and their respective officers, directors, trustees, employees, advisors, agents and controlling persons (each, an "Indemnitee") for, and hold each 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 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 or the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of any Loan Party any of the Properties 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 nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee.

No Indemnitee shall be liable for any damages arising from 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 or for any special, indirect, consequential or punitive damages in connection with the Facilities. Without limiting the foregoing, and to the extent permitted by applicable law, the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause 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 30 days after written demand therefor. Statements payable by the Borrower pursuant to this Section shall be submitted to the Borrower in accordance with Section 9.2, or to such other Person or address as may be hereafter designated by the Borrower in a notice to the Administrative Agent. The agreements in this Section shall survive repayment of the Term Loans and all other amounts payable hereunder.

9.6 Successors and Assigns; Participations and Assignments. This Agreement shall be binding upon and inure to the benefit of Holdings, the Borrower, the Lenders, the Agents, all future holders of the Term Loans and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Agents and each Lender.

(a) Any Lender may, without the consent of the Borrower, 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 Term Loan 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 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 any Loan Party therefrom, except to the extent that such amendment, waiver or consent would require the consent of all Lenders pursuant to Section 9.1. 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 9.7(a) as fully as if such Participant were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.14, 2.15 and 2.16 with respect to its participation in the Term Loan Commitments and the Term Loans outstanding from time to

time as if such Participant were a Lender; provided that, in the case of Section 2.15, 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. In addition, each transferor Lender selling a participation to a Participant under this Section 9.6(b): (i) shall keep a register, meeting the requirements of Treasury Regulation section 5f.103-1(c), of each such Participant, specifying such Participant's entitlement to payments of principal and interest with respect to such participation, and (ii) shall collect from each such Participant the appropriate forms, certificates and statements described in Section 2.15 (and updated as required by Section 2.15) as if such Participant were a Lender under Section 2.15.

(b) Any Lender (an "Assignor") may, in accordance with applicable law and upon written notice to the Administrative Agent, at any time and from time to time assign to any Lender or any affiliate or Related Fund thereof or, with the consent of the Administrative Agent and the Borrower (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 assignments to Eligible Assignees and (y) the consent of the Borrower need not be obtained if any Default or Event of Default shall have occurred and be continuing), 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, executed by such Assignee and such Assignor (and, where the consent of the Administrative Agent is required pursuant to the foregoing provisions, by the Administrative Agent) 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 or Related Fund thereof) shall be in an aggregate principal amount of less than $1,000,000 (other than in the case of an assignment of all of a Lender's interests under this Agreement), unless otherwise agreed by the Borrower and the Administrative Agent. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance in the Register, (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 Commitments and 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, except as to Section 2.14, 2.15 and 9.5 in respect of the period prior to such effective date). For purposes of the minimum assignment amounts set forth in this paragraph, multiple assignments by two or more Related Funds shall be aggregated.

(c) The Administrative Agent shall, on behalf of the Borrower, maintain at its address referred to in Section 9.2 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 Term Loan Commitment of, and principal amount of 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, each 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.

(d) 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 9.6(c), by each such other Person) together with payment to the Administrative Agent of a registration and processing fee of $3,500 (treating multiple, simultaneous assignments by or to two or more Related Funds as a single assignment) (except that no such registration and processing fee shall be payable (y) in connection with an assignment by or to a Lehman Entity or (z) in the case of an Assignee which is already a Lender or is an affiliate or Related Fund of a Lender or a Person under common management with a Lender), 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 Term Notes, of the assigning Lender) a new applicable Term Note to the order of such Assignee and its registered assigns in an amount equal to the applicable Term Loans, as the case may be, assumed or acquired by it pursuant to such Assignment and Acceptance and, if the Assignor has retained Term Loans, as the case may be, upon request, a new Term Note, as the case may be, to the order of the Assignor and its registered assigns in an amount equal to the applicable Term Loans 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.

(e) For 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 in Term Loans and Term Notes, 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.

(f) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Term Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Term Loan and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Term Loan, the Granting Lender shall be obligated to make such Term

Loan pursuant to the terms hereof. The making of a Term Loan by an SPC hereunder shall utilize the Term Loan Commitment of the Granting Lender to the same extent, and as if, such Term Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). 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 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 or any state thereof. In addition, notwithstanding anything to the contrary in this Section 9.6(g), any SPC may (A) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Term Loans to the Granting Lender, or with the prior written consent of the Borrower and the Administrative Agent (which consent shall not be unreasonably withheld) to any financial institutions providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Term Loans, and (B) disclose on a confidential basis any non-public information relating to its Term Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC; provided that non-public information with respect to the Parent, the Borrower or any of their respective Subsidiaries may be disclosed only with the Borrower's prior written consent which will not be unreasonably withheld. This paragraph (g) may not be amended without the written consent of any SPC with Term Loans outstanding at the time of such proposed amendment.

9.7 Adjustments; Set off. Except to the extent that this Agreement provides for payments to be allocated to a particular Lender or to the Lenders under a particular Facility, 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 7.1(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.

(a) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right upon the election of the Required Lenders following the occurrence and during the continuance of an Event of Default, without prior notice to Holdings or the Borrower, any such notice being expressly waived by Holdings and 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 promptly to notify 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.

9.8 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 or of a Lender Addendum 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.

9.9 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.

9.10 Integration. This Agreement and the other Loan Documents represent the entire agreement of Holdings, the Borrower, the Agents, the Arranger and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Arranger, any Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

9.11 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.

9.12 Submission to Jurisdiction; Waivers. Each of 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 Holdings or the Borrower, as the case may be at its address set forth in Section 9.2 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.

9.13 Acknowledgments. Each of 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 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 the Lenders, on one hand, and 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 Holdings, the Borrower and the Lenders.

9.14 Confidentiality. Each of the Agents and the Lenders agrees to keep confidential all non-public information provided to it by any Loan Party pursuant to this Agreement that is designated by such Loan Party as confidential; provided that nothing herein shall prevent 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 or substantially equivalent provisions, (c) to any of its employees, directors, agents, attorneys, accountants and other professional advisors, (d) to any financial institution or any Eligible Assignee that is a direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section), (e) upon the request or demand of any Governmental Authority having jurisdiction over it, (f) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (g) in connection with any litigation or similar proceeding, (h) that has been publicly disclosed other than in breach of this Section, (i) 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 (j) in connection with the exercise of any remedy hereunder or under any other Loan Document. Notwithstanding anything herein to the contrary, any party subject to confidentiality obligation hereunder or under

any other related document (and any employee, representative or other agent of such party) may disclose to any and all persons, without limitation of any kind, such party's U.S. federal income tax treatment and tax structure of the transactions contemplated by this Agreement relating to such party and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. However, no such party shall disclose any information relating to such tax treatment or tax structure to the extent nondisclosure is reasonably necessary in order to comply with applicable securities laws. Subject to the foregoing, nothing herein shall release any Lender from any other confidentiality agreement previously executed with any Borrower.

9.15 Release of Collateral and Guarantee Obligations. 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 (without notice to, or vote or consent of, any Lender, or any affiliate of any Lender that is a party to any Specified Hedge Agreement) 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 under any Loan Document 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.

(a) Notwithstanding anything to the contrary contained herein or any other Loan Document, when all Obligations (other than obligations in respect of any Specified Hedge Agreement) have been paid in full, all Term Loan Commitments have terminated or expired, upon request of the Borrower, the Administrative Agent shall (without notice to, or vote or consent of, any Lender, or any affiliate of any Lender that is a party to any Specified Hedge Agreement) take such actions as shall be required to release its security interest in all Collateral, and to release all guarantee obligations under any Loan Document, whether or not on the date of such release there may be outstanding Obligations in respect of Specified Hedge Agreements. Any such release of guarantee obligations shall be deemed subject to the provision that such guarantee obligations shall be reinstated if after such release any portion of any payment in respect of the Obligations guaranteed thereby shall be rescinded or must otherwise be restored or returned 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 payment had not been made.

(b) Notwithstanding anything in this Agreement or the other Loan Documents to the contrary, the Administrative Agent shall be authorized to release the Mortgages and Liens on the Oil and Gas Properties permitted to be sold, exchanged or traded under Section 6.5 of this Agreement without any further action by the Lenders.

9.16 Delivery of Lender Addenda. Each initial Lender shall become a party to this Agreement by delivering to the Administrative Agent a Lender Addendum duly executed by such Lender, the Borrower and the Administrative Agent.

9.17 WAIVERS OF JURY TRIAL. HOLDINGS, THE BORROWER, 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.

William Production Holdings LLC

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

WILLIAMS PRODUCTION RMT COMPANY

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

LEHMAN COMMERCIAL PAPER INC.,
as Administrative Agent

By: /s/ Francis Chang

Name: Francis Chang
Title: Authorized Signatory

SCHEDULES:

EXHIBITS:

EXECUTION COPY

EXHIBIT 10.2

GUARANTEE AND COLLATERAL AGREEMENT

made by

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 May 30, 2003

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GUARANTEE AND COLLATERAL AGREEMENT, dated as of May 30, 2003, 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" and, together with the Borrower, the "Grantors") in favor of LEHMAN COMMERCIAL PAPER INC., as Administrative Agent (in such capacity, the "Administrative Agent") for the banks and other financial institutions (the "Lenders") from time to time parties to the Term Loan Agreement, dated as of May 30, 2003 (as amended, supplemented or otherwise modified from time to time, the "Term Loan Agreement"), among WILLIAMS PRODUCTION HOLDINGS LLC, a Delaware limited liability company ("Holdings"), the Borrower, the Lenders, LEHMAN BROTHERS INC. and Banc of America Securities LLC, as joint advisors, joint lead arrangers and joint book runners, CITICORP USA, INC. and JPMORGAN CHASE BANK, as co-syndication agents, BANK OF AMERICA, N.A., as documentation agent, and the Administrative Agent.

W I T N E S S E T H:

WHEREAS, pursuant to the Term Loan 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, certain of the Qualified Counterparties may enter into Specified Hedge Agreements with one or more of the Borrower and the Guarantors;

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 term loans under the Term Loan Agreement and from the Specified Hedge Agreements; and

WHEREAS, it is a condition precedent to the obligation of the Lenders to make their respective term loans to the Borrower under the Term Loan 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 Term Loan Agreement and to induce the Lenders to make their respective term loans 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. Unless otherwise defined herein, terms defined in the Term Loan Agreement and used herein shall have the meanings given to them in the Term Loan Agreement and the following terms are used herein as defined in the New York UCC: Accounts, Certificated Security, Chattel Paper, Commercial Tort Claims, Documents, Equipment, Farm

Products, General Intangibles, Goods, Instruments, Inventory, Letter of Credit Rights and Supporting Obligations.

(a) 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 Term Loan 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 Term Loan Agreement after the maturity of the Term Loans and interest accruing at the then applicable rate provided in the Term Loan 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 Term Loan 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 Hedge Agreement Obligations": the collective reference to all obligations and liabilities of the Borrower (including, without limitation, interest accruing at the then applicable rate provided in any Specified Hedge 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 any Qualified Counterparty, 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, any Specified Hedge Agreement 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 relevant Qualified Counterparty that are required to be paid by the Borrower pursuant to the terms of any Specified Hedge Agreement).

"Borrower Obligations": the collective reference to (i) the Borrower Term Loan Agreement Obligations, (ii) the Borrower Hedge Agreement Obligations, but only to the extent that, and only so long as, the Borrower Term Loan Agreement Obligations are secured and guaranteed pursuant hereto and (iii) 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 Secured Parties 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 5.12, 6.1 or 6.4.

"Contracts": contracts and agreements, 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": the collective reference to (i) with respect to the Borrower, the Capital Stock owned by the Borrower in (a) Bison Royalty LLC, (b) Piceance Production Holdings LLC, (c) Rulison Production Company LLC or (d) any Subsidiary created or acquired after the Closing Date, in each case to the extent the grant by the Borrower of a security interest pursuant to this Agreement in the Borrower's right, title and interest in such Capital Stock is prohibited, would require the grant of security interest securing obligations 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, (ii) with respect to the (a) Bison Royalty LLC, (b) Piceance Production Holdings LLC, and (c) Rulison Production Company LLC, any property other than Oil and Gas Property, (iii) with respect to the Borrower, the GE Equipment securing the obligations of the Borrower under the GE Loan, to the extent the grant by the Borrower of a security interest pursuant to this Agreement in the Borrower's right, title and interest in such GE Equipment is prohibited, would require the grant of security interest securing obligations or would constitute a breach, event of default or event which with notice or lapse of time would become an event of default under the GE Loan, (iv) with respect to the grant of a security interest pursuant to this Agreement in any other

Contract, General Intangible, Pledged Securities (other than those issued by the Borrower or a Subsidiary), Copyright, License, Patent License or Trademark License ("Intangible Assets") which (A) is prohibited by legally enforceable provisions of any contract, agreement, instrument or indenture governing such Intangible Assets, (B) would give any other party to such contract, agreement, instrument or indenture a legally enforceable right to terminate its obligations thereunder or (C) is permitted only with the consent of another party, if the requirement to obtain such consent is legally enforceable and such consent has not been obtained; provided, that in any event any Receivable or any money or other amounts due or to become due under any such contract, agreement, instrument, indenture or other Collateral shall not be Excluded Assets to the extent that any of the foregoing is (or if it contained a provision limiting the transferability or pledge thereof would be) subject to Section 9-406 of the New York UCC, (v) any Property that does not constitute (A) Collateral of any Grantor under the Existing Guarantee and Collateral Agreement or (B) an Oil and Gas Property, in each case, to the extent that the grant of a security interest pursuant to this Agreement in such Property is prohibited, would require the grant of security interest securing obligations to another 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 or would reduce the right of Parent or any of its Subsidiaries to grant a security interest securing obligations to another Person under any contract, agreement, instrument or indenture binding on Parent or any of its Subsidiaries, (vi) any office building or related fixtures, (vii) any property set forth on Schedules 6.5(f)(i) or 6.5(i) of the Term Loan Agreement and (viii) Foreign Subsidiary Voting Stock excluded from the definition of "Pledged Stock" set forth in this Section 1.1.

"Existing Guarantee and Collateral Agreement": the Guarantee and Collateral Agreement dated as of July 31, 2002 made by the Parent, the Borrower and certain of its Subsidiaries in favor of Lehman Commercial Paper Inc., as Administrative Agent.

"Foreign Subsidiary": any Subsidiary organized under the laws of any jurisdiction outside the United States of America.

"Foreign Subsidiary Voting Stock": the voting Capital Stock of any Foreign Subsidiary.

"Grantor Obligations": with respect to the Borrower, the Borrower Obligations, and with respect to any other Grantor, its Guarantor Obligations.

"Guarantor Hedge Agreement Obligations": the collective reference to all obligations and liabilities of a Guarantor (including, without limitation, interest accruing at the then applicable rate provided in any Specified Hedge Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to such Guarantor, whether or not a claim for post-filing or post petition interest is allowed in such proceeding) to any Qualified Counterparty, 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, any Specified Hedge Agreement 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 relevant Qualified Counterparty that are required to be paid by such Guarantor pursuant to the terms of any Specified Hedge Agreement).

"Guarantor Obligations": with respect to any Guarantor, the collective reference to (i) any Guarantor Hedge Agreement Obligations of such Guarantor, but only to the extent that, and only so long as, the other Obligations of such Guarantor are secured and guaranteed pursuant hereto, and (ii) 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 any Secured Party 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 Parent or any of its Subsidiaries.

"Investment Property": the collective reference to (i) all "investment property" as such term is defined in Section 9-102(a)(49) of the New York UCC (other than any Foreign Subsidiary Voting Stock excluded from the definition of "Pledged Stock" in this Section 1.1) 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 any Investment Property.

"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; provided that in no event shall more than 65% of the total outstanding Foreign Subsidiary Voting Stock of any Foreign Subsidiary be required to be pledged hereunder.

"Proceeds": all "proceeds" as such term is defined in Section 9-102(a)(64) of the Uniform Commercial Code in effect in the State of New York on the date hereof 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, leased, licensed, assigned or otherwise disposed of, or for services rendered (except for any right to payment of any Grantor from Parent or any of its Subsidiaries), 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).

"Secured Parties": the collective reference to the Administrative Agent, the Lenders and any Qualified Counterparties.

"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. 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.

(a) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(b) 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) (i) The Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantee to the Administrative Agent and the Secured Parties, for the ratable 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 stated maturity, by acceleration or otherwise) of the Borrower Obligations (other than, in the case of each Guarantor, Borrower Obligations arising pursuant to clause (ii) of this Section 2.1(a) in respect of Guarantor Hedge Agreement Obligations in respect of which such Guarantor is a primary obligor).

(ii) The Borrower hereby unconditionally and irrevocably guarantees to the Administrative Agent and the Secured Parties, for the ratable benefit of the Secured Parties and their respective successors, endorsees, transferees and assigns, the prompt and complete payment and performance by each Guarantor when due (whether at stated maturity, by acceleration or otherwise) of the Guarantor Hedge Agreement Obligations of such Guarantor.

(a) Anything herein or in any other Loan Document to the contrary notwithstanding, (i) 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 fraudulent conveyances or transfers or the insolvency of debtors (after giving effect to the right of contribution established in Section 2.2) and (ii) the maximum liability of the Borrower under this Section 2 shall in no event exceed the amount which can be guaranteed by the Borrower under applicable federal and state laws

relating to fraudulent conveyances or transfers or the insolvency of debtors (after giving effect to the right of contribution established in Section 2.2).

(b) 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 of such Guarantor contained in this Section 2 or affecting the rights and remedies of the Administrative Agent or any Secured Party hereunder. The Borrower agrees that the Guarantor Hedge Agreement Obligations may at any time and from time to time exceed the amount of the liability of the Borrower under this Section 2 without impairing the guarantee of the Borrower contained in this Section 2 or affecting the rights and remedies of the Administrative Agent or any Secured Party hereunder.

(c) Subject to Section 8.15 hereof, the guarantee contained in this Section 2 shall remain in full force and effect until all the Borrower Obligations (other than Borrower Obligations arising under Section 2.1(a)(ii) hereof) and the obligations of each Guarantor under the guarantee contained in this Section 2 (other than Guarantor Obligations in respect of Borrower Obligations arising under Section 2.1(a)(ii) hereof) shall have been satisfied by full and final payment in cash, notwithstanding that from time to time during the term of the Term Loan Agreement the Borrower may be free from any Borrower Obligations and any or all of the Guarantors may be free from their respective Guarantor Hedge Agreement Obligations.

(d) 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 Secured Party 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 or the Guarantor Hedge Agreement Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of the Borrower or any Guarantor under this Section 2 which shall, notwithstanding any such payment (other than any payment made by the Borrower or such Guarantor in respect of the Borrower Obligations or the Guarantor Hedge Agreement Obligations or any payment received or collected from the Borrower or such Guarantor in respect of the Borrower Obligations or the Guarantor Hedge Agreement Obligations), remain liable for the Borrower Obligations and the Guarantor Hedge Agreement Obligations up to the maximum liability of the Borrower or such Guarantor hereunder until the Borrower Obligations and the Guarantor Hedge Agreement Obligations are fully and finally paid in cash.

2.2 Right of Contribution. Each Guarantor hereby agrees that to the extent that a Guarantor shall have paid more than its proportionate share of any payment made hereunder or the Guarantor Hedge Agreement Obligations, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder which has not paid its proportionate share of such payment. The Borrower and each Guarantor agrees that to the extent that the Borrower or any Guarantor shall have paid more than its proportionate share of any payment made hereunder in respect of any Guarantor Hedge Agreement Obligation of any other Guarantor, the Borrower or such Guarantor, as the case may be, shall be entitled to seek and receive contribution from and against the Borrower and any other Guarantor which has not paid its proportionate share of such payment. The Borrower's and each Guarantor's right of contribution under this Section 2.2 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 the

Borrower or any Guarantor to the Administrative Agent and the Secured Parties, and the Borrower and each Guarantor shall remain liable to the Administrative Agent and the Secured Parties for the full amount guaranteed by the Borrower or such Guarantor hereunder.

2.3 No Subrogation. Notwithstanding any payment made by the Borrower or any Guarantor hereunder or any set-off or application of funds of the Borrower or any Guarantor by the Administrative Agent or any Secured Party, neither the Borrower nor any Guarantor shall be entitled to be subrogated to any of the rights of the Administrative Agent or any Secured Party against the Borrower or any other Guarantor or any collateral security or guarantee or right of offset held by the Administrative Agent or any Secured Party for the payment of the Borrower Obligations or the Guarantor Hedge Agreement Obligations, nor shall the Borrower or 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 the Borrower or such Guarantor hereunder, until all amounts owing to the Administrative Agent and the Secured Parties by the Borrower on account of the Borrower Obligations are fully and finally paid in cash. If any amount shall be paid to the Borrower or any Guarantor on account of such subrogation rights at any time when all of the Borrower Obligations shall not have been fully and finally paid in cash, such amount shall be held by the Borrower or such Guarantor in trust for the Administrative Agent and the Secured Parties, segregated from other funds of the Borrower or such Guarantor, and shall, forthwith upon receipt by the Borrower or such Guarantor, be turned over to the Administrative Agent in the exact form received by the Borrower or such Guarantor (duly indorsed by the Borrower or such Guarantor to the Administrative Agent, if required), to be applied against the Borrower Obligations or the Guarantor Hedge Agreement Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine.

2.4 Amendments, Etc. With Respect to the Borrower Obligations. The Borrower and each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against the Borrower or any Guarantor and without notice to or further assent by the Borrower or any Guarantor, any demand for payment of any of the Borrower Obligations or Guarantor Hedge Agreement Obligations made by the Administrative Agent or any Secured Party may be rescinded by the Administrative Agent or such Secured Party and any of the Borrower Obligations or Guarantor Hedge Agreement Obligations continued, and the Borrower Obligations or Guarantor Hedge Agreement 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 Secured Party (with the consent of such of the Borrower and the Guarantor as shall be required thereunder), and the Specified Hedge Agreements, the Term Loan 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 (with the consent of such of the Borrower and the Guarantor as shall be required thereunder) 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 Secured Party for the payment of the Borrower Obligations or Guarantor Hedge Agreement Obligations may (with the consent of such of the Borrower and the Guarantor as shall be required thereunder) be sold, exchanged, waived, surrendered or released. Neither the Administrative Agent nor any Secured Party shall, except to

the extent set forth in, and for the benefit of the parties to, the agreements and instruments governing such Lien or guarantee, have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Borrower Obligations or Guarantor Hedge Agreement Obligations or for the guarantees contained in this Section 2 or any property subject thereto.

2.5 Guarantee Absolute and Unconditional. (a) Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Borrower Obligations (other than any notice with respect to any Guarantor Hedge Agreement Obligation with respect to which such Guarantor is a primary obligor and to which it is entitled pursuant to the applicable Specified Hedge Agreement) and notice of or proof of reliance by the Administrative Agent or any Secured Party 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 Secured Parties, 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 (other than any diligence, presentment, protest, demand or notice with respect to any Guarantor Hedge Agreement Obligation with respect to which such Guarantor is a primary obligor and to which it is entitled pursuant to the applicable Specified Hedge Agreement). Each Guarantor understands and agrees that the guarantee of such Guarantor 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 Term Loan Agreement or any other Loan Document, any of the Borrower Obligations or any 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 Secured Party, (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 Secured Party, 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 of such Guarantor 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 Secured Party 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 Secured Party 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 under this Section 2, 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 Secured Party against any

Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

(a) The Borrower waives any and all notice of the creation, renewal, extension or accrual of any of the Guarantor Hedge Agreement Obligations and notice of or proof of reliance by the Administrative Agent or any Secured Party upon the guarantee by the Borrower contained in this Section 2 or acceptance of the guarantee by the Borrower contained in this Section 2; the Guarantor Hedge Agreement 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 by the Borrower 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 Secured Parties, on the other hand, with respect to any Guarantor Hedge Agreement Obligation likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee by the Borrower contained in this Section 2. The Borrower waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower with respect to the Guarantor Hedge Agreement Obligations. The Borrower understands and agrees that the guarantee by the Borrower 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 Guarantor Hedge Agreement 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 Secured Party, (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 any Person against the Administrative Agent or any Secured Party, or (3) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or any Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the applicable Guarantor for the applicable Guarantor Hedge Agreement Obligations, or of the Borrower under its guarantee contained in this Section 2, in bankruptcy or in any other instance. When making any demand under this Section 2 or otherwise pursuing its rights and remedies under this Section 2 against the Borrower, the Administrative Agent or any Secured Party 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 any Guarantor or any other Person or against any collateral security or guarantee for the Guarantor Hedge Agreement Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any Secured Party to make any such demand, to pursue such other rights or remedies or to collect any payments from any 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 any Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve the Borrower of any obligation or liability under this Section 2, 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 Secured Party against the Borrower under this Section 2. 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 or Guarantor Hedge Agreement Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Secured Party 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. The Borrower and each Guarantor hereby guarantees that payments by it hereunder will be paid to the Administrative Agent without set-off or counterclaim (i) in the case of obligations in respect of Borrower Obligations arising under the Term Loan Agreement or any other Loan Document, in Dollars at the Payment Office specified in the Term Loan Agreement, and (ii) in the case of obligations in respect of any Borrower Hedge Agreement Obligations or any Guarantor Hedge Agreement Obligations, in the currency and at the place specified in the applicable Specified Hedge Agreement.

SECTION 3. GRANT OF SECURITY INTEREST

Each Grantor hereby assigns and transfers to the Administrative Agent, and hereby grants to the Administrative Agent and the Secured Parties, for the ratable 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 5.10;

(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, all Supporting Obligations in respect of any 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 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 Term Loan Agreement and to induce the Lenders to make their respective term loans to the Borrower thereunder, each Grantor, and with respect to Section 4.1, each Guarantor, hereby represents and warrants to the Administrative Agent and each Lender that:

4.1 Representations in Term Loan Agreement. In the case of each Guarantor, the representations and warranties set forth in Section 3 of the Term Loan 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 and the Secured Parties for the ratable benefit of the Secured Parties pursuant to this Agreement and the other Liens permitted to exist on the Collateral by the Term Loan 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 and the Secured Parties, for the ratable benefit of the Secured Parties, pursuant to this Agreement or as are permitted by the Term Loan 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 UCC financing statements and Mortgages 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 and the Secured Parties, for the ratable benefit of the Secured Parties, 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) in respect of Collateral consisting of Capital Stock are prior to all other Liens in existence on the date hereof, and (c) in respect of all other Collateral are prior to all other Liens in existence on the date hereof except for Permitted Liens.

4.4 Jurisdiction of Organization; Chief Executive Office. On the date hereof, such Grantor's jurisdiction of organization, identification number from the jurisdiction of organization (if any), and the location of such Grantor's chief executive office or sole place of business or principal residence, as the case may be, are specified on Schedule 4. Such Grantor has furnished to the Administrative Agent a certified charter, certificate of incorporation or other organization document and long-form good standing certificate as of a date which is recent to the date hereof.

4.5 Inventory and Equipment. On the date hereof, the Inventory and the Equipment (other than mobile goods) are kept in the counties listed on Schedule 5.

4.6 Farm Products. None of the Collateral constitutes, or is the Proceeds of, Farm Products.

4.7 Investment Property. 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 owned by such Grantor or, in the case of Foreign Subsidiary Voting Stock, if less, 65% of the outstanding Foreign Subsidiary Voting Stock of each relevant Issuer.

(a) All the shares of the Pledged Stock have been duly and validly issued and are fully paid and nonassessable.

(b) 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.

(c) Such Grantor is the record and beneficial owner of 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 and Permitted Liens.

4.8 Receivables. 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.

(a) 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.

(b) The amounts represented by such Grantor to the Secured Parties 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 $5,000,000.

4.10 Intellectual Property. Schedule 6 lists all registered Intellectual Property owned by such Grantor in its own name on the date hereof.

(a) 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.

(b) 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.

(c) 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.

(d) 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, could reasonably be expected to have a material adverse effect on the value of any Intellectual Property.

4.11 Contracts. Subject to 9407(b), 9408(b), 9409(b) of the New York UCC, 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.

(a) No amount payable to such Grantor under or in connection with any Contract is evidenced by any Instrument or Chattel Paper which, to the extent required to be delivered pursuant to Section 5.2 has not been delivered to the Administrative Agent.

SECTION 5. COVENANTS

Each Grantor, and with respect to Sections 5.1, 5.7 and 5.11, each Guarantor, covenants and agrees with the Administrative Agent and the Secured Parties that, from and after the date of this Agreement until the Obligations shall have been paid in full:

5.1 Covenants in Term Loan 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 promptly 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 $10,000,000.

5.3 Maintenance of Insurance. 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 Secured Parties against liability for personal injury and property damage relating to such Property.

(a) 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.

(b) 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 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.

(a) 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.

(b) 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 Letter of Credit Rights, taking any actions necessary to enable the Administrative Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto.

5.5 Changes in Name, Etc. Such Grantor will not, except upon 15 days' prior written notice to the Administrative Agent and delivery to the Administrative Agent of 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:

(i) change its jurisdiction of organization or the location of its chief executive office or sole place of business or principal residence from that referred to in Section 4.4; or

(ii) change its name.

5.6 Notices. Such Grantor will advise the Administrative Agent promptly, in reasonable detail, of any Lien (other than security interests created hereby or Liens permitted under the Term Loan Agreement) on any of the Collateral which would adversely affect the ability of the Administrative Agent to exercise any of its remedies hereunder.

5.7 Investment Property. (a) If such Grantor shall become entitled to receive or shall receive any certificate (including, without limitation, any certificate representing a 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 Secured Parties, hold the same in trust for the Administrative Agent and the Secured Parties 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; provided, however, that any such certificate that does not evidence securities issued by a Subsidiary of Holdings may be held in a Securities Account included in the Collateral. Any sums paid upon or in respect of the Investment Property upon the liquidation or dissolution of any Issuer shall (i) unless such Issuer is a Subsidiary of Holdings, be held or deposited in a Securities Account or a Deposit Account included in the Collateral (until used or reinvested in the ordinary course of business) or (ii) 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 Investment

Property shall be received by such Grantor, such Grantor shall, until such money or property is held or deposited in a Securities Account or Deposit Account (as permitted under clause (i) above) or paid or delivered to the Administrative Agent, hold such money or property in trust for the Secured Parties, 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 Term Loan Agreement and (ii) the proceeds thereof are applied toward prepayment of Term Loans to the extent required by the Term Loan Agreement.

(a) 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 that is a Subsidiary of Holdings 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 not prohibited by the Term Loan Agreement), or (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 and except for Permitted Liens.

(b) In the case of each Grantor and each Guarantor 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 5.7(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.

(c) Each Subsidiary of Holdings that is a partnership or a limited liability company and 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 Sections 8-102 and 8-103 of the New York UCC (a "Security"), (ii) agrees that it will, and cause such Issuer to, take no action to cause or permit any such equity interest to become a Security, (iii) agrees that it will not, and cause such Issuer to 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, it will, or cause such Issuer to, (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.

5.8 Receivables. 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 except to the extent that failure to comply with any or all of the provisions of clauses (i) to (iv) (inclusive) of this Section 5.8 could not reasonably be expected to have a Material Adverse Effect.

(a) 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.

5.9 Intellectual Property. 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 Secured Parties' security interest in any Copyright, Patent or Trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

5.10 Notice of Commercial Tort Claims. Such Grantor agrees that, if it shall acquire any interest in any Commercial Tort Claim in excess of $25,000,000 (whether from another Person or because such Commercial Tort Claim shall have come into existence) and, if requested by the Administrative Agent, (i) such Grantor shall, promptly upon such acquisition, deliver to the Administrative Agent, in each case in form and substance reasonably 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 reasonably 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 5.10 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.

5.11 Subordination. Any Indebtedness of the Borrower or any of its Subsidiaries to Parent, Holdings or any of Parent's Subsidiaries (other than Holdings, the

Borrower or any of the Borrower's Subsidiaries) shall be subordinated in right of payment to the Obligations under the Loan Documents.

5.12 Collateral Account. The Borrower will maintain a Collateral Account under the sole dominion and control of the Administrative Agent for any cash or Cash Equivalents deposited therein pursuant to Section 6.16 of the Term Loan Agreement.

SECTION 6. REMEDIAL PROVISIONS

6.1 Certain Matters Relating to Receivables. 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.

(a) 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 Secured Parties 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 Secured Parties, segregated from other funds of such Grantor.

(b) At the Administrative Agent's request, after the occurrence of and during the continuance of an Event of Default, each Grantor shall make available 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.

(c) At any time after the occurrence and during the continuance of an Event of Default, at the Administrative Agent's request 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. 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.

(a) 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 and the Secured Parties for the ratable benefit of the Lenders and that payments in respect thereof shall be made directly to the Administrative Agent.

(b) 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 Secured Party 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 Secured Party of any payment relating thereto, nor shall the Administrative Agent or any Secured Party 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. 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 to the extent permitted in the Term Loan 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, would materially impair the Collateral (except Dispositions permitted under the Term Loan Agreement) or which would result in any violation of any provision of the Term Loan Agreement, this Agreement or any other Loan Document.

(a) If an Event of Default shall occur and be continuing and the Administrative Agent shall give notice of its intent to exercise such rights to the relevant Grantor or Grantors, (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.

(b) 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 Secured Parties specified in Section 6.1 with respect to payments of Receivables, if an Event of Default shall occur and be continuing and, if required by the Administrative Agent, 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 Secured Parties, 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 Secured Parties) 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. If an Event of Default shall have occurred and be continuing and the Lenders have elected to exercise remedies in accordance with the terms of the Term Loan Agreement, 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 Secured Parties according to the amounts of the Obligations then due and owing and remaining unpaid to the Secured Parties;

Third, to the Administrative Agent, for application by it towards prepayment of the Obligations, pro rata among the Secured Parties according to the amounts of the Obligations then held by the Secured Parties; 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 Secured Parties, 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 Secured Party 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 Secured Party 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 with respect to any Grantor's Collateral, 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 of such Grantor or in any way relating to the Collateral of such Grantor or the rights of the Administrative Agent and the Secured Parties hereunder with respect thereto, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations of such Grantor, in the order specified in Section 6.5, 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 9-615(a)(3) 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 Secured Party arising out of the exercise by them of any rights hereunder, (except to the extent that such claims, damages and demands resulted from the gross negligence or willful misconduct of the Administrative Agent or any Secured Party). 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. 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, with respect to any Issuer that is a Subsidiary of Holdings, 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.

(a) 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.

(b) 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 Secured Parties, that the Administrative Agent and the Secured Parties 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 Term Loan Agreement.

6.8 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 Secured Party to collect such deficiency.

SECTION 7. THE ADMINISTRATIVE AGENT

7.1 Administrative Agent's Appointment as Attorney-in-Fact, etc. 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 carry out any obligation imposed on such Grantor under this Agreement or to enable the Administrative Agent or any Lender and any officer or agent thereof, to exercise any of the rights, remedies, powers and authorities conferred on them under or by 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 Contract 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 Contract 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 Secured Parties' 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) 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; 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; 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; 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; defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; 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; 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 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 Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do; and license or sublicense whether on an exclusive or non-exclusive basis, any Intellectual Property for such term and on such conditions and in such manner as the Administrative Agent shall in its sole judgment determine and, in connection therewith, such Grantor hereby grants to the Administrative Agent for the benefit of the Secured Parties a royalty-free, world-wide irrevocable license of its Intellectual Property.

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 Base Rate Loans under the Term Loan 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 Secured Party 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 Secured Parties hereunder are solely to protect the Administrative Agent's and the Secured Parties' interests in the Collateral and shall not impose any duty upon the Administrative Agent or any Secured Party to exercise any such powers. The Administrative Agent and the Secured Parties 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. Pursuant to any applicable law, 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 determines appropriate to perfect the security interests of the Administrative Agent under this Agreement. Each Grantor (other than the Bison Entities and each Grantor that becomes a party hereto after the date hereof) authorizes the Administrative Agent to use the collateral description "all assets" in any such financing statements. Each of the Bison Entities and each Grantor that becomes a party hereto after the date hereof authorizes the Administrative Agent to use the collateral description "Oil and Gas Properties" in any such financing statements (as well as a description of any other Collateral provided to the Lenders by such Grantor pursuant to the terms hereof). Each Grantor hereby ratifies and authorizes the filing by the Administrative Agent of any financing statement with respect to the Collateral made prior to the date hereof.

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 Secured Parties, be governed by the Term Loan 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 Secured Parties 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. Notwithstanding any other provision herein or in any Loan Document, the only duty or responsibility of the Administrative Agent to any Qualified Counterparty under this Agreement is the duty to remit to such Qualified Counterparty any amounts to which it is entitled pursuant to Section 6.5.

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 9.1 of the Term Loan Agreement. No consent of any Qualified Counterparty shall be required for any waiver, amendment, supplement or other modification to this 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 9.2 of the Term Loan 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 Secured Party 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 Secured Party, 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 Secured Party 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 Secured Party 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. The Borrower and each Guarantor agree to pay, or reimburse each Secured Party 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 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 outside counsel to each Secured Party and of counsel to the Administrative Agent.

(a) The Borrower and each Guarantor agree to pay, and to save the Administrative Agent and the Secured Parties 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.

(b) The Borrower and each Guarantor agree to pay, and to save the Administrative Agent and the Secured Parties 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 9.5 of the Term Loan Agreement.

(c) The agreements in this Section shall survive repayment of the Obligations and all other amounts payable under the Term Loan 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 Secured Parties and their successors and assigns; provided that except pursuant to mergers and consolidations permitted under the Term Loan Agreement, 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 Secured Party at any time and from time to time upon the election of the Required Lenders following the occurrence and during the continuance of an Event of Default, 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 Secured Party 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 Secured Party may elect, against and on account of the obligations and liabilities of the Borrower or such Guarantor to the Administrative Agent or such Secured Party hereunder and claims of every nature and description of the Administrative Agent or such Secured Party against the Borrower or such Guarantor, in any currency, whether arising hereunder, under the Term Loan Agreement, any other Loan Document or otherwise, as the Administrative Agent or such Secured Party may elect, whether or not the Administrative Agent or any Secured Party has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Administrative Agent and each Secured Party shall notify the Borrower or such Guarantor promptly of any such set-off and the application made by the Administrative Agent or such Secured Party 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 Secured Party 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 Secured Party 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 Secured Parties

with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Secured Party 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 Secured Party 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 Secured Parties, 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 Secured Parties or among the Borrower, the Guarantors and the Secured Parties.

8.14 Additional Guarantors and/or Grantors. Each Subsidiary of the Borrower (other than an Excluded Foreign Subsidiary) created or acquired after the Closing Date (which, for purposes of this paragraph, shall include any Subsidiary that ceases to be an Excluded Foreign Subsidiary), by Holdings, the Borrower or any of its Subsidiaries, shall become a Guarantor and Grantor under this Agreement, by execution and delivery by such Subsidiary of an Assumption Agreement in the form of Annex I hereto.

8.15 Releases. At such time as the Term Loans and the other Obligations (other than Borrower Hedge Agreement Obligations and Guarantor Hedge Agreement Obligations and contingent obligations under general indemnification provisions as to which no claim is pending or reasonably forseeable) 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.

(a) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Term Loan 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 Term Loan Agreement; provided that the Borrower shall have delivered to the Administrative Agent, at least ten Business Days (or such shorter period agreed to by the Administrative Agent) 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 Term Loan Agreement and the other Loan Documents.

No consent of any Qualified Counterparty shall be required for any release of Collateral or Guarantors pursuant to this Section.

8.16 WAIVER OF JURY TRIAL. THE BORROWER AND EACH GUARANTOR AND, BY ACCEPTANCE OF THE BENEFITS HEREOF, EACH AGENT AND EACH SECURED PARTY, 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.

WILLIAMS PRODUCTION HOLDINGS LLC

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

WILLIAMS PRODUCTION RMT COMPANY

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

BARRETT RESOURCES INTERNATIONAL CORPORATION

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

BARGATH INC.

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

BARRETT FUELS CORPORATION

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

RULISON GAS COMPANY, LLC

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

BISON ROYALTY LLC

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

PICEANCE PRODUCTION HOLDINGS, LLC

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

RULISON PRODUCTION COMPANY LLC

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

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 Term Loan Agreement referred to below. All capitalized terms not defined herein shall have the meaning ascribed to them in such Term Loan Agreement.

W I T N E S S E T H :

WHEREAS, Williams Production Holdings LLC ("Holdings"), Williams Production RMT Company (the "Borrower"), the Lenders, Lehman Brothers Inc. and Banc of America Securities LLC, as joint advisors, joint lead arrangers and joint book runners, Citicorp USA, Inc. and JPMorgan Chase Bank, as co-syndication agents, Bank of America, N.A., as documentation agent, and the Administrative Agent, have entered into a Term Loan Agreement, dated as of May 30, 2003 (as amended, supplemented or otherwise modified from time to time, the "Term Loan Agreement");

WHEREAS, in connection with the Term Loan Agreement, Holdings, the Borrower and certain of its Subsidiaries (other than the Additional Guarantor) have entered into a Guarantee and Collateral Agreement, dated as of May 30, 2003 (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 Term Loan 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 and a Grantor thereunder with the same force and effect as if originally named therein as a Guarantor and a Grantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Guarantor and a Grantor 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

- ----------
* Refer to each Schedule which needs to be supplemented.

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.

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/GRANTOR]

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 May 30, 2003 (the "Agreement"), made by the Borrower and the Guarantors parties thereto for the benefit of LEHMAN COMMERCIAL PAPER INC., as Administrative Agent (in such capacity, the "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 5.7(a) of the Agreement.

3. The terms of Sections 5.7, 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 5.7, 6.3(c) or 6.7 of the Agreement.

[NAME OF ISSUER]

By: _____
Name:
Title:

Address for Notices:
_____

_____

_____

Fax: _____

EXHIBIT 10.3

EXECUTION COPY

U.S. $800,000,000

CREDIT AGREEMENT

Dated as of June 6, 2003

among

THE WILLIAMS COMPANIES, INC.
NORTHWEST PIPELINE CORPORATION
TRANSCONTINENTAL GAS PIPE LINE CORPORATION
as Borrowers

CITIBANK, N.A.

as Administrative Agent and Collateral Agent

BANK OF AMERICA, N.A.

as Syndication Agent

JPMORGAN CHASE BANK

as Documentation Agent

CITIBANK, N.A.
BANK OF AMERICA, N.A.

as Issuing Banks

THE BANKS NAMED HEREIN

as Banks

and

CITIGROUP GLOBAL MARKETS INC.
BANC OF AMERICA SECURITIES LLC

as Joint Lead Arrangers & Joint Book Runners

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ARTICLE VIII
MISCELLANEOUS

Schedules and Exhibits

CREDIT AGREEMENT

This Credit Agreement dated as of June 6, 2003 (as may be further amended, modified, supplemented, renewed, extended or restated from time to time, this "Agreement"), is by and among THE WILLIAMS COMPANIES, INC., a Delaware corporation ("TWC"), NORTHWEST PIPELINE CORPORATION, a Delaware corporation ("NWP"), TRANSCONTINENTAL GAS PIPE LINE CORPORATION, a Delaware corporation ("TGPL", and together with TWC and NWP, the "Borrowers" and each, a "Borrower"), the banks, financial institutions and other institutional lenders listed on the signature pages hereof as banks (the "Banks"), CITIBANK, N.A. ("Citibank") and BANK OF AMERICA, N.A. ("BofA") (the "Issuing Banks" and each, an "Issuing Bank"), CITIBANK, as agent (together with any successor agent appointment pursuant to Article VII, the "Agent") and collateral agent (together with any successor agent appointment pursuant to Article VII, the "Collateral Agent"), BofA, as syndication agent, JPMORGAN CHASE BANK ("JPMorgan") as documentation agent (the "Documentation Agent"), and CITIGROUP GLOBAL MARKETS INC. ("CGMI") and BANC OF AMERICA SECURITIES LLC ("BAS", together with CGMI, the "Co-Lead Arrangers"), as joint lead arrangers and joint book runners. In consideration of the mutual covenants and agreements contained herein, the Borrowers, the Banks, the Issuing Banks, the Agent, and the Co-Lead Arrangers hereby agree as set forth herein.

PRELIMINARY STATEMENTS

WHEREAS, each of the Borrowers is a borrower under that certain First Amended and Restated Credit Agreement dated as of October 31, 2002 (as amended, restated, supplemented or otherwise modified, the "Multiyear Agreement") with the banks party thereto, JPMorgan and Commerzbank AG, as co-syndication agents, Credit Lyonnais New York Branch, as documentation agent, Citicorp USA, Inc. ("CUSA"), as agent, and CGMI (formerly known as Salmon Smith Barney Inc. ("SSBI")), as arranger;

WHEREAS, TWC is the borrower under that certain Amended and Restated Credit Agreement dated as of October 31, 2002 (as amended, restated, supplemented or otherwise modified, the "LC Agreement"; and together with the Multiyear Agreement, the "Existing Credit Documentation") with the banks party thereto, CUSA, as agent and collateral agent, BofA, as syndication agent, and CGMI (formally known as SSBI), as arranger;

WHEREAS, the Borrowers have requested that the Banks lend to the Borrowers and the Issuing Banks issue Letters of Credit for the account of the Borrowers to (a) refinance in full outstanding indebtedness under the Existing Credit Documentation (it being understood that such letters of credit shall be fully cash-collateralized) and (b) provide for the working capital needs and general corporate purposes of the Borrowers, including, without limitation, acquisition of the Borrowers' equity securities and debt; and

WHEREAS, the Issuing Banks and Banks are willing to lend such amounts and to issue such Letters of Credit on the terms and subject to the conditions hereinafter set forth (including Article III);

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto hereby 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):

"Agent" means Citibank, in its capacity as administrative agent pursuant to Article VII hereof and any successor Agent pursuant to Section 7.6.

"Agreement" has the meaning specified in the first paragraph of this Agreement.

"Applicable Margin" means, for any Eurodollar Rate Advance, 0.75% per annum.

"Authorized Financial Officer" means the Chief Financial Officer, Chief Accounting Officer, and the Treasurer of any Person.

"Authorized Officer" means the President, Chief Executive Officer, Chief Financial Officer, the General Counsel, any Vice President, the Secretary, the Assistant Secretary, the Treasurer, Assistant Treasurer, or the Controller of a Person or any other officer designated as an "Authorized Officer" by the Board of Directors (or equivalent governing body) of such Person.

"Available Amount" of any Letter of Credit means, at any time, the maximum amount available to be drawn under such Letter of Credit at such time as set forth in Section 2.1(b) (assuming compliance at such time with all conditions to drawing).

"Banks" means the lenders listed on the signature pages hereof and each other Person that becomes a Bank pursuant to Section 8.5(a).

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the higher of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate; and

(b) 1/2 of 1% per annum above the Federal Funds Rate.

"Base Rate Advance" means a Revolving Credit Advance that bears interest as provided in Section 2.13(a)(i).

"BofA" has the meaning specified in the recitals hereto.

"Borrowers" has the meaning specified in the recitals hereto.

"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.

"CGMI" has the meaning specified in the recitals hereto.

"Change of Control Event" means the occurrence of any of the following: (i) any Person (other than a trustee or other fiduciary holding securities under an employee benefit plan of TWC or of any Subsidiary of TWC) or two or more Persons acting in concert (other than any group of employees of TWC 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 TWC (or other securities convertible into such securities) representing 50% or more of the combined voting power of all securities of TWC 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 or after the date of this Agreement, individuals who at the beginning of such period were directors of TWC or who were elected or nominated 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 TWC.

"Citibank" has the meaning specified in the recitals hereto.

"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.

"Co-Lead Arrangers" has the meaning specified in the recitals hereto.

"Collateral" has the meaning specified in the Security Agreement.

"Collateral Account" has the meaning specified in the Security Agreement.

"Collateral Agent" means Citibank in its capacity as Collateral Agent pursuant to Article VII and any successor in such capacity pursuant to Section 7.6.

"Collateral Coverage Requirement" means any time that the aggregate mark-to-market value of all Collateral is equal to or greater than 105% of the Total Credit Exposure.

"Commitment" means a Revolving Credit Commitment or a Letter of Credit Commitment.

"Commitment Fee" has the meaning specified in Section 2.11(c).

"Consolidated" refers to the consolidation of the accounts of any Person and its consolidated subsidiaries in accordance with generally accepted accounting principles.

"Consolidated Subsidiaries" of any Person means all other Persons the financial statements of which are consolidated with those of such Person in accordance with generally accepted accounting principles.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to Sections 2.15, 2.16 and 2.17.

"Credit Documents" means this Agreement, the Security Agreement, the Letter of Credit Documents, each Letter of Credit, each Note, each Notice of Letter of Credit, each Notice of Revolving Credit Borrowing, and each certificate pursuant to Sections 3.2(ii), 5.1(b)(ii), and 5.1(b)(iii) at any time executed and/or delivered to the Agent, the Collateral Agent, any Issuing Bank, or any Bank in connection therewith.

"Cross-Acceleration Event" means the occurrence or existence of any event or condition under any agreement or instrument relating to any Debt which is outstanding in a principal amount of at least $250,000,000 in the aggregate (excluding Debt incurred pursuant to any Letter of Credit or Revolving Credit Advance) of any Borrower the result of which is the acceleration of the final stated maturity of such Debt or any such Debt shall not be paid at its final stated maturity (giving effect to any applicable grace periods and any extensions thereof).

"CUSA" has the meaning specified in the recitals hereto.

"Debt" means, in the case of any Person, the principal or equivalent amount (without duplication) of (i) indebtedness of such Person for borrowed money, (ii) obligations of such Person evidenced by bonds, debentures or notes, (iii) obligations of such Person to pay the deferred purchase price of property or services (other than trade payables), (iv) obligations of such Person as lessee under leases that are, in accordance with generally accepted accounting principles, recorded as capital leases, and (v) obligations of such Person under guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) of this definition.

"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.

"Designating Bank" has the meaning specified in Section 8.5(g).

"Documentation Agent" has the meaning specified in the recitals hereto.

"Dollars" and "$" means lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Transfer Agreement pursuant to which it became a Bank, or such other office of such Bank as such Bank may from time to time specify to the Borrowers and the Agent.

"EDGAR" means "Electronic Data Gathering, Analysis and Retrieval" system (or any successor system thereof), a database maintained by the Securities and Exchange Commission containing electronic filings of issuers of certain securities.

"Effective Date" has the meaning specified in Section 3.1.

"Eligible Assignee" means (i) any Bank, (ii) any affiliate of any Bank, and (iii) any other Person not covered by clause (i) or (ii) of this definition that is consented to by the Borrowers, the Agent and the Issuing Banks (which consents shall not be unreasonably withheld); provided that if any Event of Default has occurred and is continuing, no consent of the Borrowers shall be required; provided further that neither the Borrowers nor any affiliate of the Borrowers shall be an Eligible Assignee.

"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 Borrowers are members 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.

"Eurodollar Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Transfer Agreement pursuant to which it became a Bank (or, if no such office is specified, its Domestic Lending Office), or such other office of such Bank as such Bank may from time to time specify to the Borrowers and the Agent.

"Eurodollar Rate" means, for any Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Dow Jones Markets Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "Eurodollar Rate" shall mean, for any Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing for

any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%).

"Eurodollar Rate Advance" means a Revolving Credit Advance that bears interest as provided in Section 2.13(a)(ii).

"Eurodollar Rate Reserve Percentage" of any Bank for any Interest Period for any Eurodollar Rate Advance means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.1.

"Existing Credit Documentation" has the meaning specified in the preliminary statements hereto.

"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.

"Financial Letter of Credit" means any Letter of Credit supporting only indebtedness for borrowed money.

"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.

"Fronting Fee" shall have the meaning specified in Section 2.11(b)(i).

"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.

"Indemnified Parties" has the meaning assigned to such term in Section 8.4(b).

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by a Borrower pursuant to the provisions below and, thereafter, with respect to Eurodollar Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by a Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, as a Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(i) a Borrower may not select any Interest Period that ends after the Termination Date;

(ii) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Revolving Credit Borrowing shall be of the same duration;

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day; provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(iv) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of

months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Issuing Banks" has the meaning specified in the recitals hereto.

"JPMorgan" has the meaning specified in the recitals hereto.

"Judgment Event" means any judgment or order rendered against any Borrower for the payment of money in excess of $250,000,000 (and not adequately covered by insurance as to which a solvent and unaffiliated insurance company has provided coverage and has acknowledged liability) shall remain undischarged, unvacated, unbonded or unstayed for a period of 60 days.

"LC Agreement" has the meaning specified in the recitals hereto.

"LC Participation Percentage" of any Bank means, at any time, the percentage set opposite such Bank's name on Schedule III 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 8.5(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 8.5(a), or such other office of such Bank as such Bank may from time to time specify to the Borrowers and the Agent.

"Letter of Credit Commitment" of any Issuing Bank means, at any time, the amount set opposite such Bank's name on Schedule III under the heading "Letter of Credit Commitments" 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 2.4, Section 6.1 or Section 8.5(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 (i) the rights and obligations of the parties concerned or at risk with respect to such Letter of Credit or (ii) 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 Fee" shall have the meaning specified in Section 2.11(b)(ii).

"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 Available 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.

"Letters of Credit" has the meaning assigned to such term in Section 2.1(b).

"Majority Banks" means, at any time, Banks owed or holding more than 50% of the sum of (i) the aggregate unpaid principal amount of Revolving Credit Advances outstanding at such time, or if no such principal amount is then outstanding, the aggregate Revolving Credit Commitments and (ii) the aggregate Available Amount of all Letters of Credit outstanding at such time, or if no such Available Amount of Letters of Credit are then outstanding, then (x) the LC Participation Percentages, or (y) if the Letter of Credit Commitments have terminated and any Letter of Credit or any Letter of Credit Interest is outstanding, then the aggregate unpaid principal amount of the outstanding Letter of Credit Interests; provided that for purposes of this definition no Borrower shall be considered a "Bank".

"Mandatory Prepayment Event" means any of the following: Change of Control Event; Cross-Acceleration Event; or Judgment Event.

"Multiemployer Plan" means any multiemployer plan, as defined in Section 4001 (a)(3) of ERISA, which is maintained by (or to which there is an obligation to contribute of) the Borrowers or an ERISA Affiliate of the Borrowers.

"Note" means a promissory note of a Borrower payable to the order of any Bank, in substantially the form of Exhibit F hereto (as such note may be amended, endorsed or otherwise modified from time to time), delivered at the request of such Bank pursuant to Section 2.10 or 8.6, together with any other note accepted from time to time in substitution or replacement therefore.

"Notice of Letter of Credit" has the meaning specified in Section 2.2(a).

"Notice of Revolving Credit Borrowing" has the meaning specified in Section 2.3(a).

"NWP" has the meaning specified in the recitals hereto.

"Obligations" means all Reimbursement Obligations and all other Debt, advances, debts, liabilities, obligations, indemnities, covenants and duties owing by any Borrower to any Bank, the Agent, the Collateral Agent, any Issuing Bank, or 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 any Borrower under this Agreement or any other Credit Document.

"PBGC" means the Pension Benefit Guaranty Corporation.

"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.

"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 Borrowers or any ERISA Affiliate of the Borrowers for employees of the Borrowers 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.

"Public Filings" means the Borrowers' (i) annual report on Form 10-K/A for the year ended December 31, 2002, (ii) quarterly report on Form 10-Q for the quarter ended March 31, 2003, and (iii) each other quarterly and annual and other reports filed with the SEC from time to time.

"Register" has the meaning specified in Section 8.5(c).

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Reimbursement Obligations" means, at any time, the obligations of any of the Borrowers 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.

"Revolving Credit Advance" means an advance by a Bank to a Borrower as part of a Revolving Credit Borrowing and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a "Type" of Revolving Credit Advance).

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by each of the Banks, pursuant to Section 2.1(a).

"Revolving Credit Commitment" means, with respect to any Bank at any time, the amount set forth opposite such Banks' name on Schedule III hereto under the caption "Revolving Credit Commitment" or, if such Bank has entered into one or more Transfer

Agreements, set forth for such Bank in the Register maintained by the Agent pursuant to Section 8.5(c) as such Lender's "Revolving Credit Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.4.

"Security Agreement" means a Security Agreement executed by TWC in substantially the form of Exhibit E.

"SPC" has the meaning specified in Section 8.5(g).

"Subsidiary" of any Person means 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.

"Termination Date" means the earlier of (i) June 6, 2005 or (ii) the date of termination in whole of the Commitments pursuant to Section 2.4 or 6.1.

"Termination Event" means (i) a "reportable event", as such term is described in Section 4043(c) of ERISA (other than a "reportable event" not subject to the provision for 30-day notice to the PBGC or a "reportable event" as such term is described in Section 4043(c)(3) of ERISA) which might reasonably be expected to result in a termination of, or the appointment of a trustee to administer, a Plan, or which causes TWC, due to actions of the PBGC, to be required to contribute at least $75,000,000 in excess of the contributions which otherwise would have been made to fund a Plan based upon the contributions recommended by such Plan's actuary, or (ii) the withdrawal of a Borrower or any ERISA Affiliate of such 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 a Borrower or any ERISA Affiliate of such 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 reasonably be expected to result in the termination of, or the appointment of, a trustee to administer, any Plan under Section 4042 of ERISA.

"TGPL" has the meaning specified in the recitals hereto.

"Total Credit Exposure" means the sum of the Total L/C Exposure plus the Total Loan Exposure plus the amount of any other Obligations that are not paid when due and remain outstanding.

"Total L/C Exposure" means at any time, the aggregate amount of all Letter of Credit Liabilities with respect to all issued Letters of Credit.

"Total Loan Exposure" means at any time, the aggregate principal amount of all outstanding Revolving Credit Advances.

"Transfer Agreement" means an agreement executed pursuant to Section 8.5 by an assignor Bank and assignee Bank substantially in the form of Exhibit C, which agreement shall be executed by the Borrowers 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 8.5.

"TWC" has the meaning specified in the recitals hereto.

"Unused Revolving Credit Commitment" with respect to each Bank at any time, (a) such Bank's Revolving Credit Commitment at such time minus (b) the sum of (i) the aggregate principal amount of all Revolving Credit Advances made by such Bank and outstanding at such time and (ii) such Bank's Letter of Credit Liability.

"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.

"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of ERISA.

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". References to any document, instrument or agreement (a) shall include all exhibits, schedules and other attachments thereto, (b) shall include all documents, instruments or agreements issued or executed in replacement thereof and (c) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time and in effect at any given time so long as such amended, modified or supplemented document, instrument or agreement does not violate the terms of this Agreement.

ARTICLE II

AMOUNTS AND TERMS OF THE REVOLVING CREDIT ADVANCES AND LETTERS OF CREDIT

SECTION 2.1. Revolving Credit Advances and Letters of Credit.

(a) Revolving Credit Advances. Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances to each Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount to all Borrowers not to exceed at any time such Bank's Unused Revolving Credit Commitment at such time. Each Revolving Credit Borrowing shall be in an aggregate amount of not less than $10,000,000 or an integral multiple of $1,000,000 in excess thereof and shall consist of Revolving Credit Advances made on the same day by the Banks ratably according to their respective Revolving Credit Commitments. Within the limits of this Section 2.1(a), a Borrower may borrow under this Section 2.1(a), prepay pursuant to Section 2.5 and reborrow under this Section 2.1(a).

(b) Letters of Credit. Each Issuing Bank agrees, on the terms and conditions hereinafter set forth, to issue standby or trade letters of credit (collectively, the "Letters of Credit", and each a "Letter of Credit") for the account of any Borrower (such issuance, and any funding of a draw thereunder, to be made by the Issuing Banks in reliance on the agreements of the other Banks pursuant to Section 2.2) from time to time on any Business Day during the period from the Effective Date until 30 days prior to the Termination Date in an aggregate Available Amount (i) for all Letters of Credit issued by the Issuing Banks not to exceed at any time the lesser of (A) the aggregate of all Letter of Credit Commitments at such time and (B) the Letter of Credit Commitment of such Issuing Bank at such time and (ii) for each such Letter of Credit not to exceed an amount equal to the Unused Revolving Credit Commitments of the Banks at such time; provided that at no time shall all Letter of Credit Liabilities exceed the aggregate amount of the Letter of Credit Commitments. No Letter of Credit shall have an expiration date (including all rights of a Borrower or the beneficiary to require renewals) later then 10 Business Days prior to the Termination Date. Within the limits referred to above, a Borrower may request the issuance of Letters of Credit under this Section 2.1(b), repay any Letter of Credit Liability resulting from drawings thereunder pursuant to Section 2.2(a) and request the issuance of additional Letters of Credit under this Section 2.1(b).

SECTION 2.2. Issuance of and Drawings and Reimbursement Under Letters of Credit.

(a) Notice of Issuance. A 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 D-1 (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 Available 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 2.2(b).

(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 Bank that issued such Letter of Credit shall promptly notify the applicable 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 (unless same day payment is required by the terms of such Letter of Credit pursuant to a request of such Borrower) at least one Business Day after the date on which the Agent shall deliver such notice to the applicable Borrower pursuant to this sentence. Notwithstanding the identity of the account party of any Letter of Credit, the Borrowers hereby unconditionally agree 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 for the period from the date of such demand until the date of such reimbursement; provided that, to the extent that any Reimbursement Obligation has not been reimbursed by any Borrower to the applicable Issuing Bank hereunder, the Collateral Agent shall withdraw funds from the Collateral Account upon the request (such request to be delivered to the Collateral Agent by TWC on the same day of the receipt of notice from the Agent to the Borrowers pursuant to this Section 2.2(c)) of TWC (in accordance with the Security Agreement), in an amount of such outstanding Reimbursement Obligation and apply such funds for the satisfaction and reimbursement of such Issuing Bank. The Borrowers' 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 a 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 applicable 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 a Borrower fails to make any payment to an Issuing Bank that such Borrower is required to make pursuant to Section 2.2(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 2.2(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 2.2(d), the financial condition of a 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 and 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 2.2(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 applicable 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 Borrowers hereunder and under such Letter of Credit Documents in respect of such Reimbursement Obligation (other than the Fronting Fee contemplated by Section 2.11(b)(i)). Upon receipt by any Issuing Bank from or for the account of a 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 or the withdrawal and application of funds from the Collateral Account as required by Section 2.2(c)), 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, the Issuing Bank that issued such Letter of Credit will notify the Agent and the applicable Borrower in writing of such issuance or amendment and such notice shall be accompanied by a copy of such issued or amended Letter of

Credit. 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 and any related Letter of Credit Documents thereto.

(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 applicable 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 amendment, modification or supplement to any Letter of Credit hereunder which increases the stated amount thereof or extends the termination date thereof shall be subject to the same conditions applicable under this Section 2.2 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 Sections 2.2(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 Borrowers hereby indemnify and hold 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 2.2(i), BE INDEMNIFIED FOR ITS OWN ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE; provided that the Borrowers 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 (A) 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 (B) in the case of any Bank, such Bank's failure to pay its Letter of Credit Liabilities pursuant to Sections 2.2(d), (e) and (h).

SECTION 2.3. Making the Revolving Credit Advances.

(a) Each Revolving Credit Borrowing shall be made on notice, given not later than 11:00 a.m. (New York City time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurodollar Rate Advances, or 10:00 a.m. (New York City Time) the Business Day of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Base Rate Advances, by the Borrower to the Agent, which shall give to each Bank prompt notice thereof by telecopier or telex. Each such notice of a Revolving Credit Borrowing (a "Notice of Revolving Credit Borrowing") shall be by telephone, confirmed immediately in writing, or telecopier or telex in substantially the form of Exhibit D-2 hereto, specifying therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of Revolving Credit Advance, (iii) aggregate amount of such Revolving Credit Borrowing, and (iv) in the case of a Revolving Credit Borrowing consisting of Eurodollar Rate Advances, initial Interest Period for each such Revolving Credit Advance. Each Bank shall, before 12:00 p.m. (New York City time) on the date of such Revolving Credit Borrowing, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, such Bank's ratable portion of such Revolving Credit Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower at the Agent's address referred to in Section 8.2.

(b) Anything in Section 2.3(a) to the contrary notwithstanding, a Borrower may not select Eurodollar Rate Advances for any Revolving Credit Borrowing if the aggregate obligation of the Banks to make Eurodollar Rate Advances shall then be suspended pursuant to Sections 2.3(e), 2.14 or 2.16.

(c) No Borrower may select Eurodollar Rate Advances for any Revolving Credit Borrowing if the aggregate amount of such Revolving Credit Borrowings is less than $10,000,000.

(d) Each Notice of Revolving Credit Borrowing shall be irrevocable and binding on such Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrowers shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure by the Borrowers to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Revolving Credit Advance to be made by such Bank as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(e) If the Agent is unable to determine the Eurodollar Rate for Eurodollar Rate Advances, the obligation of the Banks to make, or to Convert Revolving Credit Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrowers and the Banks that the circumstances causing such suspension no longer exist, and, except as provided in Section 2.3(f), each Revolving Credit Advance comprising any requested Revolving Credit Borrowing shall be a Base Rate Advance.

(f) If a Borrower has requested a proposed Revolving Credit Borrowing consisting of Eurodollar Rate Advances and as a result of circumstances referred to in Section 2.3(e) or Section 2.14(b) such Revolving Credit Borrowing would not consist of Eurodollar Rate Advances, such Borrower may, by notice given not later than 3:00 p.m. (New York City time) at least one Business Day prior to the date such proposed Revolving Credit Borrowing would otherwise be made, cancel such Revolving Credit Borrowing, in which case such Revolving Credit Borrowing shall be cancelled and no Revolving Credit Advances shall be made as a result of such requested Revolving Credit Borrowing, but such Borrower shall indemnify the Banks in connection with such cancellation as contemplated by Section 2.3(d).

(g) Unless the Agent shall have received notice from a Bank prior to the date of any Revolving Credit Borrowing that such Bank will not make available to the Agent such Bank's ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Bank has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with Section 2.3(a) and the Agent may, in reliance upon such assumption, make available to a Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such ratable portion available to the Agent, such Bank and Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Agent, at (i) in the case of such Borrower, the interest rate applicable at the time to Revolving Credit Advances comprising such Revolving Credit Borrowing and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Revolving Credit Advance as part of such Revolving Credit Borrowing for purposes of this Agreement and such Borrower shall be relieved of its obligations to repay such amount under this Section 2.3(g).

(h) The failure of any Bank to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Revolving Credit Advance to be made by such other Bank on the date of any Revolving Credit Borrowing.

SECTION 2.4. Voluntary Reduction of the Commitments. Each Borrower shall have the right, upon at least three Business Days notice to the Agent, to terminate in whole or reduce ratably in part (i) the Unused Revolving Credit Commitments and (ii) the unused portions of the Letter of Credit Commitments; provided that each partial reduction shall be in the aggregate amount of at least $10,000,000 or an integral multiple of $1,000,000 in excess thereof and shall be made ratably among the Banks or Issuing Banks, as the case may be, in accordance

with their respective Commitments hereunder; 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 amount of all Letter of Credit Liabilities.

SECTION 2.5. Prepayments.

(a) Optional. Each Borrower may, upon notice to the Agent (i) before 10:00 a.m. (New York City time) for Base Rate Advances on the date of prepayment and (ii) upon at least three Business Days' notice to the Agent for Eurodollar Rate Advances stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given by such Borrower shall, prepay the outstanding principal amount of the Revolving Credit Advances comprising part of the same Revolving Credit Borrowing in whole or ratably in part, together with accrued interest and fees to the date of such prepayment on the principal amount prepaid and amounts, if any, required to be paid pursuant Section 8.4(c) as a result of such prepayment; provided, however, that each prepayment pursuant to this Section 2.5(a) shall be in an aggregate principal amount not less than $5,000,000.

(b) Mandatory. Upon the date of receipt of written notice by the Borrowers from the Agent or the Majority Banks of the occurrence of any Mandatory Prepayment Event (such written notice to be delivered by the Agent or the Majority Banks to the Borrowers not later than ten Business Days from the date of an occurrence of any Mandatory Prepayment Event), all then outstanding Revolving Credit Advances, including any amounts required to be paid pursuant to Section 8.4(c) as a result of such prepayment, shall be repaid by the Borrowers (which the Borrowers may elect to repay using amounts on deposit in the Collateral Account (in accordance with the Security Agreement) if and to the extent funds are available in such Collateral Account) by no later than 10 Business Days from the date of receipt of such written notice of such Mandatory Prepayment Event.

SECTION 2.6. 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 lend hereunder, 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 and related certificate (which certificate shall specify in reasonable detail the nature of such change in capital requirements, the proposed (or actual) compliance change to be adopted by the applicable Bank or Issuing Bank and the calculations upon which any compensation is claimed hereunder) to the Agent), the Borrowers shall immediately pay to the Agent within five Business Days of receipt of such demand 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 lend, 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 Borrowers 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 2.6(a) for any period more than 90 days prior to the date such Bank or Issuing Bank, as the case may be, notifies the Borrowers of any such compliance.

(b) In the event that any Bank (i) makes a demand for payment under Section 2.2, 2.8, 2.17 or this Section 2.6, or (ii) does not agree to provide its consent or agree to any amendment or waiver pursuant to Section 8.1 where such consent or agreement to provide an amendment or waiver is required of all the Banks hereto, TWC may within ninety (90) days of such demand or non-consent, 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 8.5(a), and clauses (b) and (d) of Section 8.5 (including execution of an appropriate Transfer Agreement); provided that (w) all obligations of such Bank to lend hereunder or purchase participations in Letters of Credit shall be terminated and the Letter of Credit Interests held by such Bank and Notes payable to such Bank and all other obligations owed to such Bank hereunder shall be purchased in full without recourse at par plus accrued interest and fees at or prior to such replacement, (x) such replacement bank shall be an Eligible Assignee, (y) such replacement bank shall, from and after such replacement, be deemed for all purposes to be a "Bank" hereunder with a Revolving Credit Commitment and Letter of Credit Liabilities in the amount of the Revolving Credit Commitment and Letter of Credit Liabilities of such Bank to such Borrower immediately prior to such replacement (plus, if such replacement bank is already a Bank prior to such replacement the respective Revolving Credit Commitment and Letter of Credit Liabilities of such Bank to such Borrower 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 2.1(b), and (z) such other actions shall be taken by the Borrowers, 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 2.6, 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 2.7. Payments and Computations.

(a) Each 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 8.2, in each case 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 any 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 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 2.11(a), any other fee paid to the Agent, as such, or any Fronting Fee paid to an Issuing Bank pursuant to Section 2.11(b)(i).

(b) (i) All computations of interest based on clause (a) of the definition herein of "Base Rate" and all computations of all Commitment Fees, Letter of Credit Fees, Fronting Fees and all other fees 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 Eurodollar Rate, the Federal Funds Rate and interest pursuant to Section 2.17 shall be made by the Agent 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, letter of credit fees or other 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.

(c) 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, commitment fee, letter of credit fee or any other fee hereunder, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurodollar Rate Revolving Credit Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from a Borrower prior to the date on which any payment is due by such Borrower to any Bank hereunder that such Borrower will not make such payment in full, the Agent may assume that such 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 such 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 2.8. Taxes.

(a) Any and all payments by any Borrower hereunder shall be made, in accordance with Section 2.7, 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 net income or net profits, 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 net income or net profits, 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 any Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions for Taxes (including deductions for Taxes applicable to additional sums payable under this Section 2.8) 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 for Taxes been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each 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 such Borrower hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement (hereinafter referred to as "Other Taxes").

(c) Each 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 2.8) 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 such Borrower shall have no liability pursuant to this clause (c) of this Section 2.8 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 TWC in writing and provide TWC 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 TWC shall not relieve TWC of any of its obligations hereunder.

(e) Promptly following payment of Taxes by or at the direction of any Borrower, such Borrower will furnish to the Agent, at its address referred to in Section 8.2, the original or a certified copy of a receipt evidencing payment thereof (or, if no such receipt is reasonably available, other evidence of payment reasonably acceptable to the Agent). 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 such Borrower of Taxes as required by this Section 2.8 (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 such 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 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 each 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 Code, (ii) a ten-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of such Borrower or (iii) a controlled foreign corporation related to such Borrower (within the meaning of Section 864(d)(4) of the 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 any Borrower with the appropriate form, certificate or other document described in subsection (f) of this Section 2.8 (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 2.8 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 Borrowers shall take such steps as such Bank shall reasonably request (at such Bank's expense) to assist such Bank in recovering such Taxes.

(h) Any Bank claiming any additional amounts payable pursuant to this Section 2.8 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) If a Borrower determines in good faith that a reasonable basis exists for contesting a Tax, the relevant Bank, or the Agent, as applicable, shall provide reasonable cooperation to such Borrower in challenging such Tax at such Borrower's expense and if requested by such Borrower in writing; provided, however, that no Bank shall be required to take any action hereunder which, in the reasonable discretion of such Bank, would cause such Bank or its applicable lending office to suffer a legal, regulatory or material economic disadvantage.

(j) Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of the Borrowers contained in this Section 2.8 shall survive the payment in full of principal and interest hereunder and the Termination Date.

(k) Notwithstanding any provision of this Agreement or the Notes to the contrary, this Section 2.8 shall be the sole provision governing indemnities and claims for taxes under this Agreement.

SECTION 2.9. 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 the Revolving Credit Advances made by it or its Letter of Credit Interest (other than pursuant to Section 2.6, 2.8, 2.17, 8.4(b) or 8.4(c)) in excess of its ratable share of payments on account of all Revolving Credit Advances and Letter of Credit Interests obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participations in the Revolving Credit Advances and 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. Each Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.9 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 such Borrower in the amount of such participation; provided, that in no event shall the Borrowers be liable for duplicative payments under this Section 2.9 in respect to any Obligation or other liability under the Credit Documents.

SECTION 2.10. Evidence of Debt. Each Bank and Issuing Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Bank or Issuing Bank resulting from each Revolving Credit Advance or Letter of Credit Interest owing to such Bank or Issuing Bank, as the case may be, from time to time, including the amounts of principal and interest payable and paid to such Bank or Issuing Bank from time to time hereunder. Each Borrower agrees that upon notice by any Bank to such Borrower (with a copy of such notice to the Agent) to the effect that a promissory note or other evidence of indebtedness is required or appropriate in order for such Bank to evidence (whether

for purposes of pledge, enforcement or otherwise) such Revolving Credit Advance owing to, or to be made by, such Bank, such Borrower shall promptly execute and deliver to such Bank, with a copy to the Agent, a Note in substantially the form of Exhibit F hereto payable to the order of such Bank. All references to Notes in the Credit Documents shall mean Notes, if any, to the extent issued hereunder.

(a) The Register maintained by the Agent pursuant to Section 8.5(c) shall set forth (i) the date and amount of each Letter of Credit and Revolving Credit Borrowing made hereunder, the Type of Revolving Credit Advances comprising such Revolving Credit Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Transfer Agreement delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Bank hereunder, and (iv) the amount of any sum received by the Agent from any Borrower hereunder and each Bank's share thereof.

(b) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Bank or Issuing Bank in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from any Borrower to, in the case of the Register, the Agent and, in the case of such account or accounts, such Bank, Issuing Bank or the Agent, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Bank or Issuing Bank to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrowers under this Agreement.

SECTION 2.11. Fees.

(a) Agent's and Collateral Agent's Fees. TWC agrees to pay to the Agent and the Collateral Agent, for their respective sole account, such fees as may be separately agreed to in writing by TWC and the Agent and the Collateral Agent.

(b) Letter of Credit Fees.

(i) Fronting Fee. The Borrowers agree to pay to the Agent for the account of each Issuing Bank a fronting fee (a "Fronting Fee") based on the Available 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 (x) occurs automatically and is not subject to the occurrence or satisfaction or any condition or contingency or (y) that is unilaterally exercisable by such Borrower) issued by such Issuing Banks in an amount equal to 0.125% per annum. All Fronting Fees payable pursuant to this Section 2.11(b)(i) shall be payable in arrears on the last Business Day of each Fiscal Quarter and on the Termination Date. In addition, the Borrowers shall pay directly to each Issuing Bank for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of such Issuing Bank relating to Letters of Credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(ii) Participating Banks. The Borrowers agree to pay to the Agent for the account of each Bank a letter of credit fee (a "Letter of Credit Fee") based on such Bank's LC Participation Percentage of the average daily aggregate Available Amount of all Letters of Credit outstanding from time to time at a rate of 0.75% per annum (for the stated duration thereof, and giving effect to any step up provision or other mechanism for increase that (x) occurs automatically and is not subject to the occurrence or satisfaction or any condition or contingency or (y) is unilaterally exercisable by the Borrowers). All amounts payable pursuant to this Section 2.11(b)(ii) shall be paid in arrears on the last Business Day of each Fiscal Quarter and on the Termination Date.

(c) Commitment Fees. The Borrowers agree to pay to the Agent for the account of each Bank a commitment fee (a "Commitment Fee"), in an amount equal to 0.10% per annum on such Bank's Unused Revolving Credit Commitment. All amounts payable pursuant to this Section 2.11(c) shall be paid in arrears on the last Business Day of each Fiscal Quarter and on the Termination Date.

SECTION 2.12. Repayment of Revolving Credit Advances. Each Borrower shall repay to the Agent for the ratable account of the Banks on the Termination Date, or such earlier date as the Notes may become due and payable pursuant to Article VI, the aggregate principal amount of the Revolving Credit Advances then outstanding.

SECTION 2.13. Interest.

(a) Scheduled Interest. Each Borrower shall pay interest on the unpaid principal amount of each Revolving Credit Advance owing to each Bank from the date of such Revolving Credit Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Credit Advance is a Base Rate Advance, a rate per annum equal at all times the Base Rate in effect from time to time, payable in arrears quarterly on the last Business Day of each Fiscal Quarter during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurodollar Rate Advances. During such periods as such Revolving Credit Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Credit Advance to the sum of (x) the Eurodollar Rate for such Interest Period for such Revolving Credit Advance plus (y) the Applicable Margin in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default under Section 6.1(a), the Borrowers shall pay interest on (i) the unpaid principal amount of each (x) Revolving Credit Advance owing to each Bank, payable in arrears in the

amounts and on the dates referred to in Section 2.13(a) or (y) Reimbursement Obligation owing to each Bank, payable in arrears in the amounts and from the date referred to in Section 2.2(c), plus 2% per annum above the rate per annum required to be paid on such Revolving Credit Advance pursuant to Section 2.13(a) or such rate per annum required to be paid on such Reimbursement Obligation pursuant to Section 2.2(c) and (ii) to the fullest extent permitted by law, the amount of any interest, Fronting Fee, Commitment Fee, Letter of Credit Fee or any other fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to Section 2.13(a)(i).

SECTION 2.14. Interest Rate Determination.

(a) The Agent shall give prompt notice to the Borrowers and the Banks of the applicable interest rate determined by the Agent for purposes of Section 2.13(a)(i) or 2.13(a)(ii).

(b) If, with respect to any Eurodollar Rate Revolving Credit Advances, the Majority Banks notify the Agent that the Eurodollar Rate for any Interest Period for such Revolving Credit Advances will not adequately reflect the cost to such Majority Banks of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Agent shall forthwith so notify the Borrowers and the Banks, whereupon (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and (ii) the obligation of the Banks to make, or to Convert Revolving Credit Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrowers and the Banks that the circumstances causing such suspension no longer exist.

(c) If a Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify such Borrower and the Banks and such Revolving Credit Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances.

(d) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Revolving Credit Borrowing shall be reduced, by payment or prepayment or otherwise, to less than $10,000,000, such Revolving Credit Advances shall automatically Convert into Base Rate Advances and the applicable Borrower shall pay any amounts required to be paid pursuant Section 8.4(c) as a result of such Conversion.

(e) Upon the occurrence and during the continuance of any Event of Default under Section 6.1(a), (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

SECTION 2.15. Optional Conversion of Revolving Credit Advances. Any Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 a.m.

(New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.14 and 2.16, Convert all Revolving Credit Advances of one Type comprising the same Revolving Credit Borrowing into Revolving Credit Advances of the other Type; provided, however, that any Conversion of Eurodollar Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurodollar Rate Advances and any Conversion of Base Rate Advances into Eurodollar Rate Advances shall be in an amount not less than $10,000,000. Each such notice of a Conversion shall, within the restrictions specified above, specify (a) the date of such Conversion, (b) the Revolving Credit Advances to be Converted and (c) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on such Borrower.

SECTION 2.16. Illegality. Notwithstanding any other provision of this Agreement, if any Bank shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority having relevant jurisdiction asserts that it is unlawful, for any Bank or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, (a) each Eurodollar Rate Advance will automatically, upon such demand, Convert into a Base Rate Advance and (b) the obligation of the Banks to make Eurodollar Rate Advances or to Convert Revolving Credit Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrowers and the Banks that the circumstances causing such suspension no longer exist.

SECTION 2.17. Additional Interest on Eurodollar Rate Advances. Each Borrower shall pay to each Bank, so long as such Bank shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Bank to such Borrower, from the date of such Revolving Credit Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (a) the Eurodollar Rate for the Interest Period for such Revolving Credit Advance from (b) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such Interest Period, payable on each date on which interest is payable on such Revolving Credit Advance. Such additional interest shall be determined by such Bank and notified to such Borrower through the Agent. A certificate as to the amount of such additional interest submitted to such Borrower and the Agent by such Bank shall be conclusive and binding for all purposes, absent manifest error. No Bank shall have the right to recover any additional interest pursuant to this Section 2.17 for any period more than 90 days prior to the date such Bank notifies the Borrowers that additional interest may be charged pursuant to this Section 2.17.

SECTION 2.18. Existing Letters of Credit. Effective as of the Effective Date, all "Letters of Credit" issued and outstanding under the LC Agreement for the account of TWC shall be deemed to be Letters of Credit hereunder.

ARTICLE III

CONDITIONS

SECTION 3.1. Conditions Precedent to Effectiveness of Agreement. Article II hereof shall become effective on and as of the first date (the "Effective Date") on which the Agent shall have received counterparts of this Agreement duly executed by the Borrowers and all of the Banks and the following additional conditions precedent have been satisfied or the following additional documents have been received (except as provided otherwise in Section 3.1(i) below, all in form and substance satisfactory to the Agent):

(a) Except as otherwise disclosed publicly (including disclosure in Public Filings prior to the date hereof) or to the Co-Lead Arrangers and the Banks prior to the date hereof, there shall not have occurred a material adverse change in the business, financial condition, operations or properties of the Borrowers and their Subsidiaries, taken as a whole, since December 31, 2002.

(b) The Agent shall have received (in addition to a fully executed counterpart of this Agreement) the Notes, to the extent requested by a Bank and an executed copy of each other Credit Document.

(c) The Agent shall have received certified copies of the resolutions of the Board of Directors, or the Executive Committee thereof, of each Borrower authorizing the execution of this Agreement, the Notes and each Notice of Letter of Credit and Notice of Revolving Credit Borrowing, and any other Credit Documents to which such Borrower is a party, and all other documents, in each case evidencing any necessary company action and governmental and other third party approvals and consents, if any, with respect to each such Credit Document and the transactions thereunder and hereunder.

(d) The Agent shall have received a certificate of the Secretary or an Assistant Secretary of each Borrower certifying the names and true signatures of the officers of such Borrower authorized to sign each Credit Document to which it is or is to be a party and the other documents to be delivered hereunder and thereunder.

(e) The Agent shall have received a copy of a certificate of the Secretary of State of the jurisdiction of incorporation of each Borrower, dated reasonably near the Effective Date, certifying (i) as to a true and correct copy of the charter of such Borrower, and each amendment thereto on file in such Secretary's office and (ii) that (x) such amendments are the only amendments to such Borrower's charter or other organizational documents on file in such Secretary's office, (y) such Borrower has paid all franchise taxes to the date of such certificate and (z) such Borrower is duly incorporated and in good standing or presently subsisting under the laws of the State of the jurisdiction of its incorporation.

(f) The Agent shall have received opinions of each of (i) James J. Bender, Esq., General Counsel of TWC, substantially in the forms of Exhibit A hereto and (ii) White & Case LLP, New York counsel to the Borrowers, substantially in the form of

Exhibit B, and, in each case, as to such other matters as any Bank through the Agent may reasonably request.

(g) The Agent shall have received a certificate of each Borrower, signed on behalf of such Borrower by an Authorized Officer thereof, dated as of the Effective Date (the statements made in which certificate shall be true on and as of the Effective Date), certifying as to (i) the absence of any amendments to the charter of such Borrower since the date of the Secretary of State's certificate referred to in clause (e) above, (ii) a true and correct copy of the bylaws of such Borrower as in effect on the date on which the resolutions referred to in clause (c) were adopted and on the Effective Date, (iii) the due incorporation and good standing or valid existence of such Borrower as a corporation organized under the laws of the jurisdiction of its incorporation or organization, (iv) the truth, in all material respects, of the representations and warranties contained in this Agreement and the Credit Documents as though made on and as of the Effective Date other than any such representations or warranties that, by their terms, refer to a specific date other than the Effective Date, in which case as of such specific date and (v) the absence of any event occurring and continuing, or resulting from the consummation of the transactions hereunder or pursuant to the Credit Documents, that constitutes an Event of Default (other than any Event of Default which may arise as a result of a draw or probability of a draw under a Letter of Credit).

(h) TWC shall have paid in full all accrued fees and expenses of the Agent, the Co-Lead Arrangers and the Banks (including the accrued reasonable fees and expenses of counsel to the Agent and the Co-Lead Arrangers for which an invoice has been received by the Borrowers).

(i) Evidence that the Existing Credit Documentation shall have been terminated including (unless TWC otherwise agrees) release of substantially all liens thereunder and TWC shall have paid or agreed to pay all fees and expenses reasonably incurred pursuant therewith.

SECTION 3.2. Conditions Precedent to a Revolving Credit Advance and an Issuance of a Letter of Credit. The obligation of each Bank to make a Revolving Credit Advance on the occasion of any Revolving Credit Borrowing and each Issuing Bank to issue or renew a Letter of Credit shall be subject to the further conditions precedent that (i) the Agent shall have received a Notice of Revolving Credit Borrowing in the form of Exhibit D-2 hereto or a Notice of Letter of Credit in the form of Exhibit D-1 hereto, as the case may be, (ii) in the case of each Revolving Credit Advance and issuance or renewal of a Financial Letter of Credit only, the Agent shall have received a certificate of an Authorized Officer of TWC certifying that the delivery and deposit of Collateral to the Collateral Account in connection with such Revolving Credit Borrowing or issuance or renewal of a Financial Letter of Credit does not give rise to default or an event of default pursuant to the terms and conditions of any material indenture, agreement or other instrument of the Borrowers which restricts the amount of Collateral which the Borrowers are permitted to provide hereunder in such detail as the Agent may reasonably require and (iii) on the date of such Revolving Credit Borrowing or issuance of such Letter of Credit, the following statements shall be true (and each of the giving of the applicable Notice of Borrowing or Notice of Letter of Credit and the acceptance by such Borrower of the proceeds of

such Revolving Credit Borrowing or issuance of such Letter of Credit shall constitute a representation and warranty by such Borrower that on the date of such Revolving Credit Borrowing or such Letter of Credit is issued such statements are true):

(a) there has been no Change of Control Event;

(b) each of the representations and warranties contained in Section 4.1(a) through (d), (h) and (l) are correct in all material respects on and as of the date of such Revolving Credit Borrowing or issuance or renewal of such Letter of Credit, before and after giving effect to such Revolving Credit Borrowing or issuance or renewal 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);

(c) solely in connection with any Revolving Credit Borrowing or issuance or renewal of a Financial Letter of Credit, there has been no, nor will there be, any Cross-Acceleration Event or Judgment Event before or after giving effect to such Revolving Credit Borrowing or issuance or renewal of such Financial Letter of Credit;

(d) no event has occurred and is continuing, or would result from such Revolving Credit Borrowing or issuance or renewal of such Letter of Credit, which constitutes a Default or Event of Default;

(e) after giving effect to such Revolving Credit Borrowing or issuance of such Letter of Credit and Letters of Credit which have been requested by such 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 Revolving Credit Advances and Letter of Credit Liabilities will not exceed the aggregate of the Commitments of the Banks; and

(f) the aggregate mark-to-market value of all Collateral in the Collateral Account for which the Collateral Agent has a first-priority perfected security interest shall be equal to or greater than the Collateral Coverage Requirement before and after giving effect to such Revolving Credit Borrowing or issuance or renewal of such Letter of Credit.

provided that, notwithstanding anything in this Section 3.2 to the contrary, with respect to any Letters of Credit which shall automatically renew by their own terms unless a notice of non-renewal is given by the applicable Issuing Bank, such Issuing Bank may give such notice of non-renewal (after notice to such Borrower and in no event earlier than the date 10 days prior to the latest date on which it is entitled to do so) if applicable conditions precedent pursuant to this Section 3.2 are not satisfied at the date of issuance of the notice of non-renewal.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.1. Representations and Warranties of the Borrowers. The Borrowers represent and warrant as follows:

(a) Each Borrower is duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate powers and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its business as now conducted in all material respects.

(b) After giving effect to this Agreement and assuming the consummation of the transactions contemplated hereby, the execution, delivery and performance by each of the Borrowers of the Credit Documents to which it is a party and the consummation of the transactions contemplated thereby are within such Borrower's corporate power, have been duly authorized by all necessary corporate action, and do not contravene (i) such Borrower's charter or by-laws, or (ii) law or any restriction under any material agreement binding on or affecting any Borrower (other than any default which may arise as a result of a draw or the probability of a draw under a Letter of Credit).

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body is required for the due execution, delivery and performance by any Borrower of 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 any Borrower is a party has been duly executed and delivered by such Person and is the legal, valid and binding obligation of such Person enforceable against such Person 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) The Consolidated balance sheets of TWC and its Subsidiaries as at December 31, 2002, and the related Consolidated statements of income and cash flows of TWC and its Subsidiaries for the fiscal year then ended, copies of which have been furnished to each Bank, and the Consolidated balance sheet of TWC and its Subsidiaries as at March 31, 2003, and the related Consolidated statements of income and cash flows of TWC and its Subsidiaries for the three months then ended, duly certified by an authorized financial officer of TWC, copies of which have been furnished to each Bank, fairly present in all material respects (in the case of such balance sheets as at March 31, 2003, and such statements of income and cash flows for the three months then ended, subject to normal recurring and other adjustments) the Consolidated financial condition of TWC and its Subsidiaries as at such dates and the Consolidated results of operations of TWC and its 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 prior to the date of this Agreement,

from December 31, 2002 to the date of this Agreement, there has been no material adverse change in the Consolidated financial condition or Consolidated results of operations of TWC and its Consolidated Subsidiaries.

(i) The Consolidated balance sheet of NWP and its Subsidiaries as at December 31, 2002, and the related Consolidated statement of income and cash flows of NWP and its Subsidiaries for the fiscal year then ended, copies of which have been furnished to each Bank, and the Consolidated balance sheet of NWP and its Subsidiaries as at March 31, 2003, and the related Consolidated statement of income and cash flows of NWP and its Subsidiaries for the three months then ended, duly certified by an authorized financial officer of NWP, copies of which have been furnished to each Bank, fairly present in all material respects, subject, in the case of such balance sheet as at March 31, 2003, and such statements of income and cash flows for the three months then ended, to normal recurring and other adjustments, the Consolidated financial condition of NWP and its Subsidiaries as at such dates and the Consolidated results of operations of NWP and its Subsidiaries for the year and three-month period, respectively, ended on such dates, all in accordance with generally accepted accounting principles consistently applied.

(ii) The Consolidated balance sheet of TGPL and its Subsidiaries as at December 31, 2002, and the related Consolidated statement of income and cash flows of TGPL and its Subsidiaries for the fiscal year then ended, copies of which have been furnished to each Bank, and the Consolidated balance sheet of TGPL and its Subsidiaries as at March 31, 2003, and the related Consolidated statement of income and cash flows of TGPL and its Subsidiaries for the three months then ended, duly certified by an authorized financial officer of TGPL, copies of which have been furnished to each Bank, fairly present in all material respects, subject, in the case of such balance sheet as at March 31, 2003, and such statements of income and cash flows for the three months then ended, to year-end audit adjustments, the Consolidated financial condition of TGPL and its Subsidiaries as at such dates and the Consolidated results of operations of TGPL and its 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, there is no pending or, to the knowledge of each Borrower, threatened action or proceeding affecting any Borrower or any of their Subsidiaries or against any of its or their respective properties or revenues before any Governmental Authority or arbitrator (other than such threatened actions or proceedings which are being contested in good faith and by appropriate proceedings and with respect to which liabilities in conformity with generally accepted accounting principles, if required by such principles, have been established by the applicable Borrower or such Subsidiary, as the case may be) which could reasonably be expected to materially and adversely affect the value of the Collateral or on the ability of the Banks to exercise their rights and remedies in respect of the Collateral.

(g) No Letter of Credit or Revolving Credit Advance has been or will be used for any purpose or in any manner contrary to the provisions of Section 5.2(b).

(h) No Borrower is 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 or Revolving Credit Advance will be used to purchase or carry any such margin stock (other than purchases of common stock expressly permitted by Section 5.2(b)) or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

(i) No Borrower is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(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 the value of the Collateral, the perfection or priority of the liens of the Collateral Agent (for the benefit of the Secured Parties) on any material portion of such Collateral, or the ability of the Banks to exercise their rights and remedies in respect of the Collateral. No Borrower has nor has any ERISA Affiliate of any Borrower received any notification that any Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no Borrower is 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 value of the Collateral or the ability of the Banks to exercise their rights and remedies in respect of the Collateral.

(k) No Borrower is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(l) After taking all actions required to be made by TWC which are necessary to perfect the security interest in the Collateral created under the Security Agreement, the Security Agreement will create in favor of the Collateral Agent for the benefit of the Secured Parties (as defined in the Security Agreement) a valid, and together with any applicable actions, perfected first priority security interest in the Collateral, securing payment of the Secured Obligations (as defined in the Security Agreement). TWC is the legal and beneficial owner of the Collateral free and clear of any lien other than those in favor of the Collateral Agent for the benefit of the Secured Parties.

ARTICLE V

COVENANTS OF THE BORROWERS

SECTION 5.1. Affirmative Covenants. So long as any Revolving Credit Advance shall remain unpaid, any Letter of Credit or Reimbursement Obligation shall remain outstanding, any Letter of Credit Liability shall exist, any Issuing Bank shall have any Letter of Credit Commitment or any Bank shall have any Commitment hereunder, each Borrower will, unless the Majority Banks shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders (other than such non-compliance matters which are 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 established by the applicable Borrower books of such Borrower) and where such failure to comply could not reasonably be expected to have a material adverse effect on the value of the Collateral, the perfection or priority of the liens of the Collateral Agent (for the benefit of the Secured Parties) on any material portion of such Collateral, or on the ability of the Banks to exercise their rights and remedies in respect of the Collateral.

(b) Reporting Requirements. Furnish to each of the Banks:

(i) as soon as possible and in any event within five Business Days after the occurrence of each Default, Event of Default or Mandatory Prepayment Event, continuing on the date of such statement, a statement of an Authorized Financial Officer of such Borrower setting forth the details of such Default or Event of Default and the actions, if any, which such 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 such Borrower, (1) the unaudited Consolidated balance sheet of such Borrower and its Consolidated Subsidiaries as of the end of such quarter and the unaudited 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 normal recurring and other 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 5.1(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 stating that he or she 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;

(iii) as soon as available and in any event not later than (1) 105 days after the end of each Fiscal Year of such Borrower, a copy of the annual audited report for such year for such Borrower and its Consolidated Subsidiaries, including therein the 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 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 Borrowers shall not be obligated to furnish copies of such financial statement; and (2) 120 days after the end of each Fiscal Year of such Borrower, a certificate of an Authorized Financial Officer of such Borrower stating that he or she 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.

(iv) promptly after the sending or filing thereof, copies of all proxy material, reports and other information which any Borrower sends to any of its security holders, and copies of all final reports and final registration statements which any 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, such Borrower shall not be obligated to furnish copies thereof.

(c) Preservation of Corporate Existence, Etc. Preserve and maintain its existence, legal structure, legal name, and rights (charter and statutory), in the jurisdiction of its incorporation or formation, and qualify and remain qualified as a foreign corporation and maintain and preserve its franchise and privileges in each jurisdiction in which such qualification, franchise or privilege is necessary or desirable in view of its business and operations in the reasonable judgment of the applicable Borrower, except any Borrowers may consummate any merger, consolidation or sale, lease or transfer all or substantially of its assets as permitted pursuant to Section 5.2(a).

(d) Security Interest in Collateral. Cause, and take all action reasonably requested by the Collateral Agent to maintain, a first priority perfected security interest to exist at all times in the Collateral held on deposit in the Collateral Account in favor of the Collateral Agent for the benefit of itself and the Secured Parties (as defined in the Security Agreement) pursuant to the Security Agreement.

SECTION 5.2. Negative Covenants. So long as any Revolving Credit Advance shall remain unpaid, any Letter of Credit or Reimbursement Obligation shall remain outstanding, any Letter of Credit Liability shall exist, any Issuing Bank shall have any Letter of Credit Commitment or any Bank shall have any Commitment hereunder, each Borrower will not, without the written consent of the Majority Banks:

(a) Mergers, Etc. Merge or consolidate with or into any other Person, or sell, lease or otherwise transfer all or substantially all of its assets, except that any Borrower may merge into, consolidate with or into or sell, lease or otherwise transfer all or substantially all of its assets to any successor or purchaser Business Entity so long as such successor or purchaser Business Entity shall be organized in the United States of

America and shall have expressly assumed this Agreement and the obligations of such Borrower hereunder and under the other Credit Documents.

(b) Use of Proceeds. Use any Letter of Credit or proceeds of any Revolving Credit Advance for any purpose other than general corporate purposes relating to the business of a Borrower (including without limitation, working capital, capital expenditures, and the acquisition, purchase or redemption of any Equity Interests or of any Debt of any Borrower or its Subsidiary), or use any Letter of Credit or proceeds of any Revolving Credit Advance in any manner which violates or results in a violation of law.

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) Any Borrower (i) shall fail to pay any Reimbursement Obligation when the same becomes due and payable, (ii) shall fail to pay any principal of any Revolving Credit Advance or any Note executed by it when the same becomes due and payable, (iii) shall fail to pay any interest on any Reimbursement Obligation, Revolving Credit Advance or Note within five Business Days after the same becomes due and payable or (iv) 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 any Borrower herein or in any other Credit Document or by any Borrower (or any officer of any Borrower) in writing under or in connection with this Agreement or in any other Credit Document or any instrument executed in connection herewith (including representations and warranties deemed made pursuant to Section 3.2) shall prove to have been materially incorrect in any material respect when made or deemed made; or

(c) Any Borrower shall fail to perform or observe (i) any term, covenant or agreement contained in Section 5.1(b)(i) 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 such Borrower by the Agent or any Bank or the date any Authorized Financial Officer of such Borrower shall have actual knowledge of such failure, or (ii) any term, covenant or agreement contained in Section 5.1(b) (other than a term, covenant or agreement contained in Section 5.1(b)(i)) 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 such Borrower by the Agent or any Bank or the date any Authorized Financial Officer of such Borrower shall have actual knowledge of such failure, or (iii) any term, covenant or agreement contained in this Agreement (other than a term, covenant or agreement contained in Section 5.1(b), Section 5.1(d) or Section 5.2) or any other Credit Document on its part to be performed or observed and such

failure shall continue for thirty days after the earlier of the date notice thereof shall have been given to such Borrower by the Agent or any Bank or the date any Authorized Financial Officer of such Borrower shall have actual knowledge of such failure, or (iv) any term, covenant or agreement contained in Section 5.1(d) on its part to be performed or observed and such failure shall continue for one Business Day after the earlier of the date notice thereof shall have been given to such Borrower by the Agent or any Bank or the date any Authorized Financial Officer of such Borrower shall have actual knowledge of such failure, or (v) any term, covenant or agreement contained in Section 5.2; or

(d) Any 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 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 any Borrower shall take any action to authorize any of the actions set forth above in this subsection (d); or

(e) Any material provision in the Security Agreement for any reason is not a legal, valid, binding and enforceable obligation of any Borrower party thereto or any Borrower party thereto shall so state in writing; or

(f) the aggregate mark-to-market value of the Collateral shall be less than the Collateral Coverage Requirement for a period of five consecutive Business Days after the date of receipt by the Borrowers of written notice (which notice shall specify in reasonable detail the calculation and amount of such shortfall amount) from the Collateral Agent;

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 Borrowers, declare the Commitments of each Bank, the obligations of each Issuing Bank to issue any Letter of Credit and each Bank to make Revolving Credit Advances 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 Borrowers, declare the principal of the Reimbursement Obligations and Revolving Credit Advances, all interest thereon and all other amounts payable by the Borrowers 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 Borrowers; provided, however, that in the event of any Event of Default described in Section 6.1(d)(ii), (A) the Commitments of each Bank, the obligation of each Issuing Bank to issue a Letter of Credit and each Bank to make Revolving Credit Advances shall automatically be terminated and (B) the principal of the Reimbursement Obligations and

Revolving Credit Advances, 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 Borrowers. For purposes of this Section 6.1, any Reimbursement Obligation or Revolving Credit Advances owed to an SPC shall be deemed to be owed to its Designating Bank.

ARTICLE VII

THE AGENT; THE COLLATERAL AGENT; AND ISSUING BANKS

SECTION 7.1. Agent's and Collateral Agent's Authorization and Action. Each Bank hereby appoints and authorizes the Agent and the Collateral Agent to take such action respectively as agent and collateral agent on its behalf and to exercise such powers under this Agreement and the other Credit Documents as are delegated respectively to the Agent and to the Collateral Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by the Credit Documents (including enforcement of the terms of this Agreement or collection of the Reimbursement Obligations or Notes, fees and any other amounts due and payable pursuant to this Agreement), neither the Agent nor the Collateral Agent shall 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 and all holders of Notes; provided, however, that the neither the Agent nor the Collateral Agent shall be required to take any action which exposes the Agent or the Collateral Agent to personal liability or which is contrary to the Credit Documents or applicable law. The Agent and the Collateral Agent agree to give to each Bank prompt notice of each notice given to it by any Borrower pursuant to the terms of this Agreement or any other Credit Document.

SECTION 7.2. Agent's and Collateral Agent's Reliance, Etc. Neither the Agent nor the Collateral Agent nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by them or 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 and the Collateral Agent: (i) may consult with their respective legal counsel (including counsel for any Borrower), independent public accountants and other experts selected by them and shall not be liable for any action taken or omitted to be taken in good faith by them in accordance with the advice of such counsel, accountants or experts; (ii) make 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 or any other Credit Document; (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 or any other Credit Document on the part of any Borrower or to inspect the property (including the books and records) of any Borrower; (iv) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Credit Document or any other instrument or document furnished pursuant hereto or thereto; (v) shall incur no liability under or

in respect of any Letter of Credit, Note 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 them in their reasonable judgement to be genuine and signed or sent by the proper party or parties; (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 and (vii) may treat a Bank as the obligee of any Revolving Credit Advance or, if applicable, the payee of any Note as the holder thereof, until the Agent receives and accepts a Transfer Agreement executed by a Borrower (if required pursuant to Section 8.5), the assignor Bank and the assigning Bank pursuant to Section 8.5.

SECTION 7.3. Issuing Banks' Reliance, Etc. Neither the Issuing Banks nor any directors, officers, agents or employees of the Issuing Banks shall be liable for any action taken or omitted to be taken by any of 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 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; (ii) make 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 or any other Credit Document; (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 or any other Credit Document on the part of any Borrower or to inspect the property (including the books and records) of any 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 Credit Document or any other instrument or document furnished pursuant hereto or thereto; 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 in its reasonable judgment to be genuine and signed or sent by the proper party or parties.

SECTION 7.4. Rights. With respect to its Commitments, the Revolving Credit Advances made by it and the Notes, if any, issued to it, or any Letter of Credit Interest held by it, Citibank shall have the same rights and powers under any such Note and this Agreement as any other Bank and may exercise the same as though it was not the Agent and Collateral 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. Citibank, 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, any Borrower, any Person who may do business with or own, directly or indirectly, securities of any Borrower and any other Person, all as if Citibank were not the Agent and Collateral Agent and each Issuing Bank was not an Issuing Bank, in each case without any duty to account therefor to the Banks.

SECTION 7.5. Indemnification. The Banks agree to indemnify the Agent and the Collateral Agent (to the extent not reimbursed by the Borrowers), ratably according to the respective Letter of Credit Interests then held by each of them plus the respective principal amounts of the Revolving Credit Advances owed to each of them (or if no Letter of Credit Interests or Revolving Credit Advances are at the time outstanding, ratably according to their respective LC Participation Percentage plus their Revolving Credit Commitments), 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 either the Agent or the Collateral Agent in any way relating to or arising out of this Agreement or any other Credit Document or any action taken or omitted by the Agent or the Collateral Agent under this Agreement or any other Credit Document (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 AND THE COLLATERAL AGENT). IT IS THE INTENT OF THE PARTIES HERETO THAT THE AGENT AND THE COLLATERAL AGENT SHALL, TO THE EXTENT PROVIDED IN THIS SECTION 7.5, BE INDEMNIFIED FOR RESPECTIVELY FOR THEIR OWN ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE. Without limitation of the foregoing, each Bank agrees to reimburse the Agent and the Collateral Agent promptly upon demand for their respective ratable shares of any out-of-pocket expenses (including counsel fees) incurred respectively by the Agent and 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 or any other Credit Document to the extent that the Agent and the Collateral Agent are not reimbursed for such expenses by the Borrowers.

(a) The Banks agree to indemnify each Issuing Bank (to the extent not reimbursed by the Borrowers), ratably according to the respective Letter of Credit Interests then held by each of them plus the respective principal amounts so the Revolving Credit Advances owed to each of them (or if no Letter of Credit Interests or Revolving Credit Advances are at the time outstanding, ratably according to their respective LC Participation Percentage plus their Revolving Credit Commitments), 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 any Issuing Bank in any way relating to or arising out of this Agreement or any other Credit Document or any action taken or omitted by any Issuing Bank under this Agreement or any other Credit Document (EXPRESSLY INCLUDING ANY SUCH CLAIM, DAMAGE, LOSS, LIABILITY OR EXPENSE ATTRIBUTABLE TO THE ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE OF ANY ISSUING BANK, BUT EXCLUDING ANY SUCH CLAIM, DAMAGE, LOSS, LIABILITY OR EXPENSE ATTRIBUTABLE TO THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH ISSUING BANK). IT IS THE INTENT OF THE PARTIES HERETO THAT AN ISSUING BANK SHALL, TO THE EXTENT PROVIDED IN THIS SECTION 7.5, BE INDEMNIFIED FOR ITS OWN ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE. Without limitation of the foregoing, each Bank agrees to reimburse each Issuing Bank promptly upon demand for its

ratable share of ay out-of-pocket expenses (including counsel fees) incurred by such Issuing Bank in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through renegotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under this Agreement or any other Credit Documents to the extent that such Issuing Bank is not reimbursed for such expenses by the Borrowers.

SECTION 7.6. Successor Agent and Collateral Agent. The Agent and Collateral Agent may resign at any time respectively as Agent and Collateral Agent under this Agreement by giving written notice thereof to the Banks and the Borrowers and may be removed at any time with or without cause by the Majority Banks; provided, however, that any removal of the Agent will not be effective until it has also been replaced as Collateral Agent. Upon any such resignation or removal, the Majority Banks shall have the right to appoint, with the consent of the Borrowers (which consent shall not be unreasonably withheld and shall not be required if an Event of Default exists), a successor Agent and Collateral Agent from among the Banks. If no successor Agent and 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 respective retiring Agent's or Collateral Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Agent or Collateral Agent, then the retiring Agent or Collateral Agent may, on behalf of the Banks, appoint respectively a successor Agent or 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 Agent or Collateral Agent under this Agreement by respectively a successor Agent or Collateral Agent, such successor Agent or Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent or Collateral Agent and shall function as the Agent or Collateral Agent under this Agreement, and the retiring Agent or Collateral Agent shall be discharged from its duties and obligations as Agent or Collateral Agent under this Agreement. After any retiring Agent's or Collateral Agent's resignation or removal hereunder respectively as Agent or Collateral Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent or Collateral Agent under this Agreement.

SECTION 7.7. Bank Credit Decision. Each of the Banks acknowledges that it has, independently and without reliance upon the Collateral Agent, the Agent, the Documentation Agent, the Co-Lead Arrangers, 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 of the Banks and the other beneficiaries of any Security Agreement parties hereto (both on its own behalf and on behalf of any of its Affiliates that is a beneficiary of any Security Agreement) also acknowledges that it will, independently and without reliance upon the Collateral Agent, the Agent, the Documentation Agent, the Co-Lead Arrangers, the Issuing Banks 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. The Collateral Agent shall not 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 7.8. 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 Agreement 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 Credit 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 7.9. Other Agents. The other agents, Documentation Agent and the Co-Lead Arrangers have no duties or obligations under this Agreement. None of the other agents, the Documentation Agent or the Co-Lead Arrangers 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, the Documentation or the Co-Lead Arrangers any obligation in respect of this Agreement or other Credit Documents.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.1. Amendments, Etc. No amendment or waiver of any provision of this Agreement, nor consent to any departure by any 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) except as provided in Section 3.1(i), waive any of the conditions specified in Article III, (b) increase the Commitments of the Banks or the Letter of Credit Commitments of the Issuing Banks or subject any Bank to any additional obligation, (c) reduce the Reimbursement Obligations, (d) reduce the principal of, or interest on (other than any interest pursuant to Section 2.13(b)), the Revolving Credit Advances or any fees or other amounts payable hereunder, (e) postpone any date fixed for any payment of the Reimbursement Obligations, Revolving Credit Advances or any fees or other amounts payable hereunder, (f) change the definition of Majority Banks or otherwise change the LC Participation Percentages, the percentage of the Commitments or of the aggregate unpaid principal amount of the Revolving Credit Advances, 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 set forth in the Security

Agreement or Section 2.2(c), (h) amend, waive any provision of, or consent to any departure by any Borrower from Section 2.5(b), Section 2.9 or this Section 8.1, (i) decrease the percentage set forth in the definition of "Collateral Coverage Requirement" or (j) amend or modify the definition of "Collateral" as defined herein or as defined in the Security Agreement; 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 8.2. Notices, Etc. All notices and other communications provided for hereunder shall be either (x) in writing (including telecopy communication) and mailed, telecopied or delivered or (y) as and to the extent set forth in Section 8.2(b) and in the provisos to this Section 8.2(a), in an electronic medium and delivered, as set forth in Section 8.2(b), 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 8.5(a); if to a 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 Citibank, as Agent or Collateral Agent, to its address at 2 Penns Way, Suite 200, New Castle, Delaware 19720 (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 any 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 any Borrower, each Issuing Bank, the Collateral Agent and the Agent; provided that materials required to be delivered pursuant to Section 5.1(b)(ii), (iii) and (iv) shall be delivered to the Agent as specified in Section 8.2(b) or as otherwise specified to any Borrower by the Agent; provided, further, that any communication that (A) relates to a request for a new, or a conversion of an existing, borrowing or other extension of credit (including any election of an interest rate or interest period relating thereto), (B) relates to the payment of any principal or other amount due under the Credit Agreement prior to the scheduled date therefor, (C) provides notice of any Default or Event of Default under the Credit Agreement or (D) is required to be delivered to satisfy any condition precedent to the effectiveness of the Credit Agreement and/or any borrowing or other extension of credit thereunder, shall be in writing (including telecopy communication) and mailed, telecopied or delivered pursuant to this Section 8.2(a). All such notices and communications shall, when mailed, telecopied or e-mailed, 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 8.5(a) (or other telecopy number specified by such party in a written notice to the other parties hereto) or confirmed by e-mail, 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 other Credit Document (other than a Letter of Credit) shall be effective as delivery of a manually executed counterpart thereof.

(a) So long as Citibank is the Agent, materials required to be delivered pursuant to Section 5.1(b)(ii), (iii) and (iv) may be delivered to the Agent (x) in an electronic medium in a format acceptable to the Agent and the Lenders by e-mail at oploanswebadmin@citigroup.com or (y) in accordance with Section 8.2(a)(x). The Borrowers agree that the Agent may make such materials, as well as any other written information, documents, instruments and other material relating to any Borrower, any Subsidiaries or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the "Communications") available to the Banks by posting such notices on "e-Disclosure" (the "Platform"), the Agent's internet delivery system that is part of Fixed Income Direct, Global Fixed Income's primary web portal. Although the primary web portal is secured with a dual firewall and a User ID/Password Authorization System and the Platform is secured through a single user per deal authorization method whereby each user may access the Platform only on a deal-by-deal basis, the Borrowers acknowledge that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent or any of its Affiliates in connection with the Platform.

(b) Each Bank agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any Communications have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Bank for purposes of this Agreement; provided that, if requested by any Bank, the Agent shall deliver a copy of the Communications to such Bank by e-mail or telecopier. Each Bank agrees (i) to notify the Agent in writing of such Bank's e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Bank becomes a party to this Agreement (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Bank) and (ii) that any Notice may be sent to such e-mail address.

SECTION 8.3. No Waiver; Remedies. No failure on the part of any Bank, the Collateral Agent, any Issuing Bank, any Issuing 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 8.4. Costs and Expenses.

(a) (i) TWC agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Co-Lead Arrangers, the Documentation Agent, the Collateral Agent, the Agent and the Issuing Banks in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Letters of Credit, the Notes, or any other Credit Document 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, the Notes 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 the Security Agreement, and (ii) TWC 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 Documentation 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 any Borrower.

(b) Each Borrower agrees, to the fullest extent permitted by law, to indemnify and hold harmless the Agent, the Collateral Agent, the Documentation Agent, the Issuing Banks, other agents, the Co-Lead Arrangers 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, without limitation, 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 the Notes, any Letter of Credit, this Agreement, any Credit Document or any transaction in which any proceeds of all or any part of Letters of Credit or Revolving Credit Advances 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 OR THE GROSS NEGLIGENCE OR WILFUL MISCONDUCT OF THE AFFILIATES, DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS OF SUCH INDEMNIFIED PARTY). IT IS THE INTENT OF THE PARTIES HERETO THAT EACH INDEMNIFIED PARTY SHALL, TO THE EXTENT PROVIDED IN THIS SECTION 8.4(b), BE INDEMNIFIED FOR ITS OWN ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE.

(c) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance is made by any Borrower to or for the account of a Bank other than on the last day of the Interest Period for such Eurodollar Rate Advance, as a result of a payment, prepayment or Conversion pursuant to this Agreement or acceleration of the maturity of the Notes pursuant to

Section 6.1, such Borrower shall, upon demand by such Bank (with a copy of such demand to the Agent), pay to the Agent for the account of such Bank any amounts required to compensate such Bank for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Bank to fund or maintain such Eurodollar Rate Advance.

(d) Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of the Borrowers contained in Sections 2.2, 2.6 and 2.8 and this Section 8.4 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

SECTION 8.5. Binding Effect; Transfers.

(a) This Agreement shall become effective (other than Article II, which shall become effective upon satisfaction of the conditions precedent set forth in Section 3.1) when it shall have been executed by the Borrowers, 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 Borrowers, the Agent, the Collateral Agent, the Issuing Banks and each Bank and their respective successors and assigns; provided that the Borrowers shall not have the right to assign any of their 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 Revolving Credit Advances owing to such Bank, any Note or Notes held by such Bank, its Letter of Credit Commitments, its Letter of Credit Interest and any or all of its Commitments); 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 and the Notes, (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 Commitment, 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 $10,000,000 in the aggregate or such lesser amount as may be consented to by the Agent and the respective Borrowers, (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 as a "Bank" 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 and the Collateral Agent pursuant to Section 7.6) 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 and

Revolving Credit Advances 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 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 any Borrower or any other Person or the performance or observance by any 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 and the Collateral Agent, respectively, to act as Agent and the Collateral Agent, respectively, on its behalf and to exercise such powers and discretion under this Agreement, any other Credit Document or any other document executed in connection herewith or therewith as are delegated to the Agent and the Collateral Agent, respectively, 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 a register for the recordation of the names and addresses of each Bank together with its respective Commitment, Letter of Credit Commitment, LC Participation Percentage, Letter of Credit Interest and the principal amount of the Revolving Credit Advances owing to such Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrowers, the Agent, the Issuing Banks and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by any Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(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 applicable 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 such Borrower. If requested by the assigning or assignee Bank, each Borrower after its receipt of such notice, shall, at its own expense, execute and deliver to the Agent in exchange for the surrendered Notes, new Notes to the order of such assignee Bank in an amount equal to the Commitment assumed by it pursuant to such Transfer Agreement and, if the assigning Bank has retained a Commitment hereunder new Notes to the order of the assigning Bank in an amount equal to the Commitment retained by it hereunder. Such new Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Notes, shall be dated the effective date of such Transfer Agreement and shall otherwise be in substantially the form of Exhibit F hereto

(e) Each Bank may sell participations to one or more banks or other entities (other than the Borrowers or any of their Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment, the Revolving Credit Advances owing to it, the Notes held by it and its Letter of Credit Interest); provided, however, that (i) such Bank's obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrowers, 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, (v) all amounts payable under this Agreement shall be calculated as if such Bank had not sold such participation, and (vi) the terms of any such participation shall not restrict such Bank's ability to consent to any departure by any 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 Revolving Credit Advances 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 Revolving Credit Advances 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) or any of its Notes in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Board without notice to or consent of the Borrowers 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 or Revolving Credit Advances made by such Bank) under this Agreement, its Notes or any of its Letter of Credit Interest to any Federal Reserve Bank without notice to or consent of any Borrowers 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 Borrowers) 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 Borrowers, the option to fund all or any part of any payment to any Issuing Bank or Revolving

Credit Advance 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 shall remain unchanged, (ii) such Designating Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrowers, 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 or to fund any Revolving Credit Advance, 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 a Borrower under this Agreement (including its obligations under Section 2.7). The issuance of a Letter of Credit or the making of a Revolving Credit Advance by an SPC hereunder shall utilize the Commitment of the Designating Bank to the same extent, and as if, such Revolving Credit Advance were made by or 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 8.5, an SPC may not assign its interest in any Letter of Credit Interests or Revolving Credit Advance except that, with notice to, but without the prior written consent of, the Borrowers 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 or Revolving Credit Advance to the Designating Bank or to any financial institutions (consented to by the Borrowers 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 or Revolving Credit Advance. 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, the Notes 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 Borrowers, 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 Borrowers or the SPC. This Section 8.5(g) may not be amended without the written consent of any SPC, which shall have been identified to the Agent and the Borrowers.

SECTION 8.6. Governing Law. This Agreement, the Notes and the other Credit Documents shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.7. 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, the Notes and any other Credit Document or under any other agreement entered into in connection with or as security for this Agreement, the Notes 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 applicable Borrower or refunded by the Agent, such Issuing Bank, the Collateral Agent or such Bank, as the case may be, to the applicable 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 Borrowers or refunded by the Agent, such Issuing Bank, the Collateral Agent or such Bank, as the case may be, to the applicable Borrower.

SECTION 8.8. 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 one and the same agreement.

SECTION 8.9. Survival of Agreements, Representations and Warranties, Etc. All warranties, representations and covenants made by any Borrower or any officer of any 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 of any Letters of Credit and the issuance and delivery of the Notes (if any) and the making of Revolving Credit Advances regardless of any investigation.

SECTION 8.10. Confidentiality.

(a) Subject to paragraph (b) below, each Bank agrees that it will not disclose without the prior consent of TWC (other than to employees, auditors, accountants, counsel or other professional advisors of the Agent or any Bank) any information with respect to the Borrowers, which is furnished pursuant to this Agreement and which (i) the Borrowers in good faith considers to be confidential and (ii) is either clearly marked confidential or is designated by the Borrowers to the Agent and the Banks in writing as confidential; provided that any Bank may disclose any such information (1) as has become generally available to the public, (2) 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, (3) as may be required or appropriate in response to any summons or subpoena in connection with any litigation, (4) in order to comply with any law, order, regulation or ruling applicable to such Bank, (5) to the prospective transferee or grantee in connection with any contemplated transfer of any of the Commitments, Letter of Credit Commitments, Letter of Credit Interests or Revolving Credit Advances 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 or Revolving Credit Advance; provided that such prospective transferee executes an agreement with or for the benefit of the Borrowers containing provisions substantially identical to those contained in this Section 8.10; and provided further that if the contemplated transfer is a grant of an option to fund a drawing under a Letter of Credit or Revolving Credit Advance to an SPC pursuant to Section 8.5(g), such SPC may disclose (x) 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 (y) if prior notice of the delivery thereof is given to the Borrowers, such information as may be required by law or regulation to be delivered, (6) in connection with the exercise of any remedy by such Bank following an Event of Default pertaining to this Agreement, any of the Notes or any of the other Credit Documents or any other document delivered in connection herewith, (7) in connection with any litigation involving such Bank pertaining to this Agreement, any of the Notes or any of the other Credit Documents or any other document delivered in connection herewith, (8) to any Bank, any Issuing Bank, the Collateral Agent or the Agent, or (9) to any affiliate of any Bank; provided that such affiliate executes an agreement with or for the benefit of the Borrowers containing provisions substantially identical to those contained in this Section 8.10.

(b) Notwithstanding anything herein or in any of the other Credit Documents to the contrary, the Borrowers, the Agent and each Bank (and each employee, representative or other agent of any such Person) may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to such Person relating to such tax treatment and tax structure. For purposes of this Section 8.11(b), "tax treatment" means the purported or claimed U.S. federal income tax treatment of the transaction, and "tax structure" means any fact that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of the transaction. The authorization to disclose the tax treatment and tax structure of the transactions contemplated hereby contained in the first sentence was applicable immediately upon commencement of discussions between the Borrowers, the Agent and the Banks with respect to the transactions contemplated hereby.

SECTION 8.11. Waiver of Jury Trial. THE BORROWERS, 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 OF THE NOTES, ANY LETTER OF CREDITS, ANY OTHER CREDIT DOCUMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 8.12. Severability. In the event any one or more of the provisions contained in this Agreement or in any other Credit Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8.13. Forum Selection and Consent to Jurisdiction. 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 BANKS, ANY ISSUING BANK, THE COLLATERAL AGENT OR THE BORROWERS IN CONNECTION HEREWITH OR THEREWITH MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK SITTING IN THE COUNTY 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 MAY BE BROUGHT, AT THE AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL MAY BE FOUND. THE BORROWERS IRREVOCABLY CONSENT 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 ACCORDANCE WITH SECTION 8.2. THE BORROWERS HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH THEY 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 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, SUCH BORROWER HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THE CREDIT DOCUMENTS.

SECTION 8.14. Nature of Obligations. Notwithstanding anything in this Agreement to the contrary, (a) NWP and TGPL shall be obligated only with respect in each case

for the Revolving Credit Advances made to such Borrower (and all interest and fees thereto) under Section 2.1(a) and the Reimbursement Obligations and fees with respect to the Letters of Credit issued for the account of such Borrower pursuant to Section 2.1(b) and (b) TWC shall be obligated for all obligations of each Borrower hereunder.

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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/ Steven J. Malcolm
Name: Steven J. Malcolm
Title: Chief Executive Officer, Chairman of the Board, and President

NORTHWEST PIPELINE CORPORATION

By: /s/ J. Douglas Whisenant
Name: J. Douglas Whisenant
Title: Senior Vice President

TRANSCONTINENTAL GAS PIPE LINE CORPORATION

By: /s/ J. Douglas Whisenant
Name: J. Douglas Whisenant
Title: Senior Vice President

CITIBANK, N.A., as Administrative Agent and Collateral Agent

By: /s/ J. Chris Lyons
Name: J. Chris Lyons
Title: Vice President

CITIBANK, N.A. as Issuing Bank and Bank

By: /s/ J. Chris Lyons
Name: J. Chris Lyons
Title: Vice President

BANK OF AMERICA, N.A., as Syndication Agent

By: /s/ Claire Liu
Name: Claire M. Liu
Title: Managing Director

BANK OF AMERICA, N.A., as Issuing Bank
and Bank

By: /s/ Claire Liu
Name: Claire M. Liu
Title: Managing Director

JPMORGAN CHASE BANK, as Documentation
Agent and Bank

By: /s/ Robert Traband
Name: Robert W. Traband
Title: Vice President

THE BANK OF NOVA SCOTIA, as Bank

By: /s/ N. Bell
Name: N. Bell
Title: Senior Manager

BARCLAYS BANK PLC, as Bank

By: /s/ Nicholas A. Bell
Name: Nicholas A. Bell
Title: Director, Loan Transaction
Management

THE ROYAL BANK OF SCOTLAND PLC, as Bank

By: /s/ P. J. Dundee
Name: Patricia J. Dundee
Title: Senior Vice President

CREDIT LYONNAIS NEW YORK BRANCH, as Bank

By: /s/ O. Audemard
Name: Olivier Audemard
Title: Senior Vice President

LEHMAN COMMERICAL PAPER, INC., as Bank

By: /s/ G. Andrew Keith
Name: G. Andrew Keith
Title: Authorized Signatory

TORONTO DOMINION (TEXAS), INC., as Bank

By: /s/ Jill Hall
Name: Jill Hall
Title: Vice President

WESTLB AG, NEW YORK BRANCH, as Bank

By: /s/ S. Battinelli
Name: Sal Battinelli
Title: Managing Director

By: /s/ Duncan Robertson
Name: Duncan Robertson
Title: Executive Director

BANK ONE, N.A. (MAIN OFFICE - CHICAGO), as Bank

By: /s/ Jeanie Gonzalez
Name: Jeanie Gonzalez
Title: Director

MERRILL LYNCH BANK USA, as Bank

By: /s/ Louis Alder
Name: Louis Alder
Title: Vice President

MORGAN STANLEY SENIOR FUNDING, INC., as bank

By: /s/ Jaap Tonckens
Name: Jaap L. Tonckens
Title: Vice President

BANK OF OKLAHOMA, N.A., as Bank

By: /s/ Robert Mattax
Name: Robert D. Mattax
Title: Senior Vice President

BMO NESBITT BURNS FINANCING, INC., as Bank

By: /s/ Thomas E. McGraw
Name: Thomas E. McGraw
Title: Vice President

THE BANK OF TOKYO-MITSUBISHI, LTD., HOUSTON AGENCY, as Bank

By: /s/ K. Glasscock
Name: K. Glasscock
Title: Vice President and Manager

By: /s/ J. Fort
Name: J. Fort
Title: Vice President

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. 2 Penns Way, Suite 200 New Castle, Delaware 19720 Telecopier: (302) 894-6120 Attn: The Williams Companies, Inc. Account Officer 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
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. Bank of America Center 700 Louisiana, 8th Floor Houston, Texas 77002 Telecopier: (713) 247-7286 Telephone: (713) 247-7235 Attn: Claire Liu
The Bank of Nova Scotia	The Bank of Nova Scotia 600 Peachtree Street, N.E., Suite 2700 Atlanta, Georgia 30308 Telecopier: (404) 888-8998 Telex: 00542319 Attn: Robert L. Ahern with copies to: 1100 Louisiana, Suite 3000

Name of Bank	Lending Office
	Houston, Texas 77002 Telecopier: (713) 752-2425 Telephone: (713) 759-3440 Attn:
Bank One, NA (Chicago)	Bank One, NA 1 Bank One Plaza 0634, 1 FNP, 10 Chicago, Illinois 60670 Telephone: (312) 732-5219 Telecopier: (312) 732-4840 Attn:
JPMorgan Chase Bank	JPMorgan Chase Bank 1111 Fannin - 10th Floor Houston, TX 77002 Telecopier: (713) 427-6307 Telephone: (713) 750-2377 Attn: Jamie Kurtz
Credit Lyonnais New York Branch	Credit Lyonnais New York Branch 1301 Avenue of the Americas New York, New York 10019 Telecopier: (713) 759-9766 Telephone: (713) 753-8723 Attn: Bernadette Archie
Bank of Montreal	Bank of Montreal 115 S. LaSalle Street, 11th Floor Chicago, Illinois 60603 Telecopier: (312) 750-6061 Telephone: (312) 750-4359 Attn: Anita Blake
	BMO Nesbitt Burns Financing, Inc. 700 Louisiana, Suite 4400 Houston, TX 77002 Telecopier: (713) 223-4007 Telephone: (713) 546-9750 Attn: Cahal Carmody
Morgan Stanley Senior Funding, Inc.	Morgan Stanley Senior Funding, Inc. 1585 Broadway New York, New York 10036 Telecopier: (212) 507-3663 Telephone: (212) 762-2787 Attn: Michael O'Hare

Name of Bank	Lending Office
Merrill Lynch Bank USA	Merrill Lynch Bank USA 15 West South Temple, Suite 300 Salt Lake City, UT 84101 Telecopier: (801) 531-7470 Telephone: (801) 526-8316 Attn: Frank K. Stepan
Barclays Bank PLC	Barclays Bank PLC 200 Park Avenue New York, New York 10166 Telecopier: (212) 412-7600 Telephone: (212) 412-4029 Attn: Nicholas Bell
The Bank of Tokyo-Mitsubishi, Ltd., Houston Agency	The Bank of Tokyo-Mitsubishi, Ltd., Houston Agency 1100 Louisiana Street, Suite 2800 Houston, Texas 77002-5216 Telecopier: (713) 655-3855 Telephone: (713) 655-3845 Attn: J.M. McIntyre
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: Jill Hall
Lehman Commercial Paper, Inc.	Lehman Commercial Paper, Inc. 745 7th Avenue, 16th Floor New York, New York 10019 Telecopier: (212) 520-0450 Telephone: (212) 526-6560 Attn: Marie Cowell
Westdeutsche Landesbank Girozentrale, New York Branch	Westdeutsche Landesbank Girozentrale, New York Branch 1211 Avenue of the Americas New York, New York 10036 Telecopier: (212) 852-6307 Telephone: (212) 852-6096 Attn: Jeffrey S. Davidson
The Royal Bank of Scotland	The Royal Bank of Scotland New York Branch 101 Park Avenue, 12th Floor

Name of Bank	Lending Office
	New York, New York 10178 Telecopier: (212) 401-1494 Telephone: (212) 401-1406 Attn: Sheila Shaw Notices: The Royal Bank of Scotland 600 Travis Street, Suite 6070 Houston, TX 77002 Telecopier: (713) 221-2430 Telephone: (713) 221-2423 Attn: Patricia Dundee
Bank of Oklahoma, N.A.	Bank of Oklahoma, N.A. BOK Tower 8 SE One Williams Center Tulsa, OK 74172 Telecopier: (918) 280-3318 Telephone: (918) 588-6675 Attn: Laurie Brumbaugh

SCHEDULE II

BORROWERS' INFORMATION

Name of Borrowers	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
Northwest Pipeline Corporation	Northwest Pipeline Corporation 2800 Post Oak Blvd. Houston, TX 77056 Attention: Jeff P. Heinrichs Telecopier: (713) 215-2435 Telephone: (713) 215-2356
Transcontinental Gas Pipe Line Corporation	Transcontinental Gas Pipe Line Corporation 2800 Post Oak Blvd. Houston, TX 77056 Attention: Jeff P. Heinrichs Telecopier: (713) 215-2435 Telephone: (713) 215-2356

SCHEDULE III

COMMITMENTS

as of June 6, 2003

Banks	Revolving Credit Commitment ($)	Letter of Credit Commitment ($)	LC Participation Percentage (%)
Citibank, N.A	90,000,000	400,000,000	11.250
Bank of America, N.A	90,000,000	400,000,000	11.250
JPMorgan Chase Bank	90,000,000	0	11.250
The Bank of Nova Scotia	60,000,000	0	7.500
Barclays Bank plc	60,000,000	0	7.500
The Royal Bank of Scotland plc	60,000,000	0	7.500
Credit Lyonnais New York Branch	60,000,000	0	7.500
Lehman Commercial Paper, Inc.	60,000,000	0	7.500
Toronto Dominion (Texas), Inc.	60,000,000	0	7.500
WESTLB AG, New York Branch	35,000,000	0	4.375
Bank One, N.A. (Main Office - Chicago)	35,000,000	0	4.375
Merrill Lynch Bank USA	20,000,000	0	2.500
Morgan Stanley Senior Funding, Inc.	20,000,000	0	2.500
Bank of Oklahoma, N.A	20,000,000	0	2.500
BMO Nesbitt Burns Financing, Inc.	20,000,000	0	2.500
The Bank of Tokyo-Mitsubishi, Ltd., Houston Agency	20,000,000	0	2.500
TOTAL	$800,000,000*		100.000

* The aggregate outstanding amount of all (i) Revolving Credit Advances and (ii) Letters of Credit shall not exceed $800,000,000.

EXHIBIT A
TO
CREDIT AGREEMENT

OPINION OF JAMES J. BENDER, ESQ.
GENERAL COUNSEL OF TWC

EXHIBIT B
TO
CREDIT AGREEMENT

OPINION OF WHITE & CASE, L.L.P.
NEW YORK COUNSEL

EXHIBIT C
TO
CREDIT AGREEMENT

FORM OF TRANSFER AGREEMENT

Dated _____, 20__

Reference is made to the Credit Agreement, dated as of June 6, 2003 (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., Northwest Pipeline Corporation, and Transcontinental Gas Pipe Line Corporation, as Borrowers, Citibank, N.A., as Agent for the Banks, Bank of America N.A., as Syndication Agent, the Banks and Issuing Banks parties thereto. 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 Borrowers or any other Person or the performance or observance by the Borrowers or any other Person of any of their 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, any Issuing Bank, the Assignor, 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 each of the Agent and the Collateral Agent, respectively, 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, respectively, 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 Credit Documents 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 Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement and the other instruments or documents 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 instruments or documents furnished pursuant thereto or in connection therewith for periods prior to the Effective Date directly between themselves.

7. This Transfer Agreement shall be governed 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 _____, _____

CITIBANK, N.A., as Agent

By:_____
Name:
Title:

EXHIBIT D-1
TO
CREDIT AGREEMENT

FORM OF NOTICE OF LETTER OF CREDIT

[Date]

Citibank, N.A., 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. Northwest Pipeline Corporation, and Transcontinental Gas Pipeline Corporation (the "Borrowers"), (a) refer to that certain Credit Agreement, dated as of June 6, 2003 (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., Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, as Borrowers, Citibank, N.A., as Agent and Collateral Agent for the Banks, Bank of America N.A., as Syndication Agent, the Banks and Issuing Banks parties thereto and Citigroup Global Markets Inc., as Co-Lead Arrangers; (b) hereby gives you notice, irrevocably, pursuant to Section 2.1 of the Credit Agreement that the undersigned hereby requests _____ (the "Issuing Bank") to issue an irrevocable Letter of Credit as set forth below in such language as the Issuing Bank may deem appropriate and (c) in that connection sets forth below the information relating to such Letter of Credit (the "Letter of Credit") as required by Section 2.1 of the Credit Agreement:

(i) The Business Day upon which the Letter of Credit will be issued is _____, 20____ (the "Issuance Date").

(ii) The account party for the Letter of Credit is the _____.

(iii) Attached hereto as Exhibit A are the proposed terms of the 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 each of the representations and warranties pursuant to Section 3.2 of the Credit Agreement are true on the date hereof, and will be true on the date of the Issuance Date.

Very truly yours,

[THE WILLIAMS COMPANIES, INC. /
NORTHWEST PIPELINE CORPORATION /
TRANSCONTINENTAL GAS PIPELINE
CORPORATION]

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 D-2
TO
CREDIT AGREEMENT

FORM OF NOTICE OF REVOLVING CREDIT BORROWING

[Date]

Citibank, N.A., as Agent
for the Banks parties to the Credit
Agreement referred to below
399 Park Avenue
New York, New York 10043

ATTENTION: The Williams Companies, Inc. Account Officer

Ladies and Gentlemen:

The undersigned, _____ (the "Borrower"), (a) refers to the Credit Agreement, dated as of June 6, 2003 (as may be further amended, modified, supplemented, renewed, extended or restated from time to time, the "Credit Agreement"; the terms defined therein and not defined herein being used herein as therein defined), by and among the undersigned, [The Williams Companies, Inc.,][Northwest Pipeline Corporation,][Transcontinental Gas Pipe Line Corporation,] certain Banks parties thereto, Citibank, N.A., as Administrative Agent and Collateral Agent, Bank of America N.A., as Syndication Agent, Citibank, N.A. and Bank of America N.A., as Issuing Banks, Citigroup Global Markets Inc. and Banc of America Securities LLC, as Co-Lead Arrangers; (b) hereby gives you notice, irrevocably, pursuant to Section 2.3(a) of the Agreement that the undersigned hereby requests a Revolving Credit Borrowing under the Agreement and (c) in that connection sets forth below the information relating to such Revolving Credit Borrowing (the "Proposed Revolving Credit Borrowing") as required by Section 2.3 (a) of the Credit Agreement:

(i) The Business Day of the Proposed Revolving Credit Borrowing is _____, 20____.

(ii) The type of Revolving Credit Advance comprising the Proposed Revolving Credit Borrowing is a [Base Rate Advance] [Eurodollar Rate Advance].

(iii) The aggregate amount of the Proposed Revolving Credit Borrowing is $_____.

(iv) [The Interest Period for each Revolving Credit Advance made as part of the Proposed Revolving Credit Borrowing is _____ months.]

The undersigned hereby certifies that each of the representations and warranties pursuant to Section 3.2 are true on the date hereof, and will be true on the date of the Proposed Revolving Credit Borrowing.

Very truly yours,

[BORROWER]

By:_____
Name:_____
Title:_____

cc: Citicorp North America, Inc.
1200 Smith Street, Suite 2000
Houston, Texas 77002
Attn: The Williams Companies, Inc.
Account Officer

EXHIBIT E
TO
CREDIT AGREEMENT

FORM OF SECURITY AGREEMENT

EXHIBIT F
TO
CREDIT AGREEMENT

FORM OF NOTE

U.S.$_____ Dated: _____, 200_

FOR VALUE RECEIVED, the undersigned, _____, a Delaware corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Bank") for the account of its Applicable Lending Office (as defined in the Credit Agreement referred to below) on the Termination Date (as defined in the Credit Agreement referred to below) the principal sum of U.S.$_____ or, if less, the aggregate principal amount of the Revolving Credit Advances made by the Bank to the Borrower pursuant to the Credit Agreement, dated as of June 6, 2003 (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., Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, as Borrowers, Citibank, N.A., as Agent and Collateral Agent for the Banks, Bank of America N.A., as Syndication Agent, the Banks and Issuing Banks parties thereto and Citigroup Global Markets Inc. and Banc of America Securities LLC, as Co-Lead Arrangers) outstanding on the Termination Date.

The Borrower promises to pay interest on the unpaid principal amount of each Revolving Credit Advance from the date of such Revolving Credit Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement. Both principal and interest in respect of each Revolving Credit Advance are payable in lawful money of the United States of America to the Agent at its account maintained at 388 Greenwich Street, New York, New York 10013, in same day funds.

Each Revolving Credit Advance owing to the Bank by the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Bank and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of Revolving Credit Advances by the Bank to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Revolving Credit Advance being evidenced by this Promissory Note and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified. Capitalized terms used herein which are not defined herein and are defined in the Credit Agreement are used herein as therein defined.

The Borrower hereby waives presentment, demand, protest, notice of intent to accelerate, notice of acceleration and any other notice of any kind, except as provided in the

Credit Agreement. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York.

[BORROWER'S NAME]

By_____
Name:_____
Title:_____

REVOLVING CREDIT ADVANCES AND PAYMENTS OF PRINCIPAL

DATE	AMOUNT OF REVOLVING CREDIT ADVANCE	AMOUNT OF PRINCIPAL PAID OR PREPAID	UNPAID PRINCIPAL BALANCE	NOTATION MADE BY

EXHIBIT 10.4

EXECUTION COPY

SECURITY AGREEMENT

Dated as of June 6, 2003

Among

THE WILLIAMS COMPANIES, INC.

as Grantor

CITIBANK, N.A.

as Collateral Agent

and

CITIBANK, N.A.

as Securities Intermediary

T A B L E O F C O N T E N T S

SECURITY AGREEMENT

SECURITY AGREEMENT dated as of June 6, 2003 (as may be amended, modified, supplemented, renewed, extended or restated from time to time, this "AGREEMENT") among THE WILLIAMS COMPANIES, INC., a Delaware corporation (the "GRANTOR"), CITIBANK, N.A., as collateral agent (in such capacity, together with any successor collateral agent appointed pursuant to Article VII of the Credit Agreement (as hereinafter defined), the "COLLATERAL AGENT") for the Banks, the Issuing Banks, the Agent (each as defined in the Credit Agreement) and the Collateral Agent (the "SECURED PARTIES") and CITIBANK, N.A., as securities intermediary of Grantor (in such capacity, the "SECURITIES INTERMEDIARY").

PRELIMINARY STATEMENTS.

(1) The Grantor, Transcontinental Gas Pipe Line Corporation and Northwest Pipeline Corporation have entered into a Credit Agreement dated as of June 6, 2003 (said Agreement, as it may hereafter be amended, amended and restated, supplemented or otherwise modified from time to time, being the "CREDIT AGREEMENT") with the Secured Parties.

(2) Pursuant to the Credit Agreement, the Grantor is entering into this Agreement in order to grant to the Collateral Agent for the ratable benefit of the Secured Parties a security interest (the "SECURITY INTEREST") in the Collateral (as hereinafter defined) to secure the Secured Obligations (as hereinafter defined).

(3) The Grantor has opened Account No. 795241 (the "COLLATERAL ACCOUNT"), with the Securities Intermediary at its office at 111 Wall Street, 14th Floor, New York, NY 10005, in the name of the Grantor but under the control (within the meaning of Section 8-106 of the UCC (as defined below)) of the Collateral Agent and subject to the terms of this Agreement.

(4) The Securities Intermediary has agreed to calculate, on a daily basis, the mark-to-market value of the securities held in the Collateral Account and to provide such calculations to any Secured Party, as such Secured Party may reasonably request from time to time.

(5) It is a condition precedent to the making of Revolving Credit Advances by the Banks and the issuance of Letters of Credit by the Issuing Banks under the Credit Agreement that the Grantor shall have granted the assignment and security interest and made the pledge and assignment contemplated by this Agreement.

(6) The Grantor will derive substantial direct and indirect benefit from the transactions contemplated herein and by the other Credit Documents.

(7) Terms defined in the Credit Agreement and not otherwise defined in this Agreement are used in this Agreement as defined in the Credit Agreement. Further, unless otherwise defined in this Agreement or in the Credit Agreement, terms defined in Article 8 or 9 of the UCC (as defined below) and/or in the Federal Book Entry Regulations (as defined below) are used in this Agreement as such terms are defined in such Article 8 or 9 and/or the Federal Book Entry Regulations. "UCC" means the Uniform Commercial Code as in effect, from time

to time, in the State of New York; provided that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, "UCC" means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority. The term "FEDERAL BOOK ENTRY REGULATIONS" means (a) the federal regulations contained in Subpart B ("Treasury/Reserve Automated Debt Entry System (TRADES)") governing book-entry securities consisting of U.S. Treasury bonds, notes and bills and Subpart D ("ADDITIONAL PROVISIONS") of 31 C.F.R. Part 357, 31 C.F.R. Section 357.2, Section 357.10 through Section 357.14 and Section 357.41 through Section 357.44 and (b) to the extent substantially identical to the federal regulations referred to in clause (a) above (as in effect from time to time), the federal regulations governing other book-entry securities.

NOW, THEREFORE, in consideration of the premises and in order to induce the Banks to make Revolving Advances and the Issuing Banks to issue Letters of Credit under the Credit Agreement, the Grantor hereby agrees with the Collateral Agent for the ratable benefit of the Secured Parties as follows:

Section 1. Grant of Security. The Grantor hereby grants to the Collateral Agent, for the ratable benefit of the Secured Parties, a security interest in the Grantor's right, title and interest in and to the following (collectively, the "COLLATERAL"):

(a) the Collateral Account and all funds and financial assets from time to time credited thereto (including, without limitation, Government Securities (as hereinafter defined)), all interest, dividends, distributions, 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 such funds and financial assets, and all certificates and instruments, if any, from time to time representing or evidencing the Collateral Account;

(b) all interest, dividends, distributions, 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.

"GOVERNMENT SECURITIES" means any of the following and each having a maturity of not greater than 2 years from the date of acquisition thereof: (i) United States treasury securities, including bills, notes and bonds; and (ii) securities of any agency of the Government of the United States that are explicitly guaranteed by the full faith and credit of the Government of the United States.

Section 2. Security for Obligations. This Agreement secures the payment of all obligations of the Grantor and the Borrowers, now or hereafter existing under the Credit Documents, whether direct or indirect, absolute or contingent, and whether for principal, reimbursement obligations, interest, fees, premiums, penalties, indemnifications, contract causes of action, costs, expenses or otherwise (all such obligations being the "SECURED OBLIGATIONS"). Without limiting the generality of the foregoing, this Agreement secures, as to each Borrower, the payment of all amounts that constitute part of the Secured Obligations and would be owed by such Borrower to any Secured Party under the Credit Documents but for the fact that they are

unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving a Borrower.

Section 3. The Collateral Account. The Securities Intermediary represents to and agrees with the Grantor and the Collateral Agent that:

(a) The Securities Intermediary maintains the Collateral Account in the name of, and for the benefit of, the Grantor, and all property held by the Securities Intermediary for the account of the Grantor is, and will continue to be, credited to the Collateral Account and maintained therein from time to time.

(b) The Collateral Account is a "securities account" as such term is used in Section 8-501(a) of the UCC and, in accordance therewith, (i) the Securities Intermediary is the securities intermediary with respect to the property credited from time to time to the Collateral Account, (ii) the Grantor is the entitlement holder with respect to the property credited from time to time to the Collateral Account and (iii) the Securities Intermediary agrees to treat the Grantor as entitled to exercise the rights that comprise the financial assets credited to the Collateral Account.

(c) The Securities Intermediary will comply with all notifications it receives directing it to invest, withdraw, transfer or redeem any property in the Collateral Account (each, an "ENTITLEMENT ORDER") originated by the Collateral Agent without further consent by the Grantor or any other person; provided that, without limiting the absolute obligation of the Securities Intermediary to comply with any Entitlement Order originated by the Collateral Agent, the Collateral Agent agrees with the Grantor that the Collateral Agent will not originate any Entitlement Order except in accordance with the terms of this Agreement; provided, further, that promptly thereafter, the Securities Intermediary shall give the Grantor written notice of the same at its address specified in the Credit Agreement.

(d) The Securities Intermediary shall comply with Entitlement Orders originated by the Grantor (subject to the terms of this Agreement); provided, however, if the Securities Intermediary receives a notice from the Collateral Agent that it will exercise exclusive control over the Collateral Account upon a Specified Event of Default (as hereinafter defined), the Securities Intermediary shall cease complying with Entitlement Orders or other directions concerning the Collateral Account, originated by the Grantor; provided, further, that in the event of any conflict between any Entitlement Order originated by the Grantor and any Entitlement Order originated by the Collateral Agent, the Entitlement Order originated by the Collateral Agent will prevail.

(e) The Securities Intermediary will treat all cash, securities and other property credited to the Collateral Account as "financial assets" as such term is defined in Section 8-102(a)(9) of the UCC.

(f) The State of New York is, and will continue to be, the Securities Intermediary's jurisdiction for purposes of Section 8-110(e)(2) of the UCC so long as the Security Interest shall remain in effect.

Section 4. Maintaining the Collateral. So long as any Revolving Credit Advance or any other obligation of the Grantor or any Borrower under any Credit Document shall remain unpaid, any Letter of Credit or Letter of Credit Liability shall be outstanding or any Bank shall have any Commitment:

(a) The Grantor will maintain all Collateral only with the Collateral Agent or the Securities Intermediary (or such other Person acceptable to the Collateral Agent and the Grantor that complies with the provisions herein which has agreed, in a record authenticated by the Grantor, the Collateral Agent and such Person, to (i) comply with instructions originated by the Collateral Agent directing the disposition of funds in the Collateral Account without the further consent of the Grantor and (ii) waive or subordinate in favor of the Collateral Agent all claims of such Person (including, without limitation, claims by way of a security interest, lien or right of setoff or right of recoupment) to the Collateral, which authenticated record shall be in form and substance satisfactory to the Collateral Agent and the Grantor).

(b) The Collateral Agent shall, at the direction of the Grantor, at any time and without notice to, or consent from, any Bank, and notwithstanding the occurrence or continuance of any Event of Default, transfer, or direct the transfer of, funds from the Collateral Account to the Agent to satisfy any Borrower's Obligations under the Credit Agreement whether or not such Obligations are then due and payable.

(c) The Collateral Agent shall, at the request of the Agent, at any time and without consent from the Grantor or any Borrower, transfer, or direct the transfer of, funds from the Collateral Account to satisfy any Borrower's obligations under the Credit Documents which are then due and payable (provided that promptly thereafter the Collateral Agent shall give the Grantor written notice of the same) if an Event of Default shall have occurred and be continuing.

(d) Subject to Sections 4(b) and 6(d) hereof, upon the occurrence and continuance of an Event of Default under Section 6.1(d) or (f) of the Credit Agreement (each a "SPECIFIED EVENT OF DEFAULT"), the Collateral Agent shall have sole right to direct the investment and disposition of funds with respect to the Collateral Account and it shall be a term and condition of the Collateral Account, notwithstanding any term or condition to the contrary in any other agreement relating to the Collateral Account that no amount (including, without limitation, interest credited thereto) will be paid or released to or for the account of, or withdrawn by or for the account of, the Grantor, any Borrower or any other Person from the Collateral Account.

(e) Contemporaneously herewith, the Grantor shall cause a certificate of incumbency to be executed in the form of Exhibit A hereto (such certificate may be amended or modified by the Grantor from time to time by adding or deleting the names of persons authorized to act on behalf of the Grantor with respect to the Collateral Account).

Section 5. Investing of Amounts in the Collateral Account. So long as no Specified Event of Default shall have occurred and be continuing and subject to the provisions of

Sections 4, 6 and 18 hereof, the Grantor will be permitted to (a) invest, or direct the Securities Intermediary to invest, amounts received with respect to the Collateral Account in Government Securities, and only Government Securities, and credited to the Collateral Account, as the Grantor may select and (b) invest interest paid on the Government Securities referred to in clause (a) above, and reinvest other proceeds of any such Government Securities that may mature or be sold, in each case in such Government Securities credited in the same manner. Interest and proceeds that are not invested or reinvested in Government Securities as provided above shall be deposited and held in the Collateral Account (such uninvested amounts shall not earn or accrue interest thereon). In addition, so long as no Specified Event of Default shall have occurred and be continuing, the Grantor shall have the right at any time to exchange, or direct the Securities Intermediary to exchange, such Government Securities for similar Government Securities of smaller or larger determinations, or for other Government Securities, credited to the Collateral Account.

Section 6. Release of Amounts. So long as (x) no Specified Event of Default shall have occurred and be continuing, and (y) the mark-to-market value of the Collateral shall exceed the Collateral Coverage Requirement (i) by not less than $1,000,000 at any time, and upon two Business Days prior written notice by the Grantor to the Collateral Agent, or (ii) on the last Business Day of each month, if requested by the Grantor, then the Collateral Agent shall immediately transfer, or direct the Securities Intermediary to transfer, such excess amount, or a portion thereof as may be requested by the Grantor, to the Grantor or at its order.

(a) So long as (x) no Specified Event of Default shall have occurred and be continuing, and (y) upon two Business Days prior written notice by the Grantor to the Collateral Agent that (i) any outstanding Revolving Credit Advance has been repaid or (ii) any outstanding Letter of Credit has expired and is undrawn, then the Collateral Agent shall immediately transfer, or direct the Securities Intermediary to transfer, such amount in excess of the Collateral Coverage Requirement, or a portion thereof as may be requested by the Grantor, as is then on deposit in the Collateral Account to the Grantor or at its order.

(b) Upon the occurrence of a Mandatory Prepayment Event and unless the Grantor has otherwise paid all then outstanding obligations of the Grantor with respect to the Revolving Credit Advances, the Collateral Agent shall, at the direction of the Agent, pay and release, or direct the Securities Intermediary to pay and release, to the Agent to be applied to all then outstanding obligations of the Grantor or any Borrower with respect to the Revolving Credit Advances, such amount as is then on deposit in the Collateral Account.

(c) Notwithstanding Sections 6(a) and 6(b), and whether or not an Event of Default has occurred and is continuing, upon two Business Days prior written notice by the Grantor to the Collateral Agent, the Collateral Agent shall immediately transfer, or direct the Securities Intermediary to transfer, such amount in excess of 107.5% of the Total Credit Exposure, or a portion thereof as may be requested by the Grantor, as is then on deposit in the Collateral Account to the Grantor or at its order.

Section 7. Representations and Warranties. The Grantor represents and warrants as follows:

(a) The Grantor's exact legal name, as defined in Section 9-503(a) of the UCC, is correctly set forth in Schedule 1 hereto. The Grantor is located (within the meaning of Section 9-307 of the UCC) and has its chief executive office in the state or jurisdiction set forth in Schedule I hereto. The information set forth in Schedule I hereto with respect to the Grantor is true and accurate in all respects. The Grantor has not previously changed its name, location, chief executive office, type of organization, jurisdiction of organization or organizational identification number from those set forth in Schedule I within the previous five years of the date hereof.

(b) The Grantor is the legal and beneficial owner of the Collateral free and clear of any lien, claim, option or right of others, except for the security interest created under this Agreement. No effective financing statement or other instrument similar in effect covering all or any part of such Collateral or listing the Grantor or any trade name of the Grantor as debtor is on file in any recording office, except such as may have been filed in favor of the Collateral Agent relating to the Credit Documents.

(c) All filings and other actions necessary to perfect the security interest in the Collateral of the Grantor created under this Agreement have been duly made or taken and are in full force and effect, and this Agreement creates in favor of the Collateral Agent for the benefit of the Secured Parties a valid and, together with such filings and other actions, perfected first priority security interest in the Collateral of the Grantor, securing the payment of the Secured Obligations.

(d) 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 (i) the grant by the Grantor of the security interest granted hereunder or for the execution, delivery or performance of this Agreement by the Grantor, or (ii) the perfection or maintenance of the security interest created hereunder (including the first priority nature of such security interest), except for the filing of financing and continuation statements under the UCC, which financing statements have been duly filed and are in full force and effect.

(e) The aggregate mark-to-market value of all Collateral in the Collateral Account for which the Collateral Agent has a first-priority perfected security interest is equal to or greater than the Collateral Coverage Requirement as of the date hereof.

Section 8. Further Assurances. The Grantor agrees that from time to time, at the expense of the Grantor, it will promptly execute and deliver, or otherwise authenticate, all further instruments and documents, and take all further action that may be necessary or desirable, or that the Collateral Agent may reasonably request, in order to perfect and protect the security interest granted or purported to be granted by the Grantor hereunder or to enable the Collateral Agent to exercise and enforce its rights and remedies hereunder with respect to the Collateral. Without limiting the generality of the foregoing, the Grantor will promptly with respect to Collateral: (i) execute or authenticate and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Collateral Agent may reasonably request, in order to perfect and preserve the security interest granted or purported to be granted by the Grantor hereunder; and (ii) deliver to the Collateral

Agent evidence that all other action that the Collateral Agent may deem reasonably necessary or desirable in order to perfect and protect the security interest created by the Grantor under this Agreement has been taken.

(a) The Grantor hereby authorizes the Collateral Agent to file one or more financing or continuation statements, and amendments thereto, including, without limitation, one or more financing statements indicating that such financing statements cover the Collateral (or words of similar effect) of the Grantor, in each case without the signature of the Grantor. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law. The Grantor ratifies its authorization for the Collateral Agent to have filed such financing statements, continuation statements or amendments filed prior to the date hereof.

(b) The Grantor will furnish to the Collateral Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with such Collateral as the Collateral Agent may reasonably request in writing, all in reasonable detail.

Section 9. Post-Closing Changes. The Grantor will not change its name, type of organization, jurisdiction of organization, organizational identification number or location from those set forth in Section 7(a) of this Agreement without first giving at least 15 Business Days' prior written notice to the Collateral Agent and taking all action required by the Collateral Agent for the purpose of perfecting or protecting the security interest granted by this Agreement. If the Grantor does not have an organizational identification number and later obtains one, it will forthwith notify the Collateral Agent of such organizational identification number.

Section 10. Other Liens. The Grantor agrees that it will not create or permit to suffer to exist any lien upon or with respect to any of the Collateral except for the pledge, assignment and security interest created under this Agreement.

Section 11. Collateral Agent Appointed Attorney-in-Fact. The Grantor hereby irrevocably appoints the Collateral Agent the Grantor's attorney-in-fact, with full authority in the place and stead of the Grantor and in the name of the Grantor or otherwise, from time to time upon the occurrence and during the continuance of an Event of Default, in the Collateral Agent's discretion, to take any action and to execute any instrument that the Collateral Agent may deem necessary to accomplish the purposes of this Agreement.

Section 12. The Collateral Agent's Duties. The powers conferred on the Collateral Agent hereunder are solely to protect the Secured Parties' interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall have no duty as to any Collateral, as to ascertaining or taking action with respect to exchanges, maturities, tenders or other matters relative to any Collateral, whether or not any Secured Party has or is deemed to have knowledge of such matters. The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which it accords its own property.

Section 13. Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Collateral Agent may exercise in respect of the 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 upon default under the UCC (whether or not the UCC applies to the affected Collateral) and also may: (i) subject to Section 13(b), exercise any and all rights and remedies of the Grantor under or in connection with the Collateral, or otherwise in respect of the Collateral, including, without limitation, withdraw, or cause or direct the withdrawal, of all funds with respect to the Collateral and (ii) exercise all other rights and remedies with respect to the other Collateral, including, without limitation, those set forth in Section 9-607 of the UCC.

(b) Any cash held by or on behalf of the Collateral Agent and all cash proceeds received by or on behalf of the Collateral Agent in respect of any collection from, or other realization upon all or any part of the Collateral shall be held by the Collateral Agent as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Collateral Agent pursuant to Section 3 hereof) in whole or in part by the Collateral Agent for the ratable benefit of the Secured Parties against, all or any part of the Secured Obligations, in the following manner:

(i) first, paid to the Collateral Agent, the Securities Intermediary and the Agent for any amounts then owing to the Collateral Agent, the Securities Intermediary and the Agent pursuant to Section 8.4 of the Credit Agreement or otherwise under the Credit Documents, ratably in accordance with such respective amounts then owing to the Collateral Agent, the Securities Intermediary and the Agent; and

(ii) second, ratably paid to the Banks and the Issuing Banks or any amounts then owing to them under the Credit Documents ratably in accordance with such respective amounts then owing to such Banks and Issuing Banks.

Any surplus of such cash or cash proceeds held by or on the behalf of the Collateral Agent and remaining after payment in full of all the Secured Obligations shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus.

(c) The Collateral Agent may, without notice to the Grantor 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.

Section 14. Indemnity and Expenses. The Grantor agrees to indemnify, defend and save and hold harmless each Secured Party and the Securities Intermediary and each of their affiliates and their respective officers, directors, employees, agents and advisors (each, an "INDEMNIFIED PARTY") from and against, and shall pay on demand, any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or resulting from this Agreement (including, without

limitation, enforcement of this Agreement), except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct or the gross negligence or willful misconduct of such Indemnified Party's affiliates, officers, directors, employees, agents or advisors.

(a) The Grantor will upon demand pay to the Collateral Agent and the Securities Intermediary the amount of any and all reasonable expenses, including, without limitation, the reasonable fees and expenses of its counsel, that the Collateral Agent and the Securities Intermediary may incur in connection with (i) the administration of this 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 the Collateral Agent or the other Secured Parties hereunder or (iv) the failure by the Grantor to perform or observe any of the provisions hereof.

Section 15. Amendments; Waivers. No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Collateral Agent and the Securities Intermediary, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Collateral Agent or any other Secured Party or the Securities Intermediary 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 such right preclude any other or further exercise thereof or the exercise of any other right.

Section 16. Notices, Etc. All notices and other communications provided for hereunder shall be either (i) in writing (including telegraphic, telecopier or telex communication) and mailed, telegraphed, telecopied, telexed or otherwise delivered or (ii) by electronic mail (if electronic mail addresses are designated as provided below) confirmed immediately in writing, in the case of the Borrowers or the Collateral Agent, addressed to it at its address specified in the Credit Agreement, if to the Securities Intermediary, at its address specified on its signature page hereto or, as to any party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and other communications shall, when mailed, telegraphed, telecopied, telexed, sent by electronic mail or otherwise, be effective when deposited in the mails, delivered to the telegraph company, telecopied, confirmed by telex answerback, sent by electronic mail and confirmed in writing, or otherwise delivered (or confirmed by a signed receipt), respectively, addressed as aforesaid; except that notices and other communications to the Collateral Agent or the Securities Intermediary shall not be effective until received by the Collateral Agent or the Securities Intermediary, as the case may be. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or Schedule hereto shall be effective as delivery of an original executed counterpart thereof.

Section 17. Continuing Security Interest; Assignments under the Credit Agreement. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the latest of (i) the payment in full in cash of the Secured Obligations, (ii) the Termination Date and (iii) the termination or expiration of all Letters of

Credit, (b) be binding upon the Grantor, its successors and assigns and (c) inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of the Secured Parties and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Bank may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement in accordance therewith (including, without limitation, all or any portion of its Commitments, the Revolving Credit Advances owing to it and the Note or Notes, if any, held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Bank herein or otherwise, in each case as provided in Section 8.6 of the Credit Agreement.

Section 18. Termination. Upon the latest of (i) the payment in full in cash of the Secured Obligations, (ii) the Termination Date and (iii) the termination or expiration of all Letters of Credit, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the applicable Grantor. Upon any such termination, the Collateral Agent will, at the Grantor's expense, execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence such termination.

Section 19. Execution in Counterparts. This Agreement may be executed in any number of 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 Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Agreement.

Section 20. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

[Signatures follow.]

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.

THE WILLIAMS COMPANIES, INC., as Grantor

By: /s/ Steven J. Malcolm
Name: Steven J. Malcolm
Title: Chairman of the Board

CITIBANK, N.A., as Collateral Agent and Secured Party

By: /s/ Gordon H. DeKuyper
Name: Gordon H. DeKuyper
Title: Vice President

CITIBANK, N.A., as Securities Intermediary
By: /s/ Camille Tomao
Name: Camille Tomao
Title: Vice President

Address:
111 Wall Street, 14th Floor
New York, New York 10055

SCHEDULE I TO THE
SECURITY AGREEMENT

CHIEF EXECUTIVE OFFICE, TYPE OF ORGANIZATION, JURISDICTION OF ORGANIZATION AND ORGANIZATIONAL IDENTIFICATION NUMBER

GRANTOR	CHIEF EXECUTIVE OFFICE	TYPE OF ORGANIZATION	JURISDICTION OF ORGANIZATION	ORGANIZATIONAL I.D. NO.
The Williams Companies, Inc.	One Williams Center Tulsa, OK 74172	Corporation	Delaware	2116534

EXHIBIT A TO THE
SECURITY AGREEMENT

CERTIFICATE OF INCUMBENCY

Reference is made to (i) the credit agreement, dated as of June 6, 2003 (as may be further amended, modified, supplemented, renewed, extended or restated from time to time, the "CREDIT AGREEMENT"), by and among The Williams Companies, Inc. (the "COMPANY"), Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, each a Delaware corporation, as borrowers, the banks, issuing banks, financial institutions and other institutional lenders party thereto, and Citibank, N.A., as agent and collateral agent ("CITIBANK"), and (ii) the security agreement, dated as of June 6, 2003 (the "SECURITY AGREEMENT"), made by the Company to Citibank.

The undersigned certifies that s/he is the [INSERT TITLE] of the Company, and as such s/he is authorized to execute this certificate and further certifies that the following persons have been elected or appointed, are qualified, and are now acting in the capacity or capacities indicated below, and that the signatures set forth opposite their respective names are their true and genuine signatures. S/he further certifies that any of the persons listed below is authorized [CHOOSE ONE: INDIVIDUALLY OR JOINTLY WITH ONE OTHER PERSON] to execute agreements and give written instructions with regard to any matters pertaining to the Collateral Account (as defined in the Security Agreement); provided, that, in all respects, such execution of agreements and giving of written instructions shall be subject to the provisions of the Credit Agreement and the Security Agreement:

Name	Title / Phone	Signature
	/	
	/	
	/	

IN WITNESS WHEREOF, I have caused this certificate to be duly executed and delivered as of the ___ day of _____, 200__.

THE WILLIAMS COMPANIES, INC.

[TO BE SIGNED BY AN OFFICER
OTHER THAN ONE LISTED ABOVE]

By _____
Name:
Title:

EXHIBIT 10.5

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT, dated as of May 19, 2003 (this "Agreement"), between MEHC Investment, Inc., a South Dakota corporation (the "Seller"), MidAmerican Energy Holdings Company, an Iowa corporation ("MidAmerican"), and The Williams Companies, Inc., a Delaware corporation (the "Purchaser").

W I T N E S S E T H:

WHEREAS, the Seller is the owner of 1,466,667 shares (the "Shares") of 9-7/8% Cumulative Convertible Preferred Stock, par value $1.00 per share, of the Purchaser (the "Preferred Stock"), purchased pursuant to the Stock Purchase Agreement, dated as of March 7, 2002 (the "Purchase Agreement"), by and among the Purchaser, the Seller and MidAmerican;

WHEREAS, the Purchaser desires to repurchase the Shares from the Seller and the Seller desires to sell the Shares to the Purchaser; and

WHEREAS, the Seller is a wholly owned subsidiary of MidAmerican.

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties, covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms and conditions set forth herein, the parties hereto hereby agree as follows:

SECTION 1. PURCHASE AND SALE

(a) Subject to the terms and conditions set forth in this Agreement and in reliance upon the Purchaser's and Seller's respective representations and warranties set forth below, on the Closing Date, the Seller shall sell to the Purchaser, and the Purchaser shall purchase from the Seller, the Shares for an aggregate purchase price of $288,750,000 (the "Purchase Price"). Such sale and purchase shall be effected on the Closing Date by the Seller delivering to the Purchaser the stock certificate evidencing the Shares together with a duly executed stock power, against delivery by the Purchaser to the Seller of the Purchase Price by wire transfer of immediately available United States dollars to such account as the Seller shall designate prior to the Closing Date.

(b) The closing of such sale and purchase (the "Closing") shall take place at 10:00 a.m. on the first business day after the satisfaction or waiver of the conditions set forth in Sections 5(c) and 6(c) (provided that if, on the first date that such conditions are satisfied, all necessary consents, waivers, authorizations and approvals are by their express terms irrevocable, then the Closing shall be on such business day thereafter as may be specified by Purchaser to Seller in a notice delivered at least two business days prior to such closing date but in no event

shall such closing date be later than July 15, 2003), or at such other time as the Purchaser and the Seller shall agree in writing (the "Closing Date"), at the offices of Willkie Farr & Gallagher, 787 Seventh Avenue, New York, New York 10019, or such other location as the Purchaser and the Seller shall mutually select.

SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE SELLER AND MIDAMERICAN

The Seller and MidAmerican represent and warrant to the Purchaser that:

2.1. Organization, Good Standing, Qualification, Etc.

(a) The Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of South Dakota, and it has the requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement. MidAmerican is a corporation duly organized, validly existing and in good standing under the laws of the State of Iowa, and it has the requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement. No other action on the part of the Seller or MidAmerican is necessary to authorize the execution, delivery and performance of this Agreement by the Seller or MidAmerican and each of the transactions contemplated hereby.

(b) This Agreement constitutes a valid and binding obligation of the Seller and MidAmerican, enforceable against the Seller and MidAmerican in accordance with its terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of creditors' rights and remedies.

(c) The execution and delivery by the Seller and MidAmerican of this Agreement do not, and the fulfillment of the terms hereof by the Seller and MidAmerican will not:

(i) require the Seller or MidAmerican or any of their Affiliates to obtain any consent, approval or action of, or make any filing with or give any notice to, any Person the failure of which to obtain, make or give would, individually or in the aggregate, reasonably be expected to delay or prevent the fulfillment of the terms of this Agreement or have a material adverse effect on the assets, properties, business, net income or financial condition of the Seller and its subsidiaries, taken as a whole; or

(ii) result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or permit the acceleration of rights under or termination of, the Seller's or MidAmerican's organizational documents, any agreement, lease, contract, note, mortgage, indenture, arrangement or other obligations to which the Seller or MidAmerican or any of their

Affiliates is a party, or any order, judgment, rule or regulation of any Governmental Entity having jurisdiction over the Seller or MidAmerican or any of their Affiliates or over their respective assets, properties or businesses, except for such breaches, defaults, accelerations and terminations that would not, individually or in the aggregate, reasonably be expected to delay or prevent the fulfillment of terms of this Agreement or have a material adverse effect on the assets, properties, business, net income or financial condition of MidAmerican and its subsidiaries, taken as a whole.

2.2. Shares

The Seller is the sole beneficial owner of the Shares and owns the Shares free and clear of adverse claims, liens or restrictions on transfer, except as set forth in Section 5.3 of the Purchase Agreement, and, upon delivery of the Shares and payment therefore pursuant hereto, the Purchaser will have acquired all legal and beneficial ownership of the Shares, free and clear of such adverse claims, liens or restrictions on transfer (except as set forth in Section 5.3 of the Purchase Agreement).

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represent and warrant to the Seller as follows:

(a) The Purchaser is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and it has the requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement. No other action on the part of the Purchaser is necessary to authorize the execution, delivery and performance of this Agreement by the Purchaser and each of the transactions contemplated hereby.

(b) This Agreement constitutes a valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of creditors' rights and remedies.

(c) Except as set forth on Schedule 3(c), the execution and delivery by the Purchaser of this Agreement do not, and the fulfillment of the terms hereof by the Purchaser will not:

(i) require the Purchaser or any of its Affiliates to obtain any consent, approval or action of, or make any filing with or give any notice to, any Person the failure of which to obtain, make or give would, individually or in the aggregate, reasonably be expected to delay or prevent the fulfillment of the terms of this Agreement or have a material adverse effect on the assets, properties, business, net income or financial condition of the Purchaser and its subsidiaries, taken as a whole; or

(ii) result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or permit the acceleration of rights under or termination of, the Purchaser's organizational documents, any agreement, lease, contract, note, mortgage, indenture, arrangement or other obligation to which the Purchaser or any of its Affiliates, is a party, or any order, judgment, rule or regulation of any Governmental Entity having jurisdiction over the Purchaser or any of its Affiliates or over their respective assets, properties or businesses, except for such breaches, defaults, accelerations and terminations that would not, individually or in the aggregate, reasonably be expected to delay or prevent the fulfillment of the terms of this Agreement or have a material adverse effect on the assets, properties, business, net income or financial condition of the Purchaser and its subsidiaries, taken as a whole.

(d) The Purchaser has accumulated "earning and profits" as of the taxable year ended December 31, 2002 which, when added to the current "earnings and profits" for the taxable year ended December 31, 2003, will be sufficient in the aggregate to qualify any dividends declared on the Shares through the Closing Date as a "dividend" within the meaning of Section 316(a) of the Internal Revenue Code of 1986, as amended.

(e) The Purchaser is and, after giving effect to the purchase of the Shares and the other obligations being incurred in connection with this Agreement, will be "Solvent". As used herein, the term "Solvent" means, as of any date of determination, that (a) the amount of the "present fair saleable value" of the assets of the Purchaser will, as of such date, exceed the amount of all "liabilities" of the Purchaser, "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 of debtors, (b) the Purchaser will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, (c) the Purchaser will be able to pay its debts as they mature, and (d) the Purchaser is not insolvent within the meaning of any applicable requirements of law in the jurisdictions where Purchaser is located or where the transactions contemplated by this Agreement are occurring. 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.

(f) The Purchaser currently has sufficient immediately available funds in cash or cash equivalents and will on the Closing Date have sufficient immediately available funds, in cash, to pay the Purchase Price and to pay any other amounts payable pursuant to this Agreement and to effect the transactions contemplated hereby.

SECTION 4. COVENANTS

4.1. Covenants of the Seller and the Purchaser

Subject to the terms and conditions of this Agreement, each of the parties shall use reasonable best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary or desirable under applicable legal requirements, to consummate and make effective the transactions contemplated by this Agreement. If at any time after the Closing Date, any further action is necessary or desirable to carry out the purposes of this Agreement, the parties hereto shall use their reasonable best efforts to take or cause to be taken all such necessary or desirable action and execute, deliver and file, or cause to be executed, delivered and filed, all necessary or desirable documentation.

4.2. Covenants of the Seller

After the date hereof and prior to the Closing Date, except as (i) expressly provided for in this Agreement, or (ii) consented to in writing by the Purchaser, the Seller will not:

(i) take any action, or knowingly omit to take any action, that would, or that would reasonably be expected to, result in (A) any of the representations and warranties of the Seller set forth in Section 2 becoming untrue, or (B) any of the conditions to the obligations of the Purchaser set forth in Section 5 not being satisfied; or

(ii) enter into any agreement or commitment to do any of the foregoing.

4.3. Covenants of the Purchaser

(a) After the date hereof and prior to the Closing Date, except as (i) expressly provided for in this Agreement, or (ii) consented to in writing by the Seller, the Purchaser will not:

(i) take any action, or knowingly omit to take any action, that would, or that would reasonably be expected to, result in (A) any of the representations and warranties of the Purchaser set forth in Section 3 becoming untrue, or (B) any of the conditions to the obligations of the Seller set forth in Section 6 not being satisfied; or

(ii) enter into any agreement or commitment to do any of the foregoing.

(b) The Purchaser shall use its commercially reasonable efforts to validly obtain all consents, authorizations, waivers and approvals required to be obtained by the Purchaser or its Affiliates to perform its obligations under this Agreement. The Purchaser shall provide the Seller with such current and full updates with respect to the status of such consents, authorizations, waivers and approvals as the Seller may reasonably request from time to time.

SECTION 5. CLOSING CONDITIONS OF THE PURCHASER

The obligations of the Purchaser to effect the transactions contemplated by this Agreement shall be subject to the satisfaction on or prior to the Closing Date of the following conditions, any one or more of which may be waived by the Purchaser in accordance with Section 7.4:

(a) All representations and warranties made by the Seller in this Agreement shall be true and correct in all material respects (except that the representations and warranties made in Section 2.1(c) and Section 2.2 shall be true and correct in all respects) on and as of the Closing Date as if again made by the Seller on and as of such date.

(b) The Seller shall have performed in all material respects all obligations required under this Agreement to be performed by it on or before the Closing Date.

(c) The Purchaser shall have received a certificate, dated the Closing Date, signed by the Chief Executive Officer or the Chief Financial Officer of the Seller, certifying that the conditions specified in the foregoing paragraphs (a) and (b) of this Section 5 have been satisfied.

(d) The consents, waivers, authorizations and approvals set forth on Schedule 3(c) shall have been obtained and shall be in full force and effect on the Closing Date.

(e) No preliminary or permanent injunction or other order issued by any Governmental Entity, nor any statute, rule, regulation, decree or executive order promulgated or enacted by any Governmental Entity, which declares this Agreement or the Preferred Stock invalid or unenforceable in any respect or which prevents the consummation of the transactions contemplated hereby or thereby, shall be in effect; and no action or proceeding before any Governmental Entity shall have been instituted by a Governmental Entity or threatened by any Governmental Entity which seeks to prevent or delay the consummation of the transactions contemplated by this Agreement or which challenges the validity or enforceability of this Agreement or the Preferred Stock.

SECTION 6. CLOSING CONDITIONS OF THE SELLER

The obligations of the Seller to effect the transactions contemplated by this Agreement shall be subject to the satisfaction on or prior to the Closing Date of the following conditions, any one or more of which may be waived by the Seller in accordance with Section 7.4:

(a) All representations and warranties made by the Purchaser in this Agreement shall be true and correct in all material respects (except that the representations and warranties made in Sections 3(c), 3(d) and 3(e) shall be true and correct in all respects and the representations and warranties made in Section 3(f) shall be true and correct in all respects as of the Closing Date) on and as of the Closing Date as if again made by the Purchaser on and as of such date.

(b) The Purchaser shall have performed in all material respects all obligations required under this Agreement to be performed by it on or before the Closing Date.

(c) To the extent that the agreements set forth on Schedule 3(c) have not been terminated and have no further force and effect as of the Closing Date (as demonstrated by evidence reasonably satisfactory to Seller and MidAmerican), the consents, waivers, authorizations and approvals set forth on Schedule 3(c), except for the consent required under the transaction described in paragraph 6 of such Schedule, shall have been validly obtained and shall be in full force and effect on the Closing Date.

(d) The Seller shall have received a certificate, dated the Closing Date, signed by the Chief Executive Officer or the Chief Financial Officer of the Purchaser, certifying that the conditions specified in the foregoing paragraphs (a), (b) and (c) of this Section 6 have been satisfied.

(e) The Seller shall have received the opinion of White & Case, LLP, dated the Closing Date and addressed to the Seller, in form and substance reasonably satisfactory to the Seller, that, to the extent that the agreements set forth in Schedule 3(c) have not been terminated and have no further force and effect as of the Closing Date, the execution, delivery and performance by the Purchaser of this Agreement does not violate the agreements set forth on Schedule 3(c), with the exception of the agreement listed in paragraph 6 of Schedule 3(c).

(f) (A) If the Closing Date occurs on or prior to July 1, 2003, then (i) at least ten days prior to the dividend payment date and before seeking any of the third party consents required to consummate the transactions contemplated hereby, the Purchaser shall have declared the regular quarterly dividend on the Preferred Stock for the period ending June 30, 2003 and it shall be payable on the earlier of the Closing Date or July 1, 2003 to holders of record of the Shares on May 19, 2003 and (ii) such dividend shall have been paid to such record holder on or prior to the Closing Date; provided that, if the Closing Date occurs before July 1, 2003, then the Purchaser shall only be required to have paid a dividend on the Shares in an aggregate amount equal to the product of the regular quarterly dividend amount of $6,789,062.50 multiplied by a fraction the numerator of which is the number of days elapsed in the second quarter of 2003 from and including April 1, 2003 through the day preceding the Closing Date and the denominator of which is 90; or (B) if the Closing Date occurs after July 1, 2003, then (i) the Purchaser shall have declared and paid the regular quarterly dividend on the Preferred Stock for the period ended June 30, 2003, (ii) at least ten days prior to the Closing Date the Purchaser shall have declared the regular quarterly dividend on the Preferred Stock for the period ending September 30, 2003 and it shall be payable on the Closing Date to holders of record of the Shares on May 19, 2003 and (iii) such dividend shall have been paid to such record holder on or prior to the Closing Date; provided that the Purchaser shall only be required to have paid a dividend on the Shares in an amount equal to the product of the regular quarterly dividend amount of $6,789,062.50 multiplied by a fraction the numerator of which is the number of days elapsed in the third quarter of 2003 from and including July 1, 2003 through the day preceding the Closing Date and the denominator of which is 90.

(g) No preliminary or permanent injunction or other order issued by any Governmental Entity, nor any statute, rule, regulation, decree or executive order promulgated or

enacted by any Governmental Entity, which declares this Agreement or the Preferred Stock invalid or unenforceable in any respect or which prevents the consummation of the transactions contemplated hereby or thereby, shall be in effect; and no action or proceeding before any Governmental Entity shall have been instituted by a Governmental Entity or threatened by any Governmental Entity which seeks to prevent or delay the consummation of the transactions contemplated by this Agreement or which challenges the validity or enforceability of the Transaction Documents or the Preferred Stock.

SECTION 7. TERMINATION, AMENDMENT AND WAIVER

7.1. Termination

(a) This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing:

(i) by mutual written consent of the Seller and the Purchaser;

(ii) by the Seller, in the event that the Purchaser fails to comply with any of its covenants or agreements contained herein, or breaches its representations and warranties contained herein, such failure to comply or breach, if curable, is not cured within five business days after receipt by the Purchaser of notice specifying particularly such failure to comply or breach, and such failure to comply or breach would result in the failure to satisfy the conditions set forth in Sections 6(a), 6(b), 6(c) and/or 6(f) on or before July 15, 2003;

(iii) by the Purchaser, in the event that the Seller fails to comply with any of its covenants or agreements contained herein, or breaches its representations and warranties contained herein, such failure to comply or breach, if curable, is not cured within five business days after receipt by the Seller of notice specifying particularly such failure to comply or breach, and such failure to comply or breach would result in a failure to satisfy the conditions set forth in Section 5(a) and/or 5(b) on or before July 15, 2003;

(iv) by the Seller or the Purchaser, in the event that a Governmental Entity shall have issued an order, decree or ruling or taken any other action (which order, decree or ruling the parties hereto shall use their reasonable best efforts to lift), which permanently restrains, enjoins or otherwise prohibits the transactions contemplated by this Agreement and which is not subject to appeal;

(b) This Agreement shall terminate automatically if the Closing Date has not occurred by July 15, 2003.

7.2. Effect of Termination

In the event of termination and abandonment of this Agreement pursuant to Section 7.1(a), 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 Purchaser. If (x) this Agreement is terminated as provided herein by the Seller pursuant to Section 7.1(a)(ii) or (y) this Agreement is terminated pursuant to Section 7.1(b) and, on July 15, 2003, all consents, waivers, authorizations and approvals set forth on Schedule 3(c) have not been obtained or are not in full force and effect or the failure to consummate the transaction on or prior to July 15, 2003 was otherwise not due solely to a failure of the conditions set forth in Section 5(a), Section 5(b) or Section 5(c) to be satisfied, then the Purchaser shall pay the Seller a cash termination fee (the "Termination Fee") of $13,750,000, payable within three business days of the date of the termination of this Agreement. If (x) this Agreement is terminated as provided herein by the Purchaser pursuant to Section 7.1(a)(iii) or (y) this Agreement is terminated pursuant to Section 7.1(b) and, on July 15, 2003, all consents, waivers, authorizations and approvals set forth on Schedule 3(c) have been validly obtained and are in full force and effect and the failure to consummate the closing on or prior to July 15, 2003 was due solely to a failure of the conditions set forth in Section 5(a), 5(b) or 5(c), then the Seller shall pay the Purchaser a cash termination fee (the "Seller Fee") of $13,750,000, payable within three business days of the date of such termination of this Agreement. If this Agreement is otherwise terminated as provided herein, no party to this Agreement shall have any liability or further obligation to any other party to this Agreement. Notwithstanding the foregoing, no termination of this Agreement pursuant to this Section 7 shall relieve any party of liability for misrepresentation or breach of any provision of this Agreement occurring before such termination, provided that (x) the sole liability of the Purchaser for any breach or misrepresentation by it hereunder upon termination of this Agreement shall be the payment of the Termination Fee and (y) the sole liability of the Seller or the Guarantor for any breach or misrepresentation hereunder upon termination of this Agreement shall be the payment of the Seller Fee.

7.3. Amendment

This Agreement may be amended, modified or supplemented only by a written instrument executed by the parties hereto.

7.4. Waiver

The Purchaser or the Seller may, by written notice to the other party (i) extend the time for the performance of any of the obligations or other actions of the other party hereto, (ii) waive any inaccuracies in the representations and warranties of the other party contained in this Agreement or in any documents delivered pursuant to this Agreement by the other party, (iii) waive compliance with any of the covenants of the other party contained in this Agreement, (iv) waive performance of any of the obligations of the other party or (v) 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 either 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.

SECTION 8. INTERPRETATION OF THIS AGREEMENT

8.1. Certain Terms Defined

As used in this Agreement, the following terms have the respective meanings set forth below:

Affiliate: shall mean 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.

Governmental Entity: shall mean any U.S. or non-U.S. (a) federal, state, county, local or municipal governmental, administrative or regulatory authority, agency, commission, tribunal, body or political subdivision thereof, (b) other governmental, quasi-governmental, regulatory or self-regulatory entity, (c) court or administrative tribunal, or (d) arbitration tribunal or other non-Governmental Entity with applicable jurisdiction.

Person: shall mean 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), and a Governmental Entity.

8.2. Governing Law

This Agreement shall be governed by and construed in accordance with the internal and substantive laws of New York and without regard to any conflicts of laws concepts, which would apply the substantive law of some other jurisdiction.

8.3. Paragraph and Section Headings

The headings of the sections and subsections and any table of contents of this Agreement are solely for convenience of reference and shall not affect the meaning or interpretation of this Agreement or any term or provision hereof.

SECTION 9. 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.

SECTION 10. MISCELLANEOUS

10.1. Notices

(a) All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed to have been duly made or delivered, if delivered personally or sent by overnight courier or facsimile (with evidence of confirmation of receipt), in each case to the parties at the following addresses:

(1) if to the Seller:

MEHC Investment, Inc.
C/o MidAmerican Capital
335 Sioux Point Road
Suite 100
Dakota Dunes, SD 57049

Attention: Dennis Melstad
Facsimile: (605) 232-5925

With a copy to:

MidAmerican Energy Holdings Company
320 South 36th St.
Suite 400
Omaha, NE 68131

Attention: Douglas L. Anderson, Esq.
Facsimile: (402) 231-1658

With a copy to:

Willkie Farr & Gallagher
787 Seventh Avenue
New York, New York 10019-6009

Attention: Peter J. Hanlon, Esq. / William N. Dye, Esq.
Facsimile: (212) 728-8111

(2) if to the Purchaser:

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

Attention: Debbie Fleming
Facsimile: (918) 573-2065

With a copy to:

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

Attention: James J. Bender, Esq.
Facsimile: (918) 573-5942

With a copy to:

White & Case LLP
1155 Avenue of the Americas
New York, New York 10036

Attention: David E. Joyce
Facsimile: (212) 354-8113

or 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 10.1 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 10.1.

10.2. Expenses

All legal, accounting, financial advisory and other fees, costs and expenses of a party hereto incurred in connection with this Agreement and the performance of the transactions contemplated hereby shall be paid by the party incurring such fees, costs and expenses.

10.3. 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 (in the reasonable judgment of either party after consulting with outside counsel experienced in such matters) 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.

10.4. Confidentiality

The Seller and MidAmerican agree to keep the material non-public information with respect to the Purchaser and its subsidiaries provided to Seller or MidAmerican in connection with the transactions contemplated by this Agreement (the "Confidential Information") strictly confidential and not to disclose any of it to anyone without the prior written consent of the Purchaser, provided that the Seller and MidAmerican may disclose such information to (a) the Seller's or MidAmerican's auditors, accountants, attorneys and other professional advisors in connection with such auditors', accountants', attorneys' and advisors' performance of professional services for the Seller, if the Seller or MidAmerican (i) advises such auditors, accountants, attorneys and advisors, as the case may be, of the confidential nature of such Confidential Information and (ii) imposes on such auditors, accountants, attorneys and advisors (or they are otherwise subject to) confidentiality obligations in respect of the Confidential Information comparable to those which MidAmerican ordinarily imposes with respect to its own confidential information, and (b) to any regulatory authorities or examiners or any rating agencies in connection with their supervision, examination or ratings of the Seller or MidAmerican or any affiliate thereof or as required in any reports filed by the Seller or such affiliate with such regulatory authorities or as may otherwise be required by applicable laws. The confidentiality obligations imposed by the foregoing sentence shall not apply, or shall cease to apply, to any such information (a) which was or becomes generally available to the public other than as a result of a disclosure by the Seller or MidAmerican (or any of their respective employees, officers, directors, representatives, agents or advisors) in violation of the terms of this Agreement, (b) which was available, or becomes available, to the Seller or MidAmerican on a non-confidential basis prior to its disclosure by the Purchaser or (c) becomes known to the Seller or MidAmerican from a source other than the Purchaser under circumstances not involving a breach known to the Seller or MidAmerican of a confidentiality obligation of such source to the Purchaser. The obligations of Seller and MidAmerican under this Section 10.4 shall terminate on, and be of no further effect from and after, the first anniversary of the date of this Agreement.

10.5. Submission to Jurisdiction

With respect to any suit, action or proceeding initiated by a party to this Agreement arising out of, under or in connection with this Agreement or the transactions contemplated hereby, the Seller and the Purchaser each hereby submit to the exclusive jurisdiction of any state or federal court sitting in the State of New York and irrevocably waive, to the fullest extent permitted by law, any objection that they may now have or hereafter obtain to the laying of venue in any such court in any such suit, action or proceeding.

10.6. Successors and Assigns

The rights and obligations of the parties hereto shall inure to the benefit of and shall be binding upon the authorized successors and permitted assigns of each party. Neither party hereto may assign its rights or obligations under this Agreement or designate another

person (i) to perform all or part of its obligations under this Agreement or (ii) to have all or part of its rights and benefits under this Agreement, in each case without the prior written consent of the other party.

10.7. Entire Agreement

This Agreement represents the entire agreement and understanding of the parties with reference to the transactions set forth herein and therein and no representations or warranties have been made in connection with this Agreement other than those expressly set forth herein or in the 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 the final executed versions of this Agreement.

10.8. 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.

10.9. 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 Seller or the Purchaser, 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.

10.10. Guarantee

MidAmerican guarantees performance by the Seller of the Seller's obligations under this Agreement.

10.11. Indemnity.

From and after the Closing Date, notwithstanding the Closing or the delivery of the Shares and regardless of any investigation at any time made by or on behalf of the Seller or MidAmerican or of any knowledge or information that the Seller or MidAmerican may have, the Purchaser shall indemnify and agree to defend, save and hold the Seller and MidAmerican and their officers, directors, employees, agents and affiliates (collectively, the "INDEMNIFIED PARTIES") harmless if any such Indemnified Party shall at any time or from time to time suffer 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") arising out of, relating to, or resulting from any failure by Purchaser to obtain or maintain in full force and effect any consent, waiver, authorization or approval relating to the agreements described in paragraph 6 of Schedule 3(c) and/or any related cross-defaults. Without limiting the foregoing, the Indemnified Parties shall have the right, but not the obligation, to participate at Purchaser's expense in the defense of any claim or action by counsel of the Indemnified Party's choice and to have their reasonable expenses in connection therewith promptly reimbursed by Purchaser and shall in any event use their reasonable best efforts to cooperate with and assist the Purchaser. If the Purchaser fails timely to defend, contest or otherwise protect against such suit, action, investigation, claim or proceeding, the Indemnified Parties shall have the right to do so, including, without limitation, the right to make any compromise or settlement thereof, and the Indemnified Parties shall be entitled to recover the entire cost thereof from the Purchaser, including, without limitation, reasonable attorneys' fees, disbursements and amounts paid as the result of such suit, action, investigation, claim or proceeding.

IN WITNESS WHEREOF, the Seller, the Purchaser and MidAmerican have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

THE WILLIAMS COMPANIES, INC.

By: /s/ Donald R. Chappell

Name: Donald R. Chappell
Title: Senior Vice President and CFO

MEHC INVESTMENT, INC.

By: /s/Douglas L. Anderson

Name: Douglas L. Anderson
Title: Vice President

MIDAMERICAN ENERGY HOLDINGS COMPANY.

By: /s/ Douglas L. Anderson

Name: Douglas L. Anderson
Title: Senior Vice President

EXECUTION COPY

EXHIBIT 10.6

PURCHASE AGREEMENT

BY AND AMONG

WILLIAMS ENERGY SERVICES, LLC,

WILLIAMS NATURAL GAS LIQUIDS, INC. AND

WILLIAMS GP LLC

COLLECTIVELY, AS SELLING PARTIES,

AND

WEG ACQUISITIONS, L.P.
A DELAWARE LIMITED PARTNERSHIP,
AS BUYER,

FOR THE PURCHASE AND SALE OF

(i) ALL THE MEMBERSHIP INTERESTS OF

WEG GP LLC
A DELAWARE LIMITED LIABILITY COMPANY,

(ii) ALL OF THE COMMON UNITS AND SUBORDINATED UNITS OF

WILLIAMS ENERGY PARTNERS, L.P.
A DELAWARE LIMITED PARTNERSHIP

OWNED BY WILLIAMS ENERGY SERVICES, LLC AND WILLIAMS NATURAL GAS LIQUIDS, INC.

AND

(iii) ALL THE CLASS B COMMON UNITS OF

WILLIAMS ENERGY PARTNERS, L.P.
A DELAWARE LIMITED PARTNERSHIP

DATED AS OF APRIL 18, 2003

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Exhibits

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "AGREEMENT") is made and entered into as of this 18th day of April, 2003, by and among WILLIAMS ENERGY SERVICES, LLC, a Delaware limited liability company ("WES"), WILLIAMS NATURAL GAS LIQUIDS, INC., a Delaware corporation ("WNGL"), and Williams GP LLC, a Delaware limited liability company (the "OLD COMPANY," and collectively with WES and WNGL, the "SELLING PARTIES") and WEG Acquisitions, L.P., a Delaware limited partnership ("BUYER").

W I T N E S S E T H:

WHEREAS, WES and WNGL are the sole members of both (i) WEG GP LLC, a Delaware limited liability company (the "NEW COMPANY," and with the Old Company, the "GP COMPANIES") and (ii) the Old Company;

WHEREAS, (i) WES owns a 99.81% membership interest in the New Company (the "WES NEW LLC INTERESTS"), and WNGL owns a 0.19% membership interest in the New Company (the "WNGL NEW LLC INTERESTS," and with the WES New LLC Interest, the "NEW LLC INTERESTS"); and (ii) WES owns a 99.80% membership interest in the Old Company and WNGL owns a 0.20% membership interest in the Old Company;

WHEREAS, the New Company is the sole general partner of Williams Energy Partners, L.P., a Delaware limited partnership (the "PARTNERSHIP"), and the New Company owns (i) a 2.0% general partner interest in the Partnership (the "GP INTEREST") and (ii) all of the incentive distribution rights with respect to the Partnership (the "IDRs");

WHEREAS, other than the GP Interest and the IDRs, the Partnership also has outstanding common units representing limited partner interests in the Partnership (the "COMMON UNITS"), Class B common units representing limited partner interests in the Partnership (the "CLASS B COMMON UNITS") and subordinated units representing limited partner interests in the Partnership (the "SUBORDINATED UNITS");

WHEREAS, WES owns 757,193 Common Units (the "WES COMMON UNITS") and 4,589,193 subordinated units (the "WES SUBORDINATED UNITS," and with the WES Common Units, the "WES UNITS"), which, in the aggregate, represent a 19.3% limited partner interest in the Partnership;

WHEREAS, WNGL owns 322,501 Common Units (the "WNGL COMMON UNITS") and 1,090,501 Subordinated Units (the "WNGL SUBORDINATED UNITS," and with the WNGL Common Units, the "WNGL UNITS"), which, in the aggregate, represent a 5.1% limited partner interest in the Partnership;

WHEREAS, the Old Company owns 7,830,924 Class B Common Units, which, in the aggregate, represent a 28.2% limited partner interest in the Partnership;

WHEREAS, the general public holds 12,600,000 Common Units, which, in the aggregate, represent a 45.4% limited partner interest in the Partnership;

WHEREAS, Buyer desires to purchase the New LLC Interests, the WES Units, the WNGL Units and the Class B Common Units (collectively, the "SECURITIES") from the respective Selling Parties, and each Selling Party desires to sell the Securities owned by it to the Buyer, in each case upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, as of the date hereof, The Williams Companies, Inc. ("PARENT") has entered into a Guaranty and Covenant Agreement ("PARENT GUARANTY") in favor of Buyer and the other Buyer Indemnified Parties, pursuant to which, among other things, Parent has guaranteed the payment and performance by the Selling Parties of all of their liabilities and obligations under this Agreement and the Transaction Documents (as defined herein);

WHEREAS, the Board of Directors of Parent has received an opinion from Lehman Brothers, Inc., dated as of the date hereof, to the effect that the consideration (as defined therein) to be received by Parent pursuant to this Agreement is fair, from a financial point of view, to Parent; and

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.

(a) On the Closing Date (as hereinafter defined) and upon the terms and subject to the conditions set forth in this Agreement:

(i) WES shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase and accept from WES, the WES New LLC Interests and the WES Units, in each case, 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"), except, in the case of the WES New LLC Interests, as may be set forth in the New LLC Agreement (as defined in Section 2.2) or, in the case of the WES Units, as may be set forth in the Partnership Agreement (as defined in Section 2.3);

(ii) WNGL shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase and accept from WNGL, the WNGL New LLC Interests and the WNGL Units, in each case, free and clear of any Encumbrances, except, in the case of the WNGL New LLC Interests, as may be set forth in the New LLC Agreement or, in the case of the WNGL Units, as may be set forth in the Partnership Agreement; and

(iii) The Old Company shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase and accept from the Old Company, the Class B Common Units, free and clear of any Encumbrances, except as may be set forth in the Partnership Agreement.

(b) The closing of such sale and purchase (the "CLOSING") shall take place at 10:00 a.m. (New York time), on the third business day after the satisfaction 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. in New York, New York or at such other place as the parties hereto shall agree in writing.

SECTION 1.2. DELIVERIES AT CLOSING.

(a) At the Closing, the Selling Parties shall make the following deliveries to Buyer:

(i) WES shall deliver to Buyer:

(1) a duly executed bill of sale, in substantially the form attached hereto as Exhibit 1.2(a)(i), transferring the WES New LLC Interests (the "WES BILL OF SALE");

(2) (i) a duly executed certificate, countersigned by the Transfer Agent (as defined below), representing 757,193 Common Units in the name of the Buyer (or an Affiliate designated in writing), (ii) a copy of a letter from WES, addressed to and acknowledged by the Bank of New York, as the transfer agent and registrar with respect to the Common Units (the "TRANSFER AGENT"), instructing such Transfer Agent to cancel the certificate(s) representing the WES Common Units and to reissue a new certificate representing 757,193 Common Units in the name of the Buyer (or an Affiliate designated in writing) and (iii) a copy of the cancelled certificate(s) representing the WES Common Units;

(3) (i) a duly executed certificate, countersigned by the transfer agent therefor, representing 4,589,193 Subordinated Units in the name of the Buyer (or an Affiliate designated in writing), (ii) a copy of a letter from WES, addressed to and acknowledged by the New Company, as the general partner of the Partnership and the transfer agent and registrar with respect to the Subordinated Units, instructing the New Company to cancel the certificate(s) representing the WES Subordinated Units and to reissue a new certificate representing 4,589,193 Subordinated Units in the name of the Buyer (or an Affiliate designated in writing) and (iii) a copy of the cancelled certificate(s) representing the WES Subordinated Units;

(ii) WNGL shall deliver to Buyer:

(1) a duly executed bill of sale, in substantially the form attached hereto as Exhibit 1.2(a)(ii), transferring the WNGL New LLC

Interests (the "WNGL BILL OF SALE," and with the WES Bill of Sale, the "BILLS OF SALE");

(2) (i) a duly executed certificate, countersigned by the Transfer Agent, representing 322,501 Common Units in the name of the Buyer (or an Affiliate designated in writing), (ii) a copy of a letter from WNGL, addressed to and acknowledged by the Transfer Agent, instructing the Transfer Agent to cancel the certificate(s) representing the WNGL Common Units and to reissue a new certificate representing 322,501 Common Units in the name of the Buyer (or an Affiliate designated in writing) and (iii) a copy of the cancelled certificate(s) representing the WNGL Common Units;

(3) (i) a duly executed certificate, countersigned by the transfer agent therefor, representing 1,090,501 Subordinated Units in the name of the Buyer (or an Affiliate designated in writing), (ii) a copy of a letter from WNGL, addressed to and acknowledged by the New Company, as the general partner of the Partnership and the transfer agent and registrar with respect to the Subordinated Units, instructing the New Company to cancel the certificate(s) representing the WNGL Subordinated Units and to reissue a new certificate representing 1,090,501 Subordinated Units in the name of the Buyer (or an Affiliate designated in writing) and (iii) a copy of the cancelled certificate(s) representing the WNGL Subordinated Units;

(iii) the Old Company shall deliver to Buyer: (1) a duly executed certificate, countersigned by the transfer agent therefor, representing 7,830,924 Class B Common Units in the name of the Buyer (or an Affiliate designated in writing), (2) a copy of a letter from the Old Company, addressed to and acknowledged by the New Company, as the general partner of the Partnership and the transfer agent and registrar with respect to the Class B Common Units, instructing the New Company to cancel the certificate(s) representing 7,830,924 Class B Common Units in the name of the Old Company and to reissue a new certificate representing 7,830,924 Class B Common Units in the name of the Buyer (or an Affiliate designated in writing) and (3) a copy of the cancelled certificate(s) in the name of the Old Company;

(iv) WES and WNGL shall together deliver to Buyer:

(1) a duly executed copy of the New Omnibus Agreement, in substantially the form attached hereto as Exhibit 1.2(a)(iv)(1);

(2) a duly executed copy of the Transition Services Agreement, in substantially the form attached hereto as Exhibit 1.2(a)(iv)(2);

(3) a duly executed copy of the ATLAS Assignment, Contribution and License Agreement, in substantially the form attached hereto as Exhibit 1.2(a)(iv)(3); and

(4) a duly executed copy of a Services Agreement between Buyer and the Selling Parties, in form and substance to be mutually agreed on by the parties, reflecting the terms on the term sheet attached as Exhibit 1.2(a)(iv)(4).

(b) At the Closing, Buyer shall make the following deliveries to the Selling Parties (or the New Company as specified in clause (ii) below):

(i) payment of the First Payment of the Purchase Price, as provided in Section 1.3 below;

(ii) one or more transfer applications in respect of the Common Units, Class B Common Units and Subordinated Units to be acquired by it, in the form specified in the Partnership Agreement, seeking admission to the Partnership as a substitute limited partner (the "UNIT TRANSFER APPLICATION(S)");

(iii) a duly executed copy of the New Omnibus Agreement, in substantially the form attached hereto as Exhibit 1.2(a)(iv)(1);

(iv) a duly executed copy of the Transition Services Agreement, in substantially the form attached hereto as Exhibit 1.2(a)(iv)(2);

(v) a duly executed copy of the ATLAS Assignment, Contribution and License Agreement, in substantially the form attached hereto as Exhibit 1.2(a)(iv)(3); and

(vi) a duly executed copy of a Services Agreement between Buyer and the Selling Parties, in form and substance to be mutually agreed on by the parties, reflecting the terms on the term sheet attached as Exhibit 1.2(a)(iv)(4).

SECTION 1.3. PURCHASE PRICE

(a) The aggregate purchase price for the Securities (the "PURCHASE PRICE"), subject to adjustment, if applicable, only pursuant to Section 1.3(f) and Section 8.8, shall be paid to the Selling Parties in up to four payments, of which:

(i) the first payment of the Purchase Price shall be $509,868,000.00 (the "FIRST PAYMENT") and shall be paid as provided in Section 1.3(b);

(ii) the Second Payment (defined below) shall be calculated and paid as specified in Sections 1.3(b) and (c) below;

(iii) the Third Payment (defined below) shall be calculated and paid as specified in Sections 1.3(b) and (d) below; and

(iv) the Fourth Payment (defined below) shall be paid as specified in Sections 1.3(b) and (e) below.

(b) Each of the First Payment, the Second Payment and the Third Payment shall be paid by wire transfer to the Selling Parties of immediately available funds made to not more than three bank accounts in the United States of America, as designated in writing by the Selling Parties not less than three business days in advance of the applicable payment, (i) on the Closing Date (in the case of the First Payment), (ii) on the date specified in Section 1.3(c) (in the case of the Second Payment) and (iii) from time to time as provided in Section 1.3(d) hereof (in the case of the Third Payment). The Buyer shall pay the Fourth Payment from time to time in accordance with Section 8.2(c) hereof. The Purchase Price shall be allocated between the Selling Parties and among the Securities in accordance with Schedule 1.3, which schedule shall be completed prior to Closing.

(c) If the Closing occurs at any time on or after May 1, 2003 (or if the Closing shall occur during the quarterly period ending September 30, 2003, August 1, 2003), the Buyer will pay to the Selling Parties an amount equal to the product of the Per Day Rate (as defined below) times the number of calendar days in the period that commences on May 1, 2003 (or if the Closing shall occur during the quarterly period ending September 30, 2003, August 1, 2003) and ends on the Closing Date; provided, however, in no event shall the amount payable pursuant to this Section 1.3(c) exceed the product of the Per Day Rate times fifteen (15) (the amount, if any, calculated pursuant to this Section 1.3(c), the "SECOND PAYMENT"). As used herein, the term "PER DAY RATE" means a fraction, of which (i) the numerator is equal to the product of (A) the quarterly cash distribution per Common Unit for the quarterly period ending June 30, 2003 (or, in the event that the Closing occurs subsequent to the record date for the cash distribution for the quarterly period ending June 30, 2003 and prior to the record date for the cash distribution for the quarterly period ending September 30, 2003, the quarterly cash distribution per Common Unit for the quarterly period ending September 30, 2003) times (B) 14,590,312, and (ii) of which the denominator is 91. Buyer shall pay the Second Payment to the Selling Parties within one business day following the date of receipt from the Partnership by Buyer of the cash distribution to the holders of Common Units for the quarterly period ending June 30, 2003 (or, in the event that the Closing occurs subsequent to the record date for the cash distribution for the quarterly period ending June 30, 2003 and prior to the record date for the cash distribution for the quarterly period ending September 30, 2003, within one business day following the date of receipt from the Partnership by Buyer of the cash distribution to the holders of Common Units for the quarterly period ending September 30, 2003), or as soon thereafter as Buyer is permitted to make payment of the Second Payment under the definitive debt financing documents pursuant to the debt financing commitment letter described in Section 3.5.

(d) From and after the Closing Date, upon any sale by Buyer or any of its Affiliates (excluding the Partnership Group) of any Common Units (including, without limitation, Common Units issued to Buyer or its Affiliates upon conversion of the Class B Common Units or the Subordinated Units) or of any Class B Common Units or upon the redemption by any of the Partnership Entities of any of the Common Units or Class B Common Units held by Buyer or its Affiliates (excluding the Partnership Group), Buyer shall pay to the Selling Parties an amount for each such Common Unit or Class B Common Unit sold or redeemed equal to 85% of the amount, if any, by which the proceeds received by the Buyer or its

Affiliates (net of any underwriting commissions, placement fees or other offering expenses payable by the Buyer or its Affiliates) exceeds $37.50 per Common Unit or Class B Common Unit (the aggregate amounts, if any, payable to the Selling Parties pursuant to this Section 1.3(d), the "THIRD PAYMENT"); provided, however, that this Section 1.3(d) shall apply only with respect to the first 5,000,000 units (whether Common Units or Class B Common Units or any combination thereof) held by Buyer or its Affiliates (excluding the Partnership Group) which are sold or redeemed; provided, further, that the maximum amount payable to the Selling Parties pursuant to this Section 1.3(d) shall in no event exceed $20 million. Buyer undertakes and agrees to notify the Selling Parties in writing promptly after each such sale or redemption of Common Units or Class B Common Units (which notice shall include the price(s) at which such Common Units or Class B Common Units were sold or redeemed). Buyer shall pay any amounts due to the Selling Parties pursuant to this Section 1.3(d) no later than the third business day following the closing date of any such sale or redemption. For so long as the Selling Parties are entitled to receive payments pursuant to this Section 1.3(d), Buyer agrees that it shall not, and shall not permit its Affiliates (excluding the Partnership Group) to, sell, convey, assign or otherwise dispose of any Common Units or Class B Common Units for consideration other than cash. Notwithstanding the foregoing, this Section 1.3(d) shall not in any way obligate Buyer or any of its Affiliates (i) to sell any Common Units or Class B Common Units or give rise to any optional or mandatory redemption rights or obligations with respect to the Common Units or the Class B Common Units or (ii) to make any payments to the Selling Parties to the extent not permitted under any definitive debt financing documents entered into pursuant to the debt financing commitment letter described in Section 3.5.

(e) Buyer shall assume at the Closing the obligations, and make the applicable payments from time to time, as specified in accordance with Section 8.2(c) hereof (the "FOURTH PAYMENT").

(f) If the Closing Price (as defined in Section 9.16) of the Common Units as of three business days prior to Closing is less than $32.00 per unit, then the First Payment shall be reduced by an amount equal to the difference between $32.00 and such Closing Price multiplied by 14,590,312.

ARTICLE II.
REPRESENTATIONS AND WARRANTIES OF SELLING PARTIES

As of the date hereof, each of the Selling Parties hereby represents and warrants, jointly and severally, to Buyer as follows:

SECTION 2.1. ORGANIZATION.

(a) WES is a limited liability company duly formed, validly existing and in good standing under the laws of Delaware, and WNGL is a corporation duly formed, validly existing and in good standing under the laws of Delaware.

(b) Each of the GP Companies is a limited liability company, duly formed, validly existing and in good standing under the laws of Delaware, and the Partnership is a limited partnership duly formed, validly existing and in good standing under the laws of Delaware. Each

of the Partnership Entities (as defined in Section 2.4) is a corporation, limited partnership or limited liability company, as the case may be, duly formed, validly existing and in good standing under the laws of Delaware and has all requisite corporate, limited partnership or limited liability company power and authority, as the case may be, and all governmental licenses, authorizations, permits, consents and approvals to own its respective properties and assets and to conduct its business as now conducted, except where the failure to have such governmental licenses, authorizations, permits, consents and approvals would not have a Material Adverse Effect (as defined in Section 9.16). Each of the Partnership Entities is duly qualified to do business as a foreign entity and is in good standing in each jurisdiction where the character of the properties owned or leased by it or the nature of the business conducted by it 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. Schedule 2.1 sets forth for each Partnership Entity all of the jurisdictions in which such Partnership Entity is qualified to do business.

SECTION 2.2. CAPITALIZATION OF THE NEW COMPANY; TITLE.

WES and WNGL are the sole members of the New Company in the proportions set forth in the Recitals to this Agreement. The WES New LLC Interests are owned of record and beneficially solely by WES, and the WNGL New LLC Interests are owned of record and beneficially solely by WNGL. All of such New LLC Interests have been duly authorized and validly issued in accordance with the Limited Liability Company Agreement of the New Company, dated as of November 15, 2002 (the "NEW LLC AGREEMENT"), are fully paid (to the extent required by the New LLC Agreement) and nonassessable (except as such nonassessability may be affected by Section 18-607 of the Delaware Limited Liability Company Act). Except for the New LLC Interests, there are no outstanding securities of the New Company. There are no preemptive or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of, any interest in the New Company pursuant to any agreement to which any of the New Company or the Selling Parties is a party or to which any of them may be bound. There are no outstanding options, warrants or similar rights to purchase or acquire any equity interests in the New Company. Each of the Selling Parties has valid and marketable title to the New LLC Interest owned by it, free and clear of any Encumbrances (other than the Parent Credit Facility Liens (as defined in Section 9.16), which shall be released at or prior to Closing). A true and correct copy of the New LLC Agreement, with any and all amendments thereto to the date hereof, has been made available by the Selling Parties to the Buyer or its representatives.

SECTION 2.3. PARTNERSHIP CAPITALIZATION; TITLE.

(a) The New Company is the sole general partner of the Partnership. The New Company is the sole record and beneficial owner of the GP Interest, which represents a 2.0% general partner interest in the Partnership, and the GP Interest has been duly authorized and validly issued in accordance with the Partnership Agreement. Except for any Encumbrances provided in the Partnership Agreement, the New Company owns such GP Interest, free and clear of any Encumbrances.

(b) As of the date hereof, the Partnership has no limited partner interests issued and outstanding other than the following:

(i) 12,600,000 Common Units issued to the general public;

(ii) the WES Common Units and the WNGL Common Units issued to WES and WNGL, respectively, and with respect to which WES and WNGL, as applicable, are the sole record and beneficial owners and have valid and marketable title (subject to restrictions on transfer that may be imposed thereon under the Securities Act and state "blue sky" securities laws);

(iii) the WES Subordinated Units and the WNGL Subordinated Units issued to WES and WNGL, respectively, and with respect to which WES and WNGL, as applicable, are the sole record and beneficial owners and have valid and marketable title (subject to restrictions on transfer that may be imposed thereon under the Securities Act and state "blue sky" securities laws);

(iv) the Class B Common Units issued to the Old Company and with respect to which the Old Company is the sole record and beneficial owner and has valid and marketable title (subject to restrictions on transfer that may be imposed thereon under the Securities Act and state "blue sky" securities laws); and

(v) the IDRs held by the New Company and with respect to which the New Company is the sole record and beneficial owner and has valid and marketable title (subject to restrictions on transfer that may be imposed thereon under the Securities Act and state "blue sky" securities laws).

Each of such Common Units, Subordinated Units, Class B Common Units and IDRs and the limited partner interests represented thereby have been duly authorized and validly issued in accordance with the Second Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of September 27, 2002, as amended by Amendments Nos. 1 and 2 thereto, each dated as of November 15, 2002 (as amended, the "PARTNERSHIP AGREEMENT"); and are fully paid (to the extent required under the Partnership Agreement) and nonassessable (except to the extent such nonassessability may be affected by Section 17-607 of the Delaware Revised Uniform Limited Partnership Act (the "DELAWARE LP ACT")).

(c) Except for any Encumbrances provided in the Partnership Agreement, (i) the New Company owns all of the IDRs, free and clear of any Encumbrances, (ii) the Old Company owns all of the Class B Common Units, free and clear of any Encumbrances (other than the Parent Credit Facility Liens, which shall be released at or prior to Closing), (iii) WES owns all of the WES Units, free and clear of any Encumbrances (other than the Parent Credit Facility Liens, which shall be released at or prior to Closing), and (iv) WNGL owns all of the WNGL Units, free and clear of any Encumbrances (other than the Parent Credit Facility Liens, which shall be released at or prior to Closing).

(d) Except as described in the Partnership Agreement or in Schedule 2.3(d)(i) hereto, there are no preemptive or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of any interest in the Partnership (provided that the foregoing shall not apply to any such restriction on voting or transfer that any holder of Common Units (other than the Selling Parties) may have imposed upon such Common Units). Except as described in

the Partnership Agreement and for "phantom" units ("PHANTOM UNITS") granted under the Williams Energy Partners Long-Term Incentive Plan as described in Schedule 2.3(d)(ii), there are no outstanding options, warrants or similar rights to purchase or acquire from any of the Partnership Entities, Parent or the Selling Parties any equity interests in the Partnership.

SECTION 2.4. SUBSIDIARIES; EQUITY INTERESTS; BUSINESS OF GP COMPANIES.

(a) Except as set forth on Schedule 2.4, neither of the GP Companies nor the Partnership has any subsidiaries, and does not own, directly or indirectly, any shares of capital stock, voting rights or other equity interests or investments in any other Person. Except as set forth in the Partnership Agreement or on Schedule 2.4, neither of the GP Companies nor the Partnership has any obligation or rights to acquire by any means, directly or indirectly, any capital stock, voting rights, equity interests or investments in another Person. Except for Encumbrances set forth on Schedule 2.4, the Partnership owns, directly or indirectly, all of the issued and outstanding partnership, membership or other equity interests of each of the subsidiaries set forth on Schedule 2.4 free and clear of any Encumbrances. The New Company, the Partnership and each of the subsidiaries of the Partnership set forth on Schedule 2.4 are collectively referred to herein as the "PARTNERSHIP ENTITIES."

(b) Old Company was formed as a limited liability company under the laws of Delaware on August 30, 2000 and, from its date of formation until November 15, 2002, did not (i) engage in or conduct, directly or indirectly, any business or other activities other than serving as the general partner of the Partnership, owning the GP Interest, IDRs and Class B Common Units and owning all of the outstanding membership interests of Williams Energy Management LLC, a Delaware limited liability company ("OLD COMPANY SUBSIDIARY"), (ii) have any employees, (iii) incur any indebtedness, liability or obligations, absolute or contingent, other than any joint and several liability under Delaware law for indebtedness, liabilities and obligations of the Partnership Group that are reflected in the consolidated financial statements of the Partnership included in the SEC Reports (other than Affiliate intercompany obligations incurred in the ordinary course of business), or (iv) own or hold any ownership or other interests in any real or personal property other than as provided in clause (i) above. Old Company Subsidiary was formed as a limited liability company under the laws of Delaware on April 10, 2002 and, from its date of formation until November 15, 2002, did not (1) engage in or conduct, directly or indirectly, any business or other activities, (2) have any employees, (3) incur any indebtedness, liability or obligation, absolute or contingent (other than Affiliate intercompany obligations incurred in the ordinary course of business), or (4) own or hold any ownership or other interests in any real or personal property. New Company was formed as a limited liability company under the laws of Delaware on November 12, 2002 and, since its date of formation, has not engaged in or conducted, directly or indirectly, any business or other activities other than serving as the general partner of the Partnership and owning the GP Interest and the IDRs.

SECTION 2.5. VALIDITY OF AGREEMENT; AUTHORIZATION.

Each of the Selling Parties and Parent has the power and authority to enter into this Agreement and the Transaction Documents to which it is party and to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and such Transaction Documents and the performance of the Selling Parties' and Parent's obligations hereunder and

thereunder have been duly authorized by the Board of Directors of WES, the Board of Directors of WNGL, the members of the Old Company and the Board of Directors of Parent, as applicable, and no other proceedings on the part of any of the Selling Parties or Parent are necessary to authorize such execution, delivery and performance. This Agreement and the Transaction Documents to which any of the Selling Parties or Parent is party have been (in the case of this Agreement and the Parent Guaranty), or will be at the Closing (in the case of such other Transaction Documents), duly executed and delivered by each of the Selling Parties or Parent, as applicable, and constitute, or will constitute at the Closing, as applicable, each such party's valid and binding obligation enforceable against each such party in accordance with its terms (except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar law affecting the enforcement of creditors' rights generally or by general equitable principles).

SECTION 2.6. NO CONFLICT OR VIOLATION.

The execution, delivery and performance of this Agreement and the Transaction Documents by any of the Selling Parties or Parent does not and will not: (a) violate or conflict with any provision of the Organizational Documents (as defined in Section 9.16) of Parent, any Selling Party or any of the Partnership Entities; (b) violate any applicable provision of law, statute, judgment, order, writ, injunction, decree, award, rule, or regulation of any foreign, federal, tribal, state or local government, court, arbitrator, agency or commission or other governmental or regulatory body or authority ("GOVERNMENTAL AUTHORITY"); (c) violate, result in a breach of, constitute (with due notice or lapse of time or both) a default or cause any obligation, penalty or premium to arise or accrue under any material contract, lease, loan agreement, mortgage, security agreement, trust indenture or other agreement or instrument to which Parent or any of the Selling Parties or Partnership Entities is a party or by which any of them is bound or to which any of their respective properties or assets is subject; (d) result in the creation or imposition of any Encumbrance upon any of the properties or assets of any of the Partnership Entities; or (e) result in the cancellation, modification, revocation or suspension of any License (as defined in Section 2.14) of any of the Partnership Entities, except in the cases of clauses (b), (d) and (e) above, as would not have a Material Adverse Effect and, in the case of clauses (c) and (d) above, as set forth on Schedule 2.6.

SECTION 2.7. CONSENTS AND APPROVALS.

Except as disclosed on Schedule 2.7, no material consent, approval, waiver or authorization of, or filing, registration or qualification with, any Governmental Authority or any other Person (on the part of Parent or any of the Selling Parties or Partnership Entities) is required for any such party to execute and deliver this Agreement or the Transaction Documents to which Parent or any of the Selling Parties is party or to perform its respective obligations hereunder or thereunder (except under (i) the Parent Credit Facility and (ii) the Parent Credit Facility Security Documents (as defined in Section 9.16), which consents or approvals will be obtained prior to or at Closing).

SECTION 2.8. NEW COMPANY FINANCIAL STATEMENTS; SEC REPORTS; OPERATING SURPLUS.

(a) Attached as Schedule 2.8 are copies of the unaudited balance sheet, as of December 31, 2002, and the unaudited income statements and statements of cash flows for the 12-month period, or portion thereof, ended December 31, 2002, of the New Company and the unaudited balance sheet, income statement and statements of cash flows for the three-month period ended March 31, 2003, of the New Company (collectively, the "NEW COMPANY FINANCIAL STATEMENTS"). The New Company Financial Statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved and fairly present in all material respects the financial condition of the New Company as of their respective dates and the results of its operations for the periods covered thereby.

(b) Since October 30, 2000, (i) the Partnership has timely made all filings (the "SEC REPORTS") required to be made under the Securities Act of 1933, as amended (the "SECURITIES ACT"), and the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), (ii) all SEC Reports filed by the Partnership, at the time filed (in the case of documents filed pursuant to the Exchange Act) or when declared effective by the Securities and Exchange Commission (the "SEC") (in the case of registration statements filed under the Securities Act) complied in all material respects with the applicable requirements of the Securities Act and the Exchange Act and the rules and regulations of the SEC thereunder, (iii) no such SEC Report, at the time described above, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, (iv) all financial statements contained or incorporated by reference in such SEC Reports complied as to form when filed in all material respects with the rules and regulations of the SEC with respect thereto, were prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto) and fairly present in all material respects the financial condition of the Partnership and its consolidated subsidiaries at and as of the respective dates thereof and the consolidated results of operations and changes in cash flows for the periods indicated (subject, in the case of unaudited financial statements, to normal year-end audit adjustments consistent with prior periods).

(c) The Operating Surplus (as defined in the Partnership Agreement) of the Partnership as of March 31, 2003 was not less than $150 million.

SECTION 2.9. ABSENCE OF CERTAIN CHANGES OR EVENTS.

Except as set forth on Schedule 2.9, since December 31, 2002, the business of each of the Partnership Entities has been conducted in the ordinary course of business consistent with past practices and none of the Partnership Entities has taken any of the actions described in Section 4.1(a) through (n), except in connection with entering into this Agreement. Since December 31, 2002, there has not been any event or condition that has had, or is reasonably expected to have, a Material Adverse Effect.

SECTION 2.10. TAX MATTERS.

(a) For purposes of this Agreement, "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 required as a result of examination adjustments made by the Internal Revenue Service or other Tax authority. For purposes of this Agreement, "TAX" or "TAXES" shall mean any and all federal, state, local, foreign and other taxes, levies, fees, imposts and duties 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, and also 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.

(b) Except as disclosed on Schedule 2.10(b)(i), (i) each of the Partnership Entities has filed (or joined in the filing of) when due all Tax Returns required by applicable law to be filed with respect to each of the Partnership Entities other than those Tax Returns the failure of which to file would not have a Material Adverse Effect; (ii) all such Tax Returns were true, correct and complete in all material respects as of the time of such filing; (iii) all Taxes relating to periods ending on or before the Closing Date owed by the any of the Partnership Entities (whether or not shown on any Tax Return) at any time on or prior to the Closing Date, if required to have been paid, have been or will be timely paid (except for Taxes that are being contested in good faith in appropriate proceedings and, to the extent the amount being contested exceeds $100,000, that are set forth on Schedule 2.10(b)(ii)); (iv) any material liability of any of the Partnership Entities for Taxes not yet due and payable, or that is being contested in good faith in appropriate proceedings, has been provided for on the financial statements of the applicable Partnership Entity or Entities, as the case may be, in accordance with GAAP; (v) there is no action, suit, proceeding, investigation, audit or claim now pending against, or with respect to, any of the Partnership Entities in respect of any material Tax or Tax assessment, nor has any claim for additional material Tax or Tax assessment been asserted in writing or, to the Knowledge of the Selling Parties (as defined in Section 9.16), been proposed by any Tax authority; (vi) since August 13, 2000, no written claim has been made by any Tax authority in a jurisdiction where any of the Partnership Entities does not currently file a Tax Return that it is or may be subject to Tax by such jurisdiction, nor to the Knowledge of the Selling Parties has any such assertion been threatened or proposed in writing; (vii) none of the Partnership Entities has any outstanding request for any extension of time within which to pay its Taxes or file its Tax Returns; (viii) there has been no waiver or extension of any applicable statute of limitations for the assessment or collection of any Taxes of any of the Partnership Entities; (ix) none of the Partnership Entities has entered into any agreement or arrangement with any Tax authority that requires any of the Partnership Entities to take any action or to refrain from taking any action; (x) none of the Selling Parties is a "foreign person" within the meaning of Section 1445 of the United States Internal Revenue Code of 1986, as amended (the "CODE"); (xi) none of the Partnership Entities 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) the New Company

has made, or shall be eligible to make, an election pursuant to Section 754 of the Code; and (xiii) each of the Partnership Entities has withheld and paid all material Taxes required to be withheld by such Partnership Entity in connection with any amounts paid or owing to any employee, creditor, independent contractor or other third party.

(c) In each tax year since the formation of the Partnership up to and including the current tax year, at least 90% of the Partnership's gross income has been income which is "qualifying income" within the meaning of Section 7704(d) of the Code.

(d) Except for Williams GP, Inc., none of the Partnership Entities has elected to be treated as a corporation.

(e) The only representations and warranties given in respect of Tax matters are those contained in this Section 2.10 and none of the other representations and warranties shall be deemed to constitute, directly or indirectly, a representation and warranty in respect of Tax matters.

SECTION 2.11. ABSENCE OF UNDISCLOSED LIABILITIES.

(a) Except as disclosed on Schedule 2.11, none of the Partnership Entities has any indebtedness or liability, absolute or contingent, which is not shown or provided for in the New Company Financial Statements or in the consolidated financial statements of the Partnership included in the SEC Reports, other than (i) liabilities incurred or accrued in the ordinary course of business consistent with past practice, including liens for current taxes and assessments not in default, since December 31, 2002, (ii) liabilities of the New Company that individually or in the aggregate are not material to the New Company and that are not required by GAAP to be included in the New Company Financial Statements or (iii) liabilities of the Partnership or any of its subsidiaries that individually or in the aggregate are not material to the Partnership and its subsidiaries, taken as a whole, and that are not required by GAAP to be included in the consolidated financial statements of the Partnership.

(b) As of the Closing Date, New Company will not have any indebtedness, liabilities or obligations, absolute or contingent, other than indebtedness, liabilities and obligations (i) that have been incurred on behalf of the Partnership in the ordinary course of business that are properly reimbursable by the Partnership or (ii) the responsibility for which is specifically allocated under this Agreement.

SECTION 2.12. REAL AND PERSONAL PROPERTY.

Except as disclosed on Schedule 2.12(a), each of the Partnership Entities owns valid and defensible fee title to, or holds a valid leasehold interest in, or a right-of-way or easement (collectively, the "RIGHTS-OF-WAY") through, all real property used or necessary for the conduct of the business of each such Partnership Entity as it is presently conducted ("REAL PROPERTY"), and each of the Partnership Entities has good and valid title to all of the material tangible personal property and assets which it owns and which are reflected in the New Company Financial Statements or in the consolidated financial statements of the Partnership included in the SEC Reports or which are thereafter acquired to the date hereof (except for assets and properties sold, consumed or otherwise disposed of in the ordinary course of business consistent

with past practices since December 31, 2002), and all such Real Property, assets and properties are owned or leased free and clear of all Encumbrances, except for (i) Encumbrances set forth on Schedule 2.12(b), (ii) liens for current Taxes not yet due and payable or for Taxes the validity of which is being contested in good faith (and to the extent the amount being contested exceeds $100,000, that are set forth on Schedule 2.10(b)(ii)), (iii) Encumbrances to secure indebtedness reflected in the consolidated financial statements of the Partnership included in the SEC Reports, (iv) Encumbrances that will be discharged on or prior to the Closing Date, (v) laws, ordinances and regulations affecting building use and occupancy or reservations of interest in title (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 interfere with the present use of the applicable Real Property, (vi) Encumbrances, Property Restrictions, Rights-of-Way and written agreements of record or copies of which have been furnished to Buyer, provided they do not materially interfere with the present use of the applicable Real Property, (vii) mechanics', carriers', workmen's, repairmen's or similar types of liens, if any, which do not materially detract from the value of or materially interfere with the present use of any Real Property subject thereto or affected thereby and which have arisen or been incurred in the ordinary course of business, (viii) Parent Credit Facility Liens (which shall be released prior to or at Closing) and (ix) Encumbrances and minor title defects that do not materially detract from the value or materially interfere with the present use of the asset subject thereto (clauses (i) through (ix) above referred to collectively as "PERMITTED ENCUMBRANCES"). Notwithstanding the foregoing, with respect to Rights-of-Way, the Selling Parties represent only that each of the Partnership Entities has sufficient title thereto to enable it to conduct its business as presently conducted.

SECTION 2.13. INTELLECTUAL PROPERTY AND COMPUTER HARDWARE.

(a) (x) Except as set forth on Schedule 2.13(a) and for the Automated Transportation Logistics Activity System (the "ATLAS 2000 SYSTEM") and (y) except as may be identified during development of the IT Migration Plan (as defined in Section 4.11 below), contemplated under the Transition Services Agreement and for such other matters that also would not have a Material Adverse Effect, (i) one or more of the Partnership Entities owns all right, title and interest in and to, or has a valid and enforceable license or other right to use lawfully, all the Intellectual Property (as defined in Section 9.16) used by any Partnership Entity in connection with its business free and clear of all liens (other than the Parent Credit Facility Liens, which shall be released at or prior to Closing, and the terms of any such license), and Schedule 2.13(a) sets forth a list of such Intellectual Property so used by the Partnership Entities; (ii) none of the Partnership Entities has infringed or otherwise violated the Intellectual Property of any Person, (iii) to the Knowledge of the Selling Parties, no Person has infringed or otherwise violated the Intellectual Property of any of the Partnership Entities or any Intellectual Property associated with software indicated as owned on Schedule 2.13(b), (iv) the consummation of the transactions contemplated in this Agreement and the Transaction Documents will not alter, impair or extinguish any Intellectual Property of any of the Partnership Entities or any Intellectual Property associated with software indicated as owned on Schedule 2.13(b)) and (v) to the Knowledge of the Selling Parties, there are no agreements, judicial orders or settlement agreements which limit or restrict any of the Partnership Entities' rights to use any Intellectual Property or any Intellectual Property associated with software indicated as owned on Schedule 2.13(b).

(b) Other than the ATLAS 2000 System, a listing of all material computer software owned by or licensed to the Selling Parties and/or its Affiliates which is used in connection with the business of the Partnership Entities as presently conducted is identified in Schedule 2.13(b). None of such owned or licensed software infringes or otherwise violates the Intellectual Property of any Person. Such licensed software is referred to herein as the "LICENSED SOFTWARE."

(c) The Selling Parties or their Affiliates own all right, title and interest to the ATLAS 2000 System and own all right, title and interest to or have a valid and enforceable lease, license or other right to use lawfully any software listed on Schedule 2.13(b) or computer hardware associated with the ATLAS 2000 System that will be transferred to the Partnership Entities in accordance with Section 4.11 or the ATLAS Assignment, Contribution and License Agreement.

(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.

SECTION 2.14. LICENSES, PERMITS AND GOVERNMENTAL APPROVALS.

Except as set forth on Schedule 2.14, (a) each of the Partnership Entities has all material consents, licenses, permits, certificates, franchises, authorizations and approvals issued or granted to any such Partnership Entity by, and has made all material registrations and filings with, any Governmental Authority as are necessary for the conduct of its business as currently conducted (each a "LICENSE" and, collectively, the "LICENSES"); (b) each License has been issued to, and duly obtained and fully paid for by, the holder thereof and is valid, in full force and effect, except where such invalidity or failure to be in full force and effect would not have a Material Adverse Effect, and (c) none of such Licenses will terminate or become terminable as a result of the transactions contemplated by this Agreement or the Transaction Documents. Notwithstanding anything to the contrary in this Section 2.14, the representations and warranties in this Section 2.14 shall not apply to (x) any right to Intellectual Property (which shall be subject to the representations in Section 2.13) or (y) any License required under applicable Environmental Law (which shall be subject to the representations in Section 2.21(a)(v)).

SECTION 2.15. COMPLIANCE WITH LAW.

Except with respect to Tax matters (which are provided for in Section 2.10), Intellectual Property matters (which are provided for in Section 2.13) or environmental, health and safety matters (which are provided for in Section 2.21) and except as set forth on Schedule 2.15 or in the SEC Reports, since February 9, 2001, the operations of each of the Partnership Entities have been conducted in material compliance with all applicable laws, regulations, orders and other requirements of all Governmental Authorities having jurisdiction over each such Partnership Entity and its respective assets, properties and operations. Without limiting the generality of the foregoing, Parent, the Selling Parties and the Partnership Entities have been at all times, and are, in compliance with the Consent Decree (as defined in Section 4.4).

SECTION 2.16. LITIGATION.

Except as set forth on Schedule 2.16, there are no Legal Proceedings pending or, to the Knowledge of the Selling Parties, threatened against or involving Parent or any Affiliate thereof, including the Selling Parties and the Partnership Entities that, individually or in the aggregate, are reasonably likely to (a) have a Material Adverse Effect or (b) materially impair or delay the ability of any of the Parent or Selling Parties to perform its obligations under this Agreement or the Transaction Documents or consummate the transactions contemplated hereby or thereby. Except as set forth on Schedule 2.16 or as set forth in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2002 (the "2002 10-K") under the caption "Item 3: Legal Proceedings" or in Note 16 "Commitments and Contingencies" of the Notes to Consolidated Financial Statements included under the caption "Item 8: Financial Statements and Supplementary Data," there is no order, judgment, injunction or decree of any Governmental Authority outstanding against Parent or any of the Selling Parties or Partnership Entities 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. Notwithstanding the foregoing, the representations and warranties in this Section 2.16 shall not include Legal Proceedings in respect of any Environmental Law (which shall instead be subject to the representations in Section 2.21(a)(iv)).

SECTION 2.17. CONTRACTS.

Schedule 2.17 sets forth (other than those contracts filed as exhibits to the 2002 10-K and subject to the dollar amount limitations of clauses (i) or (ii) below) a true and complete list of the following contracts, agreements, instruments and commitments to which any of the Partnership Entities is a party or otherwise relating to or affecting any of its assets, properties or operations, whether written or oral: (i) contracts calling for, or that the Selling Parties expect to result in, payments by or to any of the Partnership Entities of amounts greater than $1,000,000 per year; (ii) 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 in any case for amounts in excess of $1,000,000; (iii) partnership or joint venture agreements; and (iv) contracts limiting or purporting to limit the ability of any of the Partnership Entities to compete in any line of business or with any Person or in any geographic area (collectively with those contracts filed as exhibits to the 2002 10-K, "MATERIAL CONTRACTS"). Each Material Contract is valid, binding and enforceable against such Partnership Entity or Partnership Entities party thereto and, to the Knowledge of the Selling Parties, each of the other parties thereto in accordance with its terms, and in full force and effect on the date hereof (and each such Material Contract will be in full force and effect on the Closing Date, except for any Material Contract that terminates in accordance with its terms) except where a failure to be so valid, binding or enforceable or in full force and effect would not have a Material Adverse Effect. With respect to each Material Contract, no Partnership Entity party thereto and, to the Knowledge of the Selling Parties, no other party thereto is in breach or default, and to the Knowledge of the Selling Parties, no event has occurred which with notice or lapse of time or both would constitute a breach or default, or permit termination, modification or acceleration, thereunder.

SECTION 2.18. BROKERS.

Except as disclosed on Schedule 2.18, neither the Parent nor any of the Selling Parties has employed the services of an investment banker, financial advisor, broker or finder in connection with this Agreement or any of the transactions contemplated hereby.

SECTION 2.19. EMPLOYEES; EMPLOYEE PLANS.

(a) None of the Partnership Entities has, nor since February 9, 2001 has had, any employees.

(b) Except as disclosed on Schedule 2.19(b)(i), none of the Partnership Entities sponsors, maintains or contributes to or has an obligation (secondary, contingent or otherwise) to contribute to and at any time during the past five years has sponsored, maintained or contributed to or has had an obligation to contribute 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") (such Employee Plans listed on Schedule 2.19(b)(i) being the "PARTNERSHIP PLANS"). Each of the Partnership Plans is maintained or sponsored solely by one or more of the Partnership Entities. Schedule 2.19(b)(ii) sets forth a true and complete list of all Employee Plans, other than Partnership Plans, which cover, are maintained for the benefit of, or relate to any or all Business Employees (as defined below) (the "SELLER PLANS").

(c) Each Partnership Plan and Seller Plan has been maintained and operated in material compliance with its terms, the requirements of applicable law, including the Code and ERISA, and each Seller Plan intended to be "qualified" within the meaning of Section 401(a) of the Code is qualified and has received a favorable determination letter from the IRS that covers all amendments required by applicable law to have been made to such plan as of the Closing Date or has timely filed an application to receive a favorable determination letter as to such qualified status.

(d) No Partnership Plan is subject to ERISA and no Seller Plan covering Business Employees is a multiemployer plan, as defined in Section 3(37) of ERISA.

(e) As of the date hereof, the Partnership Entities do not have any liability, including secondary liability, under Title IV of ERISA with respect to any plan, including, without limitation, any Seller Plan nor any liability under Section 302 of ERISA or Section 412 of the Code.

(f) Schedule 2.19(f)(i) sets forth a list showing the names of the active employees of the Selling Parties or their Affiliates who spend fifty percent (50%) or more of their business time engaged in, or in activities related to, the business and/or affairs of any of the Partnership Entities (the "BUSINESS EMPLOYEES") and showing which of such employees regularly devote substantially all of their business time to the business and/or affairs of the Partnership Entities. Except as set forth on Schedule 2.19(f)(ii), there are no contracts,

agreements, plans or arrangements covering any Business Employee with "change of control" or similar provisions that would be triggered as a result of the consummation of any of the transactions contemplated by this Agreement. None of the Business Employees is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement with any Selling Party, any Partnership Entity, Parent or any other subsidiary of Parent, or to the Knowledge of the Selling Parties, 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 Partnership Entities or Buyer or that would conflict with the business of any of the Partnership Entities as presently conducted. None of Parent, the Selling Parties nor any of the Partnership Entities has received notice from any officer or key Business Employee or group of Business Employees, that such person(s) intends to terminate their employment.

(g) An Affiliate of the Selling Parties is a party to an amended collective bargaining agreement with the Paper, Allied-Industrial, Chemical, and Energy Workers International Union ("PACE") and with PACE Local 5-348 with respect to certain Business Employees as set forth on Schedule 2.19(g)(i), including all existing memorandums of agreement related thereto (collectively, the "PACE COLLECTIVE BARGAINING AGREEMENT"), a copy of which has been furnished to the Buyer. Except as disclosed on Schedule 2.19(g)(i), none of the Business Employees is covered by any collective bargaining agreement with respect to services performed in connection with the business or operations of any of the Partnership Entities and, except as disclosed in Schedule 2.19(g)(ii), to the Knowledge of the Selling Parties, there are not any union organizing efforts underway with respect to any such employees.

(h) Each Partnership Plan may be unilaterally terminated by a Partnership Entity at any time without liability to any Person, except as provided under the terms of the affected plan.

SECTION 2.20. INSURANCE.

(a) Schedule 2.20(a)(i) sets forth a summary listing of all current liability and property insurance policies covering the properties, assets, employees, directors and/or operations of the Partnership Entities that are provided by the Parent or its Affiliates (other than the Partnership Entities) (collectively, the "PARENT POLICIES"). Schedule 2.20(a)(ii) sets forth a summary listing of all current liability and property insurance policies covering the properties, assets, employees, directors and/or operations of all of the Partnership Entities that are provided by the Partnership Entities (collectively, the "PARTNERSHIP POLICIES" and together with the Parent Policies, the "POLICIES"). All premiums payable under the Policies have been paid in a timely manner and Parent (and each of its Affiliates and the Partnership Entities covered thereunder) has complied fully with the terms and conditions of all such Policies.

(b) Except as set forth in Schedule 2.20(b) hereto, all Policies are in full force and effect. None of Parent or the Selling Parties will cancel any of the Partnership Policies or cause any of the Partnership Policies to be canceled, and each of the Partnership Policies will continue to be in full force and effect in accordance with their terms upon the consummation of the transactions contemplated hereby. Subject to Section 4.10(b), coverage for the each of the Partnership Entities under the Parent Policies shall terminate on the Closing Date, except that

coverage for the Partnership Entities under the excess liability policies of the Parent Policies shall terminate on May 1, 2003 at 12:01 a.m. Central Time, and the additional insurance policies to be provided by the Partnership Entities in Schedule 2.20(b) shall be procured by the Selling Parties or Parent, as of May 1, 2003, at the cost of the Partnership. Parent is not (nor is any Affiliate or Partnership Entity covered under any Policy) in default under any provisions of the Policies, and there is no claim by any of the Partnership Entities or any other Person pending under any of the Policies as to which coverage with respect to any of the Partnership Entities has been questioned, denied or disputed by the underwriters or issuers of such Policies.

SECTION 2.21. ENVIRONMENTAL; HEALTH AND SAFETY MATTERS.

(a) Except as set forth on Schedule 2.21:

(i) Each of the Partnership Entities and its operations, activities, Real Property and assets are in material compliance with all applicable Environmental Laws (as defined in paragraph (b) below);

(ii) There are no Hazardous Materials present in, or being released to, the air, surface or sub-surface soils or in the groundwater at, on, in, under, beneath, or in the vicinity of the activities, operations, Real Property or assets of the Partnership Entities in amounts or concentrations that are reasonably likely to result in a material liability under any Environmental Laws;

(iii) None of Parent, the Selling Parties nor any of the Partnership Entities has received any written request for information, or has received written notification that it has any liability, or is a potentially responsible party, under any Environmental Law that is material in nature with respect to any on-site or off-site location for which liability is currently being asserted against them with respect to the activities, operations, Real Property or assets of any of the Partnership Entities;

(iv) There are no material writs, injunctions, decrees, orders or judgments outstanding, or any Legal Proceedings pending or, to the Knowledge of the Selling Parties, threatened involving any of the Partnership Entities or the activities, operations, Real Property or assets of the Partnership Entities relating to (A) its compliance with any Environmental Law, or (B) the release, disposal, discharge, spill, treatment, storage or recycling of Hazardous Materials (as defined in paragraph (b) below) into the environment at any on-site or off-site location;

(v) Each of the Partnership Entities has obtained, currently maintains and is in material compliance with all Licenses which are required under Environmental Laws for its operations, activities, Real Property and assets (collectively, "ENVIRONMENTAL PERMITS"), and all such Environmental Permits are in effect. No appeal nor any other Legal Proceeding is pending to revoke any such Environmental Permit, nor, to the Knowledge of the Selling Parties, threatened, and to the Knowledge of the Selling Parties, no facts or circumstances exist that if unabated would be reasonably expected to result in any Environmental Permit being revoked, rescinded or withdrawn, or not being renewed or reissued on substantially the same terms;

(vi) The Selling Parties and Parent have made available to Buyer all internal and external audits, studies and reports on environmental matters relevant to the Partnership Entities that (A) have been retained in the files of any Selling Party or their Affiliates or the Partnership Entities and (B) were prepared or received at any time after January 1, 1998 (including such documents that may relate to the Excluded Assets, as defined in the WPL Contribution Agreement, and any real property of the type described in Section 2.21(a)(vii) below); and

(vii) The representations in Sections 2.21(a)(ii), (a)(iii) and (a)(iv) above, also apply to with respect to real property or assets that were owned, leased or operated by the Partnership Entities subsequent to January 1, 1998 but that are no longer owned, leased or operated by the Partnership Entities on the date hereof, but only with respect to the periods such real property or assets were owned, leased or operated by the Partnership Entities; provided, however, that such representation with respect to Section 2.21(a)(iv) is made only to the Knowledge of the Selling Parties.

(b) The following terms shall have the following meanings:

"ENVIRONMENTAL LAW" shall mean current local, county, state, federal, and/or foreign law (including common law), statute, code, ordinance, rule, order, judgment, decree, regulation or other legal obligation relating to the protection of health, safety or the environment or natural resources and in effect on the date hereof, 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 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, including any determination by, or interpretation of any of the foregoing by any Governmental Authority that has the force of law.

"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, petroleum hydrocarbons, petroleum by-products, crude oil, and any components, fractions or derivatives thereof, methyl tertiary butyl ether ("MTBE"), ammonia, asbestos, urea, formaldehyde and polychlorinated biphenyls.

(c) The only representations and warranties given in respect of environmental, health and safety matters and compliance with and liability under Environmental Laws are those contained in this Section 2.21 and none of the other representations and warranties shall be deemed to constitute, directly or indirectly, a representation and warranty in respect of environmental, health and safety matters or compliance with and liability under Environmental Laws.

SECTION 2.22. REGULATORY MATTERS.

(a) None of the Partnership Entities 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, as amended.

(b) None of the Partnership Entities is an "investment company" or a company "controlled by" an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 2.23. BOOKS AND RECORDS; OTHER INFORMATION.

The minute books and other similar records of the Partnership Entities contain true and correct copies of all actions taken at all meetings of the Partnership's limited partners, the Boards of Directors of the Old Company and the New Company or any committee thereof and all written consents executed in lieu of any such meetings. Complete copies of all such minute books and other similar records have been made available to Buyer.

SECTION 2.24. WPL CONTRIBUTION AGREEMENT.

None of the rights, benefits or privileges of any of the Partnership Entities under the (i) WPL Contribution Agreement or (ii) the Corporate Guarantee, dated as of March 14, 2003, of Parent in favor of the New Company will be impaired by the consummation of the transactions contemplated by this Agreement or the Transaction Documents.

SECTION 2.25. CUSTOMERS AND SUPPLIERS.

Except as set forth on Schedule 2.25, since January 1, 2003, none of the Partnership Entities, the Selling Parties or Parent has received any written notice that any shipper or customer will discontinue its business relationship with any of the Partnership Entities, and to the Knowledge of the Selling Parties, no such action has been threatened by any material shipper or customer.

SECTION 2.26. ADEQUACY OF ASSETS.

Except as set forth on Schedule 2.26 or as contemplated in the Transition Services Agreement, the tangible assets to be owned by the Partnership Entities immediately after the Closing will be adequate to permit such Partnership Entities to conduct their respective business in substantially the same manner as conducted immediately prior to the Closing.

SECTION 2.27. EXCLUDED ASSETS.

All properties that are part of the Excluded Assets (as defined in Section 1.1 of the WPL Contribution Agreement) ("EXCLUDED ASSETS") have been transferred from the applicable Partnership Entity to another entity that is not a Partnership Entity.

SECTION 2.28. SOLVENCY.

Each of the Selling Parties and Parent is, and immediately after giving effect to the transactions contemplated by this Agreement and the Transaction Documents will be Solvent. For purposes of this Section 2.28, "SOLVENT" means, with respect to the applicable party on any date of determination, that on such date (a) the fair value of the property of such party is greater than the total amount of liabilities, including, without limitation, contingent liabilities of such party that would constitute liabilities under GAAP, (b) the present fair saleable value of the assets of such party is not less than the amount that will be required to pay its debts as they become absolute and matured, taking into account the possibility of refinancing such obligations and selling assets, (c) such party does not intend to, and does not believe that it will, incur debts or liabilities beyond such party's ability to pay such debts as they mature taking into account the possibility of refinancing such obligations and selling assets and (d) such party is not engaged in business or a transaction, and does not intend to engage in business or a transaction, for which such party's property remaining after such transaction would constitute unreasonably small capital.

SECTION 2.29. AUCTION PROCESS.

The Selling Parties and Parent acknowledge that (i) this Agreement and the other Transaction Documents are the culmination of an extensive auction process, fair in substance and procedure, undertaken by the Selling Parties and Parent to identify and negotiate a transaction with a bidder who was prepared to give the best offer for the Securities, (ii) they have selected Buyer as the successful bidder in accordance with the bidding procedures established for such auction and (iii) this Agreement constitutes the best offer for the Securities.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF BUYER

As of the date hereof, Buyer hereby represents and warrants to each of the Selling Parties as follows:

SECTION 3.1. LIMITED PARTNERSHIP ORGANIZATION.

Buyer is a limited partnership duly organized, validly existing and in good standing under the laws of the state of Delaware and has all requisite limited partnership power and authority to own its properties and assets and to conduct its business as now conducted. Buyer is duly qualified to do business as a foreign entity in every jurisdiction where the character of the properties owned or leased by it or the nature of the business conducted by it makes such qualifications necessary.

SECTION 3.2. VALIDITY OF AGREEMENT; AUTHORIZATION.

Buyer has the power and authority to enter into this Agreement and the Transaction Documents to which Buyer is a party and to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and such Transaction Documents and the performance of Buyer's obligations hereunder and thereunder have been duly authorized by the Board of Directors of the general partner of Buyer and no other proceedings on the part of Buyer,

its general partner or its owners are necessary to authorize such execution, delivery and performance. This Agreement and the Transaction Documents to which Buyer is a party each have been (in the case of this Agreement) or will be at the Closing (in the case of such Transaction Documents) duly executed and delivered by Buyer and constitute or will constitute at the Closing, as applicable, the valid and binding obligation of Buyer enforceable against 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.

The execution, delivery and performance by Buyer of this Agreement and the Transaction Documents to which Buyer is a party does not and will not: (a) violate or conflict with any provision of its or its general partner's Organizational Documents, (b) violate any applicable provision of law, or any order, judgment or decree of any Governmental Authority, (c) 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 Buyer is a party or by which it is bound or to which any of its properties or assets is subject or (d) result in the creation or imposition of any Encumbrance upon any of its properties or assets where such violations, breaches, defaults or Encumbrances in the aggregate would have a material adverse effect on the transactions contemplated hereby or on the assets, properties, business, operations, net income or financial condition of Buyer.

SECTION 3.4. CONSENTS AND APPROVALS.

Except as disclosed on Schedule 3.4, no material consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority or any other Person (on the part of Buyer), is required for Buyer to execute and deliver this Agreement or the Transaction Documents to which Buyer is a party or to perform its obligations hereunder or thereunder.

SECTION 3.5. FINANCIAL ABILITY.

Buyer has (a) obtained commitments for debt financing, subject to the satisfaction of the terms and conditions set forth in such commitment letter and (b) obtained equity financing commitments, subject to the satisfaction of terms and conditions set forth in this Agreement and in such commitment letter, copies of which debt and equity financing commitment letters have been provided to the Selling Parties, and which collectively will, if and when such debt and equity financing is provided to Buyer pursuant to such commitment letters, provide Buyer with sufficient immediately available funds at the Closing to pay the First Payment of the Purchase Price and to effect the transactions contemplated hereby.

SECTION 3.6. BUYER STATUS.

Buyer is not an employee benefit plan or other organization exempt from taxation pursuant to Section 501(a) of the Code, a non-resident alien, a foreign corporation or other foreign Person, or a regulated investment company within the meaning of Section 851 of the Code.

SECTION 3.7. BROKERS.

Except as disclosed on Schedule 3.7, Buyer has not employed the services of an investment banker, financial advisor, broker or finder in connection with this Agreement or any of the transactions contemplated hereby.

SECTION 3.8. INDEPENDENT INVESTIGATION.

Buyer has conducted its own independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition and prospects of each of the Partnership Entities, both individually and on a consolidated basis, which investigation, review and analysis was done by Buyer and its Affiliates and, to the extent Buyer deemed necessary or appropriate, by Buyer's representatives. Buyer acknowledges that it and its representatives have been provided adequate access to the personnel, properties, premises and records of each of the Partnership Entities for such purpose.

SECTION 3.9. INVESTMENT INTENT; INVESTMENT EXPERIENCE; RESTRICTED SECURITIES.

In acquiring the Securities, Buyer is not offering or selling, and will not offer or sell the Securities, for the Selling Parties in connection with any distribution of any of such Securities, and Buyer does not have a participation and will not participate in any such undertaking or in any underwriting of such an undertaking except in compliance with applicable federal and state securities laws. Buyer acknowledges that it is able to fend for itself, can bear the economic risk of its investment in the Securities, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in all of such Securities. Buyer is an "accredited investor" as such term is defined in Regulation D under the Securities Act. Buyer understands that none of the Securities will have been registered pursuant to the Securities Act or any applicable state securities laws, that all of such Securities will be characterized as "restricted securities" under federal securities laws and that under such laws and applicable regulations none of such Securities can be sold or otherwise disposed of without registration under the Securities Act or an exemption therefrom.

ARTICLE IV.
COVENANTS

SECTION 4.1. CERTAIN CHANGES AND CONDUCT OF BUSINESS.

From and after the date of this Agreement and until the Closing Date, Selling Parties will use their commercially reasonable efforts to cause each of the Partnership Entities to (except as required or permitted pursuant to the terms hereof or as set forth on Schedule 4.1) conduct its business in the ordinary course of business consistent with past practices and to use its commercially reasonable efforts to preserve intact their business organization and relationships of any Partnership Entity with third parties. Without limiting the generality of the foregoing, without the prior written consent of Buyer (which consent will not be unreasonably withheld or delayed), except as required or permitted pursuant to the terms of this Agreement or as set forth on Schedule 4.1, the Selling Parties will use their commercially reasonable efforts to cause each of the Partnership Entities not to:

(a) make any material change in the conduct of its businesses and operations;

(b) 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;

(c) other than Williams G.P., Inc., elect to be treated as a corporation for tax purposes;

(d) (i) incur, assume or guarantee any indebtedness for borrowed money, issue any notes, bonds, debentures (other than Affiliate intercompany obligations incurred in the ordinary course of business or actions taken to comply with the representation in Section 2.11(b) or the covenant in Section 4.19) or other corporate securities or grant any option, warrant or right to purchase any thereof or (ii) issue any securities convertible or exchangeable for debt securities of any of the Partnership Entities;

(e) 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;

(f) subject any of its assets, or any part thereof, to any Encumbrance except Permitted Encumbrances as may arise in the ordinary course of business consistent with past practices by operation of law;

(g) 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 Partnership Entity's equity interests, other than (i) regular quarterly cash distributions by the Partnership from Available Cash (as defined in the Partnership Agreement) at a rate of no greater than $0.80 per unit (with a proportionate distribution to the New Company in respect of the GP Interest and any distribution on the IDRs provided for in the Partnership Agreement), (ii) dividends or other distributions by the New Company to the Selling Parties of all or any portion of any cash distributions that the New Company may have received pursuant to clause (i), (iii) any dividends or other distributions made by any subsidiaries of the Partnership to other direct or indirect wholly owned subsidiaries of the Partnership, or to the Partnership itself, in the ordinary course of business consistent with past practices and (iv) actions taken to comply with the representation in Section 2.11(b) or the covenant in Section 4.19;

(h) (i) except as may be required by applicable law, enter into, adopt or make any material amendments to or terminate any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, Phantom Units, restricted stock, performance unit, stock equivalent, stock purchase, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any officer or director of any of the Partnership Entities or any Business Employee, except to the extent (1) such adoptions, terminations, amendments or modifications similarly affect employees of the Selling Parties or their Affiliates who are similarly situated to the Business Employees and (2) do not in the aggregate result in a material increase in benefits

or compensation expense to the Partnership Entities, taken as a whole; (ii) except for normal increases in the ordinary course of business consistent with past practice that, in the aggregate, do not result in a material increase in benefits or compensation expense to the Partnership Entities, taken as a whole, increase the benefits or compensation to any officer or director of any of the Partnership Entities or any Business Employee; or (iii) pay to any officer or director of any of the Partnership Entities or any Business Employee any benefit not permitted by any employee benefit agreement, trust, plan, fund, or other arrangement as in effect on the date hereof;

(i) acquire any material assets or properties, except for inventory in the ordinary course of business consistent with past practices;

(j) 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 (other than intercompany receivables in the ordinary course of business or actions taken to comply with the representation in Section 2.11(b) or the covenant in Section 4.19);

(k) fail to duly and timely file or cause to be filed all reports and returns required to be filed with any Governmental Authority and promptly pay or cause to be paid when due all Taxes, assessments and governmental charges, unless contested in good faith in appropriate proceedings;

(l) permit any insurance policy naming any of the Partnership Entities as a beneficiary to expire or be cancelled or terminated, unless a comparable insurance policy is obtained and in effect in replacement thereof;

(m) (i) take or permit any action to be taken that would make any representation or warranty of the Selling Parties under this Agreement inaccurate in any material respect prior to the Closing Date or (ii) omit or cause to omit to take any action necessary to prevent any such representation or warranty from being inaccurate in any material respect at any such time;

(n) issue any units except for (i) issuances of Common Units to directors of the New Company in the ordinary course of business and consistent with past practices or (ii) issuances pursuant to commitments or obligations in respect of Phantom Units outstanding on the date hereof pursuant to the Williams Energy Partners Long-Term Incentive Plan, as described on Schedule 2.3(d)(ii); or

(o) commit itself to do any of the foregoing.

SECTION 4.2. ACCESS TO PROPERTIES AND RECORDS.

(a) Each of the Selling Parties shall afford, and shall cause each of the Partnership Entities (and to the extent reasonably necessary, Parent) to afford, to Buyer and Buyer's accountants, counsel and representatives (collectively "BUYER REPRESENTATIVES"), upon reasonable advance notice to the Selling Parties or their financial adviser, reasonable access during normal business hours throughout the period commencing on the date hereof and ending on the Closing Date (or the earlier termination of this Agreement pursuant to Article VII hereof) to all personnel, properties, books, contracts, and records of each of the Partnership Entities and

their agents, including legal representatives, accountants and environmental and engineering consultants (provided that the Selling Parties or their designee(s) may, in the sole discretion of the Selling Parties, accompany the person(s) to whom such access is provided as contemplated herein) and, during such period, shall furnish promptly to Buyer all information concerning the business, properties, liabilities and personnel of any of the Partnership Entities as Buyer may request, provided that no investigation or receipt of information pursuant to this Section 4.2 shall affect any representation or warranty of the Selling Parties or Buyer's reliance thereon. Additionally, Buyer shall hold in confidence all such information on the terms and subject to the conditions contained in the Confidentiality Agreement (as defined in Section 9.16). Buyer shall have no right of access to, and the Selling Parties shall have no obligation to provide to Buyer, (1) bids received from other Persons in connection with the transactions contemplated by this Agreement and information and analysis (including financial analysis) relating to such bids or (2) any information the disclosure of which the Selling Parties have concluded may jeopardize any privilege available to the Selling Parties or any of the Partnership Entities relating to such information or would cause any of such entities to breach a confidentiality obligation. Buyer agrees that if Buyer or its authorized representatives receive, or if the information (whether in electronic mail format, on computer hard drives or otherwise) held by any of the Partnership Entities as of the Closing includes information that relates to the business operations or other strategic matters of the Parent or any of the Selling Parties or any of their Affiliates (other than the Partnership Entities) such information shall be held in confidence on the terms and subject to the conditions contained in the Confidentiality Agreement, but the term of the restriction on the disclosure and use of such information shall continue in effect as to such information for a period of two years from the Closing. Buyer further agrees that if any of the Selling Parties or Partnership Entities inadvertently furnishes to Buyer copies of or access to information that is subject to clause (2) of the second preceding sentence, Buyer will, upon the Selling Parties' request, promptly return the same to the Selling Parties together with any and all extracts therefrom or notes pertaining thereto (whether in electronic or other format). Buyer shall indemnify, defend, and hold harmless the Selling Parties and their Affiliates from and against any "LOSSES" (as defined in Section 8.2) asserted against or suffered by the Seller Indemnified Parties (as defined in Section 8.2) relating to, resulting from, or arising out of any personal injury to, or property damage directly caused by, any Buyer Representative during any site visit, examination or investigation conducted in accordance with this Section 4.2(a), except where such personal injury or property damage results from the gross negligence or willful misconduct of the Selling Parties, Parent, the Partnership Entities or any employee or agent thereof.

(b) Buyer agrees that it shall preserve and keep all books and records relating to the business or operations of the Partnership Entities on or before the Closing Date in Buyer's possession for a period of at least six years from the Closing Date. Notwithstanding the foregoing, Buyer agrees that it shall preserve and keep all books and records of the Partnership Entities relating to any audit or investigation instituted by a Governmental Authority or any litigation (whether or not existing on the Closing Date) if it is reasonably likely that such investigation or litigation may relate to matters occurring prior to the Closing, without regard to the six-year period set forth in this Section 4.2(b).

SECTION 4.3. EMPLOYEE MATTERS.

(a) Buyer intends to offer, or cause an Affiliate to offer, employment to substantially all Business Employees who are identified on Schedule 2.19(f)(i) as full-time Business Employees and may offer employment to such Business Employees who are identified as less than full-time as it may choose, based on the recommendation of the key management of the Partnership Entities, in either case, on terms and conditions for each Business Employee as are substantially comparable, in the aggregate, to industry standards for similarly situated employees located in the same geographic region, as determined in good faith by Buyer, such employment to commence as contemplated in accordance with the Transition Services Agreement. In addition, within fifteen (15) days after the execution of this Agreement, representatives of Buyer and the Selling Parties shall meet to identify employees of the Selling Parties or any of their Affiliates who are not Business Employees and to whom Buyer and the Selling Parties agree that Buyer may make offers of employment (collectively, the "ADDITIONAL EMPLOYEES"). The Selling Parties agree that if any of the Additional Employees are covered by employee benefit plans or programs of Parent or any of its Affiliates other than Seller Plans, the Selling Parties shall provide Buyer with copies of such plans or programs as promptly as practicable after such Additional Employees are identified. Any such offers of employment made by the Buyer to an Additional Employee shall be on at least the same basis as the offers Buyer makes to Business Employees. Promptly following such agreement regarding the Additional Employees, the Selling Parties shall prepare and submit to Buyer a list of the Additional Employees. Buyer or one or more of its Affiliates shall use commercially reasonable efforts to notify Selling Parties of the names of those Business Employees and Additional Employees that accept such employment offers from Buyer or any other Affiliate of Buyer prior to the Closing Date and in no event more than fifteen (15) days after the Closing Date. The Selling Parties and their Affiliates shall not discourage any Business Employee or Additional Employee to whom an offer of employment is made by Buyer or an Affiliate of Buyer from accepting such offer. Business Employees and Additional Employees who accept employment from Buyer and become employees of Buyer or an Affiliate thereof in accordance with the Transition Services Agreement are referred to herein as "TRANSFERRED EMPLOYEES."

(b) Business Employees who are covered by the PACE Collective Bargaining Agreement are identified on Schedule 2.19(g)(i) (the "REPRESENTED EMPLOYEES"). At the time the first Represented Employee becomes a Transferred Employee (the "REPRESENTED EMPLOYEE TRANSFER DATE"), Buyer agrees to (i) comply with all legal requirements that may be applicable as a result of the Transferred Employees who are Represented Employees being represented by any labor organization, (ii) recognize PACE as the exclusive bargaining unit for the Transferred Employees who are Represented Employees and (iii) assume (and otherwise adopt) all rights and obligations of the Selling Parties under the PACE Collective Bargaining Agreement with respect to Transferred Employees who are Represented Employees. Notwithstanding anything herein to the contrary, Buyer shall offer employment, commencing in accordance with the Transition Services Agreement, to all Represented Employees.

(c) Effective as of the Represented Employee Transfer Date, Buyer shall assume the Williams Pipe Line Company Pension Plan for Hourly Employees (the "PENSION PLAN"). On or as soon as practicable thereafter, the Selling Parties or their applicable Affiliate shall cause the assets of the Pension Plan held under the current master trust to be transferred to a

trust established or maintained by the Buyer or one of its Affiliates. Such transfer shall be made within one business day after any valuation date of the current master trust and shall be made in cash, marketable securities or other property acceptable to Buyer. Prior to such transfer of assets, the Selling Parties shall make a contribution to the Pension Plan in an amount necessary to cause the accrued benefit obligations under FASB 87 with respect to the Pension Plan to be fully funded as of the last day of the month immediately preceding the month that includes the Represented Employee Transfer Date using actuarial assumptions and factors used for FASB 87 reporting purposes in the year that includes the Represented Employee Transfer Date, which contribution shall also include the amount necessary to satisfy in full the minimum funding contribution liability for the 2002 plan year and the estimated minimum funding contribution liability for the 2003 plan year, as prorated for the partial 2003 plan year through Represented Employee Transfer Date, whether or not such 2002 and 2003 plan year funding contributions are then due.

(d) The Selling Parties' shall retain the obligation for providing retiree medical and retiree life benefits to all employees and former employees (including their eligible dependents and beneficiaries) of the Selling Parties and their Affiliates other than Transferred Employees. On or as soon as practicable after the Represented Employee Transfer Date, the Selling Parties shall transfer to Buyer sponsorship of the Voluntary Employee Beneficiary Association ("VEBA") trust established or maintained for the Represented Employees' retiree medical, including all assets of such trust.

(e) The Selling Parties' shall retain the obligation for providing long-term disability benefits to (i) those Represented Employees who, immediately prior to the Represented Employee Transfer Date, are receiving benefits under The Williams Companies, Inc. Long-Term Disability Plan (but the parties hereto agree that such retained obligation shall not include the obligation under the Pension Plan in respect of such totally disabled persons to continue to accrue benefits, which obligation is to be assumed by Buyer as of the Represented Employee Transfer Date under Section 4.3(c) above) and (ii) those Represented Employees who become totally disabled on or after the Represented Employee Transfer Date as a result of an injury or illness occurring prior to the Represented Employee Transfer Date.

(f) Transferred Employees shall participate in employee benefit plans and programs of the Buyer, which shall provide benefits that are substantially comparable, in the aggregate, to industry standards for similarly situated employees located in the same geographic region, as determined in good faith by Buyer, and that, subject to the terms of the PACE Collective Bargaining Agreement and Section 4.3(r), shall cover each Transferred Employee effective as of the date each such employee becomes a Transferred Employee (each such date, an "EMPLOYEE TRANSFER DATE").

(g) Each Transferred Employee shall, without duplication of benefits, be given credit for all service with Selling Parties or their Affiliates prior to the Employee Transfer Date, using the same methodology used by such parties as of immediately prior to such date for crediting service and determining levels of benefits under the Seller Plans, (i) under all employee benefit plans, programs and arrangements maintained by or contributed to by the Buyer in which a Transferred Employee becomes a participant for purposes of eligibility to participate, vesting and determination of level of benefits (excluding, however, benefit accrual under any defined

benefit plans), and (ii) for purposes of calculating the amount of each Transferred Employee's severance benefits, if any.

(h) With respect to the plan year during which an Employee Transfer Date occurs, Buyer will (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 medical, dental and life insurance benefit plans that such employees may be eligible to participate in after his or her Employee Transfer Date, other than limitations or waiting periods that are already in effect with respect to such employee and that have not been satisfied as of his or her Employee Transfer Date under any welfare plan maintained for the Transferred Employee immediately prior to his or her Employee Transfer Date, and (ii) provide each Transferred Employee with credit for any co-payments and deductibles paid prior to his or her Employee Transfer Date in satisfying any applicable deductible or out-of-pocket requirements under any welfare plans that such employee is eligible to participate in after his or her Employee Transfer Date.

(i) Effective as of each Employee Transfer Date, each Transferred Employee shall become fully vested in his or her account balances in any defined contribution or 401(k) Plan maintained by the Selling Parties or their Affiliates on behalf of such Transferred Employee (the "SELLER SAVINGS PLAN") and distributions of such account balances shall be made available to each such Transferred Employee as soon as practicable following his or her Employee Transfer Date, in accordance with the provisions of the Seller Savings Plan and applicable law. Participants shall be permitted to elect rollovers of such accounts (excluding after-tax amounts) in cash to a defined contribution or 401(k) Plan maintained by Buyer (the "BUYER SAVINGS PLAN"). Pending such distribution or rollover, the Seller Savings Plan shall permit each Transferred Employee with a loan outstanding under the Seller Savings Plan to continue to be able to repay such loan. Notwithstanding the foregoing, if requested by Buyer and at Buyer's sole cost, the Selling Parties shall cause a spinoff of the accounts of the Transferred Employees to a Buyer 401(k) plan on such terms as reasonably requested by Buyer.

(j) As of the occurrence of the first Employee Transfer Date, Buyer shall have in effect flexible spending reimbursement accounts under a cafeteria plan qualifying under Section 125 of the Code (the "BUYER 125 PLAN") that provides benefits to the Transferred Employees that are substantially identical in all material respects to those provided by the flexible spending reimbursement accounts under the cafeteria plan in which the Transferred Employees are eligible to participate immediately prior to such date (the "SELLER 125 PLAN"). Buyer agrees to cause the Buyer 125 Plan to accept a spin-off of the flexible spending reimbursement accounts from the Seller 125 Plan and to honor and continue through the end of the calendar year in which an Employee Transfer Date occurs the elections made by each Transferred Employee under the Seller 125 Plan in respect of the flexible spending reimbursement accounts that are in effect immediately prior to the Employee Transfer Date. As soon as practicable following an Employee Transfer Date, the Selling Parties shall cause to be transferred to Buyer an amount in cash equal to the excess of the aggregate accumulated contributions to the flexible spending reimbursement accounts made during

the year in which an Employee Transfer Date occurs by the applicable Transferred Employee over the aggregate reimbursement payouts made for such year from such accounts to such Transferred Employee. If the aggregate reimbursement payouts from the flexible reimbursement accounts made during the year in which an Employee Transfer Date occurs made to the applicable Transferred Employee exceed the aggregate accumulated contributions to such accounts for such year by the applicable Transferred Employee, Buyer shall cause such excess to be transferred to the Selling Parties as soon as practicable following the applicable Employee Transfer Date. On and after an Employee Transfer Date, Buyer shall assume and be solely responsible for all claims by the applicable Transferred Employee under the Seller 125 Plan, whether incurred prior to, on or after the applicable Employee Transfer Date, that have not been paid in full as of the applicable Employee Transfer Date.

(k) Buyer and the Selling Parties agree to cooperate as necessary to effectuate the provisions of this Section 4.3 and to ensure an orderly transition of benefits coverage with respect to the Transferred Employees from the Seller Plans to Buyer's plans.

(l) Buyer shall assume all paid-time-off obligations of the Selling Parties and their Affiliates with respect to each Transferred Employee, and each Transferred Employee shall, without duplication of benefits, be given credit for all accrued but unused paid-time-off under Selling Parties or their Affiliate's paid-time-off program as of such Transferred Employee's Employee Transfer Date, using the same methodology used by the Selling Parties or their Affiliates immediately prior to such Employee Transfer Date for crediting service and determining the amount of such paid-time-off benefits. Buyer shall also assume the full obligation to pay all or any portion of any bonus or incentive plan benefit for the years 2002 and 2003, to the extent unpaid as of an Employee Transfer Date, with respect to any Transferred Employee; provided, however, the Selling Parties will promptly reimburse Buyer for (i) any portion of any bonus paid after the applicable Employee Transfer Date for the year 2002, to the extent that the bonus so paid does not exceed the unpaid portion of the bonus declared for such period in respect of such Transferred Employee and (ii) for the allocable portion of any bonus paid after the applicable Employee Transfer Date for the year 2003 to the extent such bonus is included in general and administrative expenses of the Partnership and not in operating and maintenance expenses, such allocable portion to be equal to the product of (A) a fraction, of which (I) the numerator is the number of days in the period from and including January 1, 2003 to but excluding the Closing Date, and (II) the denominator is 365, times (B) the amount of such bonus included in general and administrative expenses of the Partnership that is so paid for the year 2003 to such Transferred Employee, provided, that in no event shall the amount used in this subclause (B) exceed the 2003 target bonus amount established by Parent for such Transferred Employee.

(m) If Buyer terminates the employment of a Transferred Employee at any time between his or her Employee Transfer Date and the first anniversary of such date for a reason other than cause, but excluding any termination in which such employee is offered substantially comparable continued employment by another Person, Buyer shall provide such Transferred Employee who is not a Represented Employee with a severance benefit equal to the greater of (i) the benefit provided under Buyer's severance plan or program and (ii) a sum equal to two weeks of pay for every year of service with a minimum of six weeks and a maximum of fifty-two weeks total severance benefit.

(n) For a period of one year after the Closing Date:

(i) except as contemplated by the Transition Services Agreement, neither Buyer nor any of its Affiliates shall, directly or indirectly, (A) induce any employee of any of the Selling Parties or their Affiliates (other than the Transferred Employees) to leave the employ of any such Selling Party or Affiliate thereof or (B) employ or otherwise engage as an employee, independent contractor or otherwise any such employee, except that Buyer and its Affiliates shall not be precluded from hiring any such employee who (y) initiates discussions regarding such employment without any direct or indirect solicitation by Buyer or its Affiliates or (z) responds to any public advertisement placed by Buyer or its Affiliates; and

(ii) neither the Selling Parties nor any of their Affiliates shall, directly or indirectly, (A) induce any of the Transferred Employees to leave the employ of any Partnership Entity or Buyer or any of its Affiliates or (B) employ or otherwise engage as an employee, independent contractor or otherwise any such Transferred Employee, except that the Selling Parties and their Affiliates shall not be precluded from hiring any such employee who (y) initiates discussions regarding such employment without any direct or indirect solicitation by the Selling Parties or their Affiliates or (z) responds to any public advertisement placed by the Selling Parties or their Affiliates.

(o) Effective as of each Employee Transfer Date, the applicable Transferred Employee who is not a Represented Employee shall become fully vested in his or her accrued benefits under The Williams Companies, Inc. Pension Plan maintained by the Selling Parties or their Affiliates.

(p) The Selling Parties shall bear the full and sole responsibility and liability for providing any notice to the Selling Parties' or Parent's employees which may be required pursuant to the Federal Working Adjustment and Retraining Notification Act of 1988 ("WARN") or any similar applicable law for any employment loss which occurs in connection with this transaction and shall hold Buyer and its Affiliates (including the Partnership Entities) harmless from and against any and all losses associated with or related to the Selling Parties failure to comply with WARN or any similar law with respect to such employees. Notwithstanding the foregoing, to the extent that WARN liability on the part of the Selling Parties or Parent is triggered with respect to a Business Employee due to Buyer or one or more of its Affiliates terminating the employment of one or more Transferred Employees after the applicable Employee Transfer Date, then any WARN liability that otherwise would be attributed to the Selling Parties or Parent with respect to a Business Employee shall instead be the sole responsibility of the Buyer.

(q) Notwithstanding anything in this Agreement to the contrary, Buyer and its Affiliates (including the Partnership Entities) are not assuming any obligation or liability of the Selling Parties or any of their Affiliates, including any Seller Plan, or any liability thereunder, to any Transferred Employee or other Person except to the extent such liability or obligation is specifically assumed pursuant to this Section 4.3.

(r) Nothing in this Section 4.3 shall prevent Buyer or an Affiliate thereof from amending or terminating, in its sole discretion, any employee benefit plan of Buyer or an Affiliate thereof at any time following the Closing, subject to the provisions of the PACE Collective Bargaining Agreement and Section 4.3(m) above; provided, however, that Buyer agrees to indemnify and protect the Seller Indemnified Parties for any liability they may have as a result of amending or terminating any employee benefit plan of Buyer or an Affiliate thereof following the Closing.

SECTION 4.4. CONSENTS AND APPROVALS.

(a) On or as promptly as practicable after the date hereof, the Selling Parties shall cause Parent to deliver notice (a copy of which will be furnished to Buyer) to the Federal Trade Commission, as required under that certain order, dated June 17, 1998, to which Parent is subject (the "CONSENT DECREE"). The Selling Parties and Buyer shall each use all commercially reasonable efforts to obtain, and in the case of the Selling Parties, cause Parent and the Partnership Entities 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 such party of this Agreement and will cooperate fully with the other party in promptly seeking to obtain all such authorizations, consents, orders, and approvals, giving such notices, and making such filings. If the parties agree that a filing is required, each party shall (i) file or cause to be filed, as promptly as practicable (and in any event within five (5) business days after the execution and delivery of this Agreement), with the Federal Trade Commission and the United States Department of Justice, all reports and other documents required to be filed by such party under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR ACT") concerning the transactions contemplated hereby and (ii) promptly comply with or cause to be complied with any requests by the Federal Trade Commission or the United States Department of Justice for additional information concerning such transactions, in each case so that the waiting period applicable to this Agreement and the transactions contemplated hereby under the HSR Act shall expire as soon as practicable after the execution and delivery of this Agreement. Each party agrees to request, and to cooperate with the other party in requesting, early termination of any applicable waiting period under the HSR Act. The costs of any filing fees required in connection with any HSR filing shall be borne equally between Buyer, on the on hand, and the Selling Parties, on the other hand; provided, however, that any and all costs and expenses otherwise incurred by any of the parties in connection with obtaining any necessary consents, waivers, authorizations and approvals hereunder shall be borne solely by the party required to obtain or deliver such consents, waivers, authorizations and approvals; provided, further, any and all costs and expenses incurred by any of the parties in connection with obtaining the waivers, consents and amendments referred to in Section 5.13 hereunder shall be borne by the Selling Parties.

(b) Without limiting the generality of the parties' undertakings pursuant to Section 4.6, the parties shall:

(i) use commercially reasonable efforts to prevent the entry in a judicial or administrative proceeding brought under any antitrust law by the Federal Trade Commission, the United States Department of Justice or any other party of a permanent or preliminary injunction or other order that would make consummation of the

transactions contemplated by this Agreement unlawful or that would prevent or delay such consummation;

(ii) take promptly, in the event that such an injunction or order has been issued in such a proceeding, any and all reasonable steps, including the appeal thereof and the posting of a bond necessary to vacate, modify, or suspend such injunction or order, so as to permit such consummation on a schedule as close as possible to that contemplated by this Agreement; and

(iii) not take a position or agree to a settlement that will or would reasonably be expected to have a material adverse effect on the Buyer or a material adverse effect on the Selling Parties or otherwise prejudice the Buyer's or the Selling Parties' intent with respect to the transactions contemplated hereby.

(c) If the transfer of any instrument, contract, license, lease, permit, or other document to Buyer hereunder shall require the consent of any party thereto other than the Selling Parties, Parent or the Old Company, then this Agreement shall not constitute an agreement to assign the same, and such item shall not be assigned to or assumed by Buyer, if an actual or attempted assignment thereof would constitute a breach thereof or default thereunder. In such case, the parties shall cooperate and each shall use commercially reasonable efforts to obtain such consents of such other parties to the extent required and, if and when any such consents are obtained, to transfer the applicable instrument, contract, license, lease, permit, or other document. If any such consent cannot be obtained, the Selling Parties shall cooperate in any reasonable arrangement designed to obtain for Buyer all benefits, privileges and obligations of the applicable instrument, contract, license, lease, permit, or document, including, without limitation, possession, use, risk of loss, potential for gain and dominion, control and demand.

(d) During the term of this Agreement and prior to the Closing, Buyer will negotiate in good faith and use its commercially reasonable efforts to finalize the terms and conditions of the debt financing described in Section 3.5, including without limitation, the execution and delivery of definitive agreements for same containing terms and conditions to funding that are consistent in all material respects with the commitment therefor referenced in Section 3.5, so that Buyer will have the immediately available funds to pay the First Payment of the Purchase Price at Closing; provided, however, Buyer (or its Affiliates) shall not be required to make any representation in such definitive agreements relating to the Partnership Entities that it is not true. Buyer will notify the Selling Parties, upon request, of the status of the negotiations for the debt financing described in Section 3.5.

SECTION 4.5. FURTHER ASSURANCES.

Upon the request of Buyer at any time on or after the Closing Date, each of the Selling Parties will promptly execute and deliver, or cause Parent to execute and deliver, such further instruments of assignment, transfer, conveyance, endorsement, direction or authorization and other documents as Buyer or its counsel may reasonably request in order to perfect title of Buyer and its successors and assigns to the Securities or otherwise to effectuate the purposes of this Agreement.

SECTION 4.6. COMMERCIALLY REASONABLE EFFORTS.

Upon the terms and subject to the conditions of this Agreement, each of the parties hereto will use all commercially reasonable 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. Without limiting the generality of the foregoing, upon the reasonable request of Buyer from time to time, the Selling Parties shall use their commercially reasonable efforts to assist Buyer in meeting the condition referred to in Section 5.9.

SECTION 4.7. NOTICE OF BREACH.

Each party shall promptly give to the other parties written notice with particularity upon having knowledge of any matter that would constitute a breach by such party of any representation, warranty, agreement or covenant of such party contained in this Agreement, including, without limitation, the Selling Parties' representations in Article II. The Selling Parties shall have the obligation prior to the Closing to supplement the Disclosure Schedule in a prompt manner with respect to any matter that would have been required to be set forth on or described in such Disclosure Schedule (a "DISCLOSURE SCHEDULE UPDATE"). Any such supplemental disclosure (i) will not be deemed to have been disclosed as of the date of this Agreement for purposes of determining whether the conditions set forth in Article V have been satisfied (unless such supplemental disclosure relates to an update made in response to Section 2.21(a)(vii)), and (ii) shall not be deemed to have cured any breach of representation, warranty, covenant or agreement relating to the matters set forth in such update for purposes of indemnification pursuant to Article VIII, unless such supplemental disclosure relates to an update to Schedule 2.25 hereto by reason of an action taken by a customer or shipper after the date hereof, in which case a breach of the representation in Section 2.25 shall not be deemed to have occurred for purposes of indemnification pursuant to Article VIII.

SECTION 4.8. CONFIDENTIAL INFORMATION.

(a) For two (2) years after the Closing, the Selling Parties and their Affiliates shall not, directly or indirectly, disclose to any Person 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 Partnership Entities; provided, however, that any such confidential information received, obtained or created in the course of defending any claim or action under Article VIII hereof shall not be disclosed for a period of two (2) years following the resolution of such claim or action. Notwithstanding the foregoing, the Selling Parties may disclose any information relating to the business and operations of the Partnership Entities (i) if required by law or applicable stock exchange rule, and (ii) to such other Persons if, at the time such information is provided, such Person is already in the possession of such information.

(b) Except as consented to by Buyer in writing, none of the Selling Parties and their Affiliates shall release any Person from any Bidder Confidentiality Agreement (as defined below) now existing with respect to the Securities or Partnership Entities or waive or amend any provision thereof. After the Closing Date, the Selling Parties shall use commercially reasonable

efforts to have all confidential information either returned to the Selling Parties or destroyed. Furthermore, if any parties to the Bidder Confidentiality Agreements breach the terms of their respective agreement, upon the request of Buyer, the Selling Parties and Parent shall cooperate with Buyer to enforce the terms of such Bidder Confidentiality Agreements at Buyer's cost and expense. The term "BIDDER CONFIDENTIALITY AGREEMENTS" shall mean the confidentiality agreements between any of Parent, the Selling Parties or any of their Affiliates or advisors and prospective purchasers (other than Buyer or its Affiliates) of the Securities.

SECTION 4.9. TAX COVENANTS.

(a) The Selling Parties shall cause the Partnership Entities to prepare and file all Tax Returns relating to any of the Partnership Entities with the appropriate federal, state, local and foreign governmental agencies and cause the Partnership Entities to pay the Taxes shown to be due thereon, for which Tax Returns are due and Taxes are payable prior to the Closing Date. For periods ending on or prior to the Closing Date, but for which Tax Returns are not due and Taxes are not payable as of the Closing Date, (i) the Selling Parties shall prepare and submit to Buyer for review, signature, and filing all such Tax Returns required to be filed by the New Company, and, at such time, the Selling Parties shall pay to the Buyer the Taxes shown to be due thereon, and (ii) the Buyer shall cause the Partnership Entities (other than the New Company) to prepare and file all Tax Returns and cause the Partnership Entities to pay the Taxes shown to be due thereon.

(b) Buyer shall cause the Partnership Entities to prepare all Tax Returns relating to the Partnership Entities for periods beginning on or before the Closing Date and ending after the Closing Date. With respect to any such Tax Return relating to the New Company, Buyer shall determine (by an interim closing of the books as of the Closing Date except for ad valorem and property taxes owed or owing by the New Company, which shall be prorated on a daily basis) the Tax that would have been due with respect to the period covered by such Tax Return if such taxable period ended on and included the Closing Date (the "PRE-CLOSING TAX"). Not later than 30 days prior to the due date of each such Tax Return, Buyer shall deliver a copy of such Tax Return to the Selling Parties together with a statement of the excess, if any, of the Pre-Closing Tax over the amount set up as a liability for such Tax on the financial statements of the New Company. Buyer shall make or cause to be made such changes in such Tax Returns or the statement of excess, if any, as the Selling Parties may reasonably request, which changes shall be subject to Buyer's approval, which shall not be unreasonably withheld. Not later than five days prior to the due date of such Tax Return, the Selling Parties shall pay to Buyer the amount of such excess. Upon receipt thereof, Buyer shall file or cause to be filed such Tax Return and shall pay all Taxes shown to be due thereon.

(c) The Selling Parties will cause any tax sharing agreement or similar arrangement with respect to Taxes involving any of the Partnership Entities to be terminated effective as of the Closing Date, to the extent any such agreement or arrangement relates to any such entity, and after the Closing Date none of the Partnership Entities shall have any obligation under any such agreement or arrangement for any past, present or future period.

(d) 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 Selling Parties. Notwithstanding anything to the contrary in this Section 4.9, 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 will use commercially reasonable efforts to provide such Tax Returns to the other party at least ten days prior to the due date for such Tax Returns.

(e) Notwithstanding anything to the contrary contained herein, any franchise Tax paid or payable with respect to any of the Partnership Entities shall be allocated to the taxable period during which the right to do business is obtained by the payment of the franchise Tax.

SECTION 4.10. INSURANCE, BONDS AND COLLATERAL.

(a) Buyer shall use its commercially reasonable efforts to take, or cause the Partnership Entities to take, such actions as may be necessary or appropriate so that all surety bonds, letters of credit, and cash collateral issued in respect of any of the Partnership Entities and listed on Schedule 4.10(a) (collectively, the "BONDS") are replaced as soon as practicable and in no event later than 60 days after the Closing Date. Buyer shall indemnify, defend and hold harmless the Selling Parties and their Affiliates for any and all Losses (in each case without deduction or set off) incurred on account of such Bonds after the Closing Date.

(b) Notwithstanding the termination of coverage on the Closing Date (or May 1, 2003, in the case of excess liability policies of the Parent Policies) for each of the Partnership Entities under the Parent Policies described in Section 2.20(b), the Selling Parties shall take or cause the Parent to take appropriate action to ensure that upon and after the Closing (i) each of the Partnership Entities shall continue to be covered by such Parent Policies for claims relating to or arising from events or occurrences happening prior to such termination of coverage and, with respect to "claims made" policies, which are reported prior to such termination of coverage, to the same extent as each such entity was covered prior to Closing under each of such Parent Policies, and (ii) each of the Partnership Entities is named as an insured or additional insured party under such Parent Policies in respect of such claims. After the Closing Date, the Selling Parties or Parent shall continue to manage the claims described in the immediately preceding sentence and shall be responsible for all costs on account of such claims, including but not limited to deductibles and retention and third-party administration charges. For a period of five years after the Closing Date, the Selling Parties shall provide or cause Parent to provide the Buyer, as reasonably requested by the Buyer, historical insurance carrier loss-runs and internally administered loss-runs in respect of the Partnership Entities.

(c) Without limiting the generality of Section 4.10(b), after the Closing Date, Parent or its Affiliates (other than the Partnership Entities) shall continue to manage all workers' compensation claims of all Transferred Employees that are known and reported on or prior to the Closing Date, or that are covered under the workers compensation policy provided by the Parent. The Selling Parties shall be responsible for all costs on account of such claims, including but not limited to deductibles and third party administrator charges.

SECTION 4.11. INFORMATION TECHNOLOGY.

(a) ATLAS Contribution and License Back Agreement. The Selling Parties shall, or shall cause one or more of their Affiliates to, assign and transfer, at or immediately prior to Closing, all right, title and interest to the ATLAS 2000 System, any additional software related thereto and any computer hardware associated therewith to the Partnership Entity or Partnership Entities, as the case may be, designated by the Buyer pursuant to an Assignment, Contribution and License Agreement, in substantially the form attached hereto as Exhibit 1.2(a)(iv)(3) (the "ATLAS ASSIGNMENT, CONTRIBUTION AND LICENSE AGREEMENT"). The ATLAS Assignment, Contribution and License Agreement shall provide for, among other things, Buyer to cause the applicable Partnership Entity or Entities to grant WES a license, which WES may sublicense to Williams Bio-Energy LLC, to use, copy, modify, enhance and upgrade the ATLAS 2000 System to support any business owned or operated by Williams Bio-Energy LLC for so long as Williams Bio-Energy LLC continues to use the ATLAS 2000 System.

(b) IT Migration Team and Migration Assets. The parties shall each designate up to three (3) representatives to a migration team ("IT MIGRATION TEAM") that shall be responsible for determining the software and computer hardware ("IT ASSETS") that will be necessary for Buyer to continue operations of the Partnership Entities in substantially as efficient a manner in which such operations are conducted by the Partnership Entities as of the Closing Date, taking into account, as appropriate, the impact on such items as may be necessary in light of the reduced size and scale of Buyer and the Partnership Entities immediately after the Closing as compared to the size and scale (and corresponding needs) of Parent and its Affiliates (including the Partnership Entities) immediately before the Closing. The IT Migration Team shall identify (i) those certain IT Assets to be transferred or assigned to the Partnership Entities by the Selling Parties or their Affiliates (which IT Assets shall include, subject to the approval of the Partnership Entities, all computer hardware that is not wholly owned by any of the Partnership Entities, but that is owned by Parent or any of its Affiliates, and that is (A) not required for the on-going business of Parent and its subsidiaries (other than the Partnership Entities) and (B) is used more than 50% of the time or for the benefit of Transferred Employees) (the "TRANSFERRED ASSETS") and (ii) those certain IT Assets to be purchased, leased or licensed by or for the benefit of the Partnership Entities as a substitute for IT Assets retained by the Selling Parties or their Affiliates, subject to the parameters set forth in the immediately preceding sentence (the "SUBSTITUTED ASSETS," and collectively with Transferred Assets, the "MIGRATION ASSETS"); provided, however, the Selling Parties shall retain the sole discretion as to whether any IT Asset owned, licensed or leased by the Selling Parties or their Affiliates is transferred or assigned to the Partnership Entities as a Transferred Asset, including without limitation the IT Assets listed on Schedule 2.13(b).

(c) Dispute Resolution. If the Selling Parties and Buyer are unable to agree as to whether one or more IT Assets are to be included among the Substituted Assets (or the terms of the purchase, lease or license of such assets), the parties will compile a list of such disputed IT Assets (the "Dispute List"). The Dispute List will, in the case of each category of disputed IT Asset, set forth the Selling Parties' choice and Buyer's choice of IT Asset to be deemed a Substituted Asset and the terms of the purchase, lease or license of such assets. The parties will refer the dispute to a technology consultant of nationally recognized standing (the "TECHNOLOGY CONSULTANT") to be selected in the following manner: the Selling Parties will select three (3)

candidates and deliver a written notice containing the names of such candidates to Buyer, and within five (5) days of receiving such notice, Buyer will select one of such three candidates to serve as the Technology Consultant. The Technology Consultant may not be otherwise engaged by the Selling Parties or Buyer, or their respective Affiliates, in connection with the transactions contemplated under this Agreement and the Transaction Documents and shall not have performed any material services on behalf of the Selling Parties or Buyer, or their respective Affiliates, during the five (5) years immediately preceding the date of this Agreement. Upon selection, the Technology Consultant shall immediately be engaged by the parties, with costs and expenses of the Technology Consultant to be borne equally be the Selling Parties, on the one hand, and Buyer, on the other hand. For a period of ten (10) days following the engagement of the Technology Consultant, the Selling Parties and Buyer shall be entitled to furnish the Technology Consultant with such supporting documentation as they deem reasonable to support their respective positions with respect any or all of the IT Assets on the Dispute List. The Technology Consultant shall resolve the dispute, with respect to each category of disputed IT Asset on the Dispute List, by choosing either the Selling Parties' or Buyer's choice of IT Asset (and either Selling Parties' or Buyers' terms of the purchase, lease or license of such assets), and the decision of the Technology Consultant shall be final and binding on the Selling Parties and Buyer. The Technology Consultant shall resolve the dispute with respect to each category of IT Asset on the Dispute List within thirty (30) days after the engagement of the Technology Consultant.

(d) IT Migration Plan. The IT Migration Team shall also be responsible for developing a detailed plan that will include timetables for and estimated costs of the transfer, assignment, purchase, lease or license, as the case may be, of the Migration Assets (the "IT MIGRATION PLAN"). The IT Migration Plan shall provide, among other things, that if requested by Buyer, the Selling Parties or their Affiliates will use commercially reasonable efforts to obtain for Buyer, on commercially reasonable terms, such Substituted Assets as requested, subject to Section 4.11(c) above. The Migration Team shall use commercially reasonable efforts to complete the development of the IT Migration Plan prior to the Closing Date and, in any event, shall complete the IT Migration Plan by no later than fifteen (15) days after the Closing Date. The time from such date through completion of the implementation of the IT Migration Plan shall be stated therein and shall be referred to as the "IT MIGRATION PERIOD." It is understood by the parties hereto that the IT Migration Plan will be subject to mutual revision, agreement for which shall not be unreasonably withheld by either party, during the IT Migration Period. Upon completion of the IT Migration Plan, the Selling Parties shall promptly thereafter transfer the Transferred Assets to Buyer, or the Partnership Entities designated by Buyer.

(e) Costs.

(i) Costs Relating to Preparation of IT Migration Plan. All costs related to the Selling Parties' and their Affiliates' employees and contractors involved in the preparation of the IT Migration Plan shall be borne by the Selling Parties, and all costs related to Buyer's employees and contractors involved in the preparation of the IT Migration Plan shall be borne by Buyer. Costs incurred by Buyer pursuant to this Section 4.11(e)(i) shall not be subject to the Expense Limit (as defined in Section 4.15).

(ii) Costs Relating to Implementation of IT Migration Plan. All costs related to the implementation of the IT Migration Plan, including without limitation the transfer and assignment of Transferred Assets and purchase, lease or license of Substituted Assets, as the case may be (and including the cost of time, labor and expenses of employees of the Selling Parties and their Affiliates in connection therewith) (collectively, "IMPLEMENTATION COSTS"), shall be borne by the Buyer, subject in the case of this Section 4.11(e)(ii) to the Expense Limit. The Implementation Costs also shall include, without limitation, the following costs and expenses: (i) all cost associated with the transfer of leases or licenses relating to Transferred Assets, (ii) any excess costs or fees associated with any of the Selling Parties or their Affiliates being deemed to be a service bureau by a vendor of such Migration Assets, (iii) costs relating to the conversion and loading of data, and (iv) costs relating to the integration of the Migration Assets into the Partnership Entities' information technology systems.

(iii) Costs Relating to Transition Services. All costs and expenses associated with ongoing maintenance and support services provided by the Selling Parties or their Affiliates with respect to the Migration Assets, whether provided under the Transition Services Agreement (other than Implementation Costs) or otherwise, shall not be subject to the Expense Limit.

(f) Miscellaneous. In the case of Transferred Assets (including software and computer hardware associated with the ATLAS 2000 System) that are (i) leased by the Selling Parties or their Affiliates, such leases shall be transferred to Buyer, and upon such transfer, Buyer shall assume full responsibility for such leases, and (ii) assigned to any of the Partnership Entities, including license and contract rights, the Selling Parties shall secure any consents necessary for such assignments. If Buyer elects to obtain its own leases or licenses for Substituted Assets without the assistance of the Selling Parties, Buyer shall upon the request of the Selling Parties submit to them documentation showing proper licensing prior to the end of the IT Migration Period

SECTION 4.12. SOFTWARE LICENSE.

With respect to any Licensed Software that is included in the Transferred Assets (the "TRANSFERRED LICENSED SOFTWARE"), the Selling Parties, for themselves and on behalf of their Affiliates, shall, in accordance with Section 4.11(d), grant to the Partnership Entities and the Buyer and its Affiliates, a worldwide nonexclusive royalty-free, perpetual license, with the right to assign and sublicense only to such Affiliates, to use, copy, modify, enhance, and upgrade, solely for their internal business purposes and not as a service bureau, the Transferred Licensed Software, except as not permitted pursuant to any license relating thereto. Any copies of the Transferred Licensed Software and any documentation related thereto must contain all copyright and other intellectual property rights notices included thereon at the time of Closing. The Partnership Entities and Buyer shall not be entitled to receive and Selling Parties and their Affiliates shall have no obligation to provide any modifications, enhancements, or upgrades made to the Transferred Licensed Software developed subsequent to the date of transfer of such Licensed Transferred Software to the Buyer or the Partnership Entities. To the extent that they possess such, the Selling Parties and their Affiliates shall provide copies to Buyer and the Partnership Entities of the source code for all Transferred Licensed Software. Ownership of all

intellectual property rights in the Transferred Licensed Software remains with Selling Parties and their Affiliates; provided, following the date of transfer to Buyer and the Partnership Entities, the intellectual property rights to any modifications, enhancements and upgrades to the Transferred Licensed Software will be owned by the party making such modifications, enhancements and upgrades and there shall be no right for any party to disclose such to any other party. The Partnership Entities and Buyer shall not take any action that is materially inconsistent with the Selling Parties' and their Affiliates' rights in the Transferred Licensed Software. Except as otherwise expressly provided in this section, the Transferred Licensed Software and any related documentation are provided on an "as is" basis, and the Selling Parties and their Affiliates hereby expressly disclaim any implied warranty of merchantability or fitness for a particular purpose. The Selling Parties and their Affiliates do not warrant that the Transferred Licensed Software or documentation are error-free or that the Partnership Entities' or Buyer's use thereof will be uninterrupted. Buyer shall have the right to transfer its rights as granted herein to a third party only upon the sale or transfer of all or substantially all of the Securities or the assets of the Partnership Entities or a majority of the New LLC Interests to such third party, except to the extent any such transfer is not permitted pursuant to any license relating thereto. All rights with respect to Transferred Licensed Software not expressly granted to Buyer in this Section 4.12 are retained by the Selling Parties and their Affiliates.

SECTION 4.13. NON-SOFTWARE COPYRIGHT LICENSE.

Effective upon the Closing Date, the Selling Parties, for themselves and on behalf of their Affiliates, hereby grant to the Partnership Entities, Buyer and its Affiliates, a nonexclusive royalty-free, perpetual license, without right to sublicense, to use, copy, modify, enhance, and upgrade, solely for their internal business purposes and not as a service bureau, all manuals, user guides, standards and operation procedures and similar documents owned by the Selling Parties and/or their Affiliates and used by the Partnership Entities. All copies of the foregoing must reproduce and include all copyright and other intellectual property rights notices as such appear on such items at the time of Closing or as specifically provided with respect to any such item by the Selling Parties. All rights with respect to such items not expressly granted to Buyer in this Section 4.13 are retained by the Selling Parties and their Affiliates.

SECTION 4.14. TRANSITIONAL TRADEMARK LICENSE; LEGAL NAMES.

(a) Effective upon the Closing Date, the Selling Parties and their Affiliates, hereby grant to the Partnership Entities, Buyer and its Affiliates a nonexclusive, nontransferable, royalty-free license, without right to sublicense, to use, solely in the Partnership Entities' businesses as they have been conducted since February 9, 2001 and as they are presently conducted, any and all trademarks, service marks, trade names, trade dress and domain names owned by the Selling Parties and their Affiliates solely to the extent appearing on existing inventory, advertising materials and property of the Partnership Entities (such as signage, vehicles, and equipment) (collectively "SELLERS' MARKS") for a period of nine (9) months from the Closing Date ("LICENSE PERIOD"). The Buyer and the Partnership Entities may use such existing inventory, advertising materials and property during the License Period, but shall not create new inventory, advertising materials or property using Sellers' Marks. Buyer and the Partnership Entities shall promptly replace or remove Sellers' Marks on inventory, advertising materials and other 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 Sellers' Marks by Buyer and the Partnership Entities shall conform to the nature and quality of the uses of Sellers' Marks by the Selling Parties, Parent and the Partnership Entities as of the date hereof. Immediately upon expiration of the License Period, the Buyer and the Partnership Entities shall cease all further use of Sellers' Marks and shall adopt new trademarks, service marks, and trade names that are not confusingly similar to Sellers' Marks. All rights not expressly granted in this Section 4.14 with respect to Sellers' Marks are hereby reserved. In the event Buyer or any of the Partnership Entities breaches the provisions of this Section 4.14 and such breach is not cured (or reasonable steps taken to prevent its reoccurrence for such breaches that cannot be cured) within fifteen (15) business days after receipt by Buyer or such Partnership Entity of written notice of such breach, the Selling Parties may immediately terminate the License Period upon fifteen (15) days written notice.

(b) No later than ninety (90) days following the Closing Date, Buyer shall have caused each of the Partnership Entities listed on Schedule 4.14 hereof to change its legal name so that there is no longer any reference therein to the name "Williams" or any variation, derivation or abbreviation thereof, and in connection therewith, Buyer shall cause each such Partnership Entity to make all necessary filings of certificates with the Secretary of State of the State of Delaware and to otherwise amend its Organizational Documents by such date.

SECTION 4.15. MAXIMUM AMOUNT OF CERTAIN OF BUYER'S COSTS AND EXPENSES.

Notwithstanding any other provision of this Agreement, all (i) Implementation Costs and (ii) one-time costs and capital expenditures related to (A) the transition, transfer or conveyance of assets, operations or employees from the Selling Parties or Parent to the Buyer or the Partnership Entities or (B) the changing of the names of the Partnership Entities (up to a maximum amount of $650,000 plus reasonable legal expenses and filing fees in the case of this clause (B)), in excess in the aggregate of $5,000,000 (the "EXPENSE LIMIT") incurred by Buyer or the Partnership Entities that would otherwise be borne by Buyer or the Partnership Entities (without reimbursement) shall instead be borne by the Selling Parties or promptly reimbursed by the Selling Parties to Buyer or the Partnership Entities; provided, however, that the Expense Limit shall only apply to costs, expenses and capital expenditures incurred by Buyer or the Partnership Entities within twelve (12) months of the Closing Date. Other than the costs, expenses and capital expenditures referred to in the immediately preceding sentence, all costs, expenses and capital expenditures incurred by Buyer or the Partnership Entities in connection with consummation of the transactions contemplated in this Agreement and the Transaction Documents shall not be included in the Expense Limit nor be subject of any obligation of the Selling Parties or any of their Affiliates to pay or reimburse such costs, expenses and capital expenditures, including if applicable the cost and expense of relocating Transferred Employees, property or assets from the One Williams Center building in Tulsa, Oklahoma, except pursuant to the Transition Services Agreement or as otherwise agreed to by the parties.

SECTION 4.16. OFFICE LEASE; OFFICE FURNITURE AND EQUIPMENT; OFFICE SUPPLIES.

Buyer and the Selling Parties shall negotiate in good faith to enter into a lease, as soon as reasonably practicable following the Closing Date, between the Selling Parties or an Affiliate, as lessor, and Buyer or a Partnership Entity, as lessee, for a term of not less than five (5) years and at a rate comparable to that for similar unfurnished commercial space in Tulsa, Oklahoma, subject to the immediately succeeding sentence, to provide the office space at One Williams Center in Tulsa, Oklahoma, currently occupied by the Transferred Employees and the IT Assets transferred to Buyer or the Partnership Entities under the IT Migration Plan or such other or additional space in One Williams Center as may be mutually agreed upon. The lease will also provide for Williams to provide PBX services to Buyer and the Partnership Entities for the term of such lease, at a cost that is agreed upon by the parties and will be incorporated into such lease. At such time as Buyer and the Partnership Entities relocate from the One Williams Center building in Tulsa, Oklahoma, Williams agrees to purchase on behalf of Buyer and the Partnership Entities a system sufficient to provide PBX services to Buyer and the Partnership Entities in their new location. Upon the execution and delivery of such lease, the Selling Parties will transfer, without additional consideration, to the Partnership Entities (i) the material office furniture and equipment owned by the Selling Parties or their Affiliates and currently used by the Transferred Employees (at One Williams Center in Tulsa, Oklahoma) and (ii) office supplies of the type currently used by such Transferred Employees in a quantity sufficient to last for approximately ninety (90) days assuming customary usage in accordance with past practices. Effective as of the Closing, regardless of the execution of such lease, the Selling Parties hereby transfer, without additional consideration, to the Partnership Entities all office furniture owned by the Selling Parties or their Affiliates that is currently used by the Transferred Employees or the Partnership Entities at locations other than One Williams Center in Tulsa, Oklahoma.

SECTION 4.17. NO SOLICITATION; TERMINATION OF DISCUSSIONS.

(a) From and after the date hereof, none of the Selling Parties nor their Affiliates (other than the Partnership Entities), officers, directors, employees, affiliates, stockholders, representatives, agents, nor anyone acting on behalf of them shall (and, subject to Section 4.17(b) hereof, the Selling Parties shall use their reasonable best efforts to cause the Partnership Entities not to), directly or indirectly, encourage, solicit, engage in discussions or negotiations with, or provide any information to, any Person (other than Buyer or its representatives) concerning any merger, sale of assets, purchase or sale of Securities or similar transaction involving the Partnership Entities unless this Agreement has been terminated pursuant to and in accordance with Article VII hereof.

(b) Notwithstanding the provision of Section 4.17(a) above, the board of directors of the New Company shall be entitled to take (and to cause any of the other Partnership Entities to take) any action otherwise prohibited by such Section 4.17(a) in response to any inquiry, contact or proposal received by New Company, its board of directors or any of the other Partnership Entities from a Person that is not an Affiliate of the Selling Parties or the Partnership Entities, if: (i) any discussions and exchanges of information between New Company (or the other Partnership Entities) and such third party are subject to a customary confidentiality agreement that will allow for the disclosure to Buyer provided in Section 4.17(c) below, (ii) such

inquiry, contact or proposal includes a proposal to acquire at least a majority of the outstanding Common Units held by Persons that are not Affiliates of the Selling Parties or a majority in value of the consolidated assets of the Partnership Entities, (iii) such inquiry, contact or proposal from any such non-Affiliated Person was not received in violation of Section 4.17(a) and (iv) the board of directors of the New Company shall have determined in its good faith judgment, after consultation with legal counsel, that any failure to take such action would be inconsistent with the fiduciary duties of the New Company, as the general partner of the Partnership, to the holders of Common Units under the Delaware LP Act. The Selling Parties agree that they will notify Buyer immediately if any such inquiry, contact or proposal is received by New Company, its board of directors or any of the other Partnership Entities or their respective representatives, and, to the extent known by the Selling Parties, thereafter shall keep Buyer informed, on a reasonably current basis, on the status of any such inquiry, contact or proposal and a resulting negotiations or discussions.

(c) In the event that the New Company enters into a definitive agreement for a transaction ("DEFINITIVE TRANSACTION AGREEMENT") referred to in clause (ii) of Section 4.17(b) above, Buyer will have a period of thirty (30) days from the date the Selling Parties notify Buyer of same (which notice (x) may be given orally, provided it is promptly confirmed in writing and (y) shall include a description of the transaction and consideration to be paid by the acquiring Person) to evaluate such proposed transaction (and the dates set forth in Sections 7.1(f) and 7.1(g) hereof shall be extended as necessary to accommodate such 30-day period), and after the expiration of such 30-day period, Buyer may terminate this Agreement at any time while such Definitive Transaction Agreement remains in effect; provided, however, that if Buyer terminates this Agreement while such a Definitive Transaction Agreement is in effect, then the Selling Parties shall reimburse the Buyer and its Affiliates for their reasonable out-of-pocket expenses (supported by appropriate documentation therefore) incurred in connection with the transactions contemplated hereby, but in no event shall the amount payable by the Selling Parties pursuant to this proviso exceed $5,000,000.

(d) In the event that the Partnership calls a meeting of unitholders with a record date prior to the Closing Date (including a special meeting to consider the approval of a Definitive Transaction Agreement) and the Closing occurs prior to such meeting, the Selling Parties agree to grant to Buyer, effective at Closing, an irrevocable proxy to vote the WES Units, WNGL Units and the Class B Common Units with respect to any matter to be considered at such meeting.

SECTION 4.18. CONFIRMATION OF TERMINATION OF OLD OMNIBUS AGREEMENT.

Upon the receipt by Buyer from the Selling Parties or Parent of a written request after the Closing, Buyer shall use its best efforts to cause the applicable Partnership Entities to confirm the termination of the Old Omnibus Agreement as promptly as practicable following receipt of such request.

SECTION 4.19. NEW COMPANY INTERCOMPANY ACCOUNTS.

At Closing, all cash on hand at the New Company will be distributed to Williams. All intercompany accounts between the New Company, on the one hand, and Parent, Selling Parties

and their Affiliates (other than the Partnership Entities), on the other hand, shall be zeroed at Closing (irrespective of the terms of payment or balances of such intercompany accounts), with no obligation on the part of any party to make any payment with respect to any such intercompany accounts.

SECTION 4.20. CERTAIN COSTS AND EXPENSES OF BOARD OF DIRECTORS OF NEW COMPANY.

The Selling Parties and Parent shall promptly reimburse the Partnership for costs and expenses of third parties borne by the Board of Directors of New Company in consideration of the transactions contemplated by this Agreement and the Transaction Documents that exceed $200,000.

SECTION 4.21. NEW COMPANY AUDITED FINANCIAL STATEMENTS.

As soon as practicable after the date of this Agreement, the Selling Parties shall provide Buyer with audited balance sheets, as of December 31, 2002 and December 31, 2001, and audited income statements and statements of cash flows for the 12-month period ended December 31, 2002 and the period from February 10, 2001 through December 31, 2001, in each case of the New Company and its predecessor in interest.

ARTICLE V.
CONDITIONS TO OBLIGATIONS OF BUYER

The obligations of 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 Buyer in its sole discretion; provided, that Buyer cannot waive, without the consent of the Selling Parties, the conditions specified in Section 5.4 relating to the receipt of consents required under the Parent Credit Facility and the Parent Credit Facility Security Documents and the receipt of a release under the Parent Credit Facility Liens:

SECTION 5.1. RECEIPT OF DOCUMENTS.

The Selling Parties shall have delivered, or be standing ready to deliver, to Buyer the items specified in Sections 1.2(a)(i), 1.2(a)(ii), 1.2(a)(iii) and 1.2(a)(iv), in each case duly executed and dated the Closing Date.

SECTION 5.2. REPRESENTATIONS AND WARRANTIES OF THE SELLING PARTIES.

All representations and warranties made by the Selling Parties in this Agreement that are not qualified by materiality or Material Adverse Effect shall be true and correct in all material respects on and as of the Closing Date as if again made by the Selling Parties on and as of such date, and all representations and warranties that are qualified by materiality or Material Adverse Effect shall be true and correct on the Closing Date as if made by the Selling Parties on and as of such date; and Buyer shall have received a certificate dated the Closing Date and signed by a senior executive officer of each of the Selling Parties to that effect. Any entitlement of the Partnership Entities to indemnity under the Additional Partnership Indemnity Agreements or any

other agreement shall in no way influence the determination as to whether all such representations and warranties are true and correct in all material respects (or true and correct) on and as of the Closing Date. Notwithstanding the foregoing, the representations and warranties made by the Selling Parties in Section 2.25 shall be deemed to be true and correct in all material respects unless written notices from customers or shippers that they will discontinue their business relationship with any of the Partnership Entities (or, to the Knowledge of the Selling Parties, threats of any such action from material shippers or customers) have been received by the Parent, the Selling Parties or the Partnership Entities which represent, in the aggregate, more than $22.0 million in the Partnership's consolidated annual earnings before interest expenses, taxes, depreciation and amortization; provided, however, that Buyer shall be entitled to consider any such discontinued business, together with other adverse effects on the Partnership Entities, for purposes of Section 5.11.

SECTION 5.3. PERFORMANCE OF SELLING PARTIES' OBLIGATIONS.

The Selling Parties shall have performed in all material respects all obligations required under this Agreement to be performed by them on or before the Closing Date, and Buyer shall have received a certificate dated the Closing Date and signed by a senior executive officer of each of the Selling Parties to that effect.

SECTION 5.4. CONSENTS AND APPROVALS.

The Selling Parties and Parent shall have received all consents required under the Parent Credit Facility and the Parent Credit Facility Security Documents. The Selling Parties shall have received a full release of all Parent Credit Facility Liens and of each of the Partnership Entities that is party to any Parent Credit Facility Security Document from all liabilities, obligations and commitments of any Partnership Entity thereunder, in form and substance reasonably satisfactory to Buyer, and the Selling Parties and Parent shall have delivered all documents in connection therewith as the Buyer may reasonably request. All consents, waivers, authorizations and approvals set forth on Schedule 2.7 shall have been duly obtained and shall be in full force and effect on the Closing Date. The Selling Parties or Parent shall have received all consents required in connection with the last matter listed on Schedule 2.7 as of the date of this Agreement, or alternatively, Buyer shall have received an opinion of counsel dated as of the Closing Date, in form and substance reasonably satisfactory to Buyer, that no such consent is necessary.

SECTION 5.5. NO VIOLATION OF ORDERS.

No preliminary or permanent injunction or other order issued by any Governmental Authority that declares this Agreement or any of the Transaction Documents invalid or unenforceable in any respect or that prevents the consummation of the transactions contemplated hereby or thereby shall be in effect; and no action or proceeding before any Governmental Authority shall have been instituted by a Governmental Authority or threatened by any Government Authority that seeks to prevent or delay the consummation of the transactions contemplated by this Agreement or any of the Transaction Documents or that challenges the validity or enforceability of this Agreement or any of the Transaction Documents.

SECTION 5.6. DIRECTOR RESIGNATIONS.

The Buyer shall have received the effective resignations of each of the directors of the New Company, other than those directors who are not a director, officer, employee or agent of Parent or its Affiliates, or as otherwise agreed to in writing by the Buyer, and all actions shall have been taken so that immediately upon the Closing designees or nominees of the Buyer shall constitute a majority of the members of the Board of Directors of the New Company (including designees or nominees that are independent directors within the meaning of the Partnership Agreement).

SECTION 5.7. EMPLOYMENT

Buyer shall have arranged acceptable employment arrangements with each of the Key Executives; provided, that no condition to Closing shall exist under this Section 5.7 unless Buyer has made an offer of employment to each such Key Executive on terms that in the aggregate are not materially less favorable than the employment terms that each such Key Executive currently enjoys with the Selling Parties or an Affiliate thereof.

SECTION 5.8. LEGAL OPINION.

Buyer shall have received an opinion(s) of Andrews & Kurth L.L.P., counsel to Parent and Selling Parties, and/or such other counsel reasonably acceptable to Buyer, dated the Closing Date, substantially in the form of Exhibit 5.8.

SECTION 5.9. DEBT FINANCING.

Buyer shall have obtained the funds necessary to pay the First Payment of the Purchase Price.

SECTION 5.10. ABSENCE OF SPECIFIED EVENTS.

None of the actions referred to in Section 4.1(a) through Section 4.1(o) shall have occurred and be continuing, except to the extent permitted under Section 4.1 hereof; provided, that if any such actions have occurred at any time after August 31, 2003, the date specified in Section 7.1(g) hereof shall, in Buyer's sole discretion, be extended to a date 30 days after the date the Buyer first receives notice of such occurrence.

SECTION 5.11. MATERIAL ADVERSE EFFECT.

No Material Adverse Effect shall have occurred since the date of this Agreement.

SECTION 5.12. FINANCIAL ADVISOR'S OPINION.

The Boards of Directors of the Selling Parties and Parent shall have received an opinion (a copy of which shall have been furnished to the Buyer) from a nationally recognized investment bank, dated as of the date of this Agreement, to the effect that the consideration (as defined therein) to be paid by Buyer to each of the Selling Parties pursuant to this Agreement constitutes reasonably equivalent value for the Securities sold by each such Selling Party.

SECTION 5.13. WAIVERS OF EXISTING DEBT AGREEMENTS.

The Selling Parties shall have received a written waiver from each of (a) the noteholders under the Note Purchase Agreement, dated as of October 1, 2002, among Williams Pipe Line Company, LLC and the noteholders party thereto and (b) the lenders under the Credit Agreement, dated as of February 6, 2001, among Williams OLP, L.P., Bank of America, N.A., as administrative agent, Lehman Commercial Paper, Inc., as syndication agent, Suntrust Bank, as documentation agent, and the lenders party thereto, in each case in substantially the form set forth on Schedule 5.13 (or such other form as may reasonably be agreed to by Buyer) for the purpose, or in the manner, described on such schedule.

ARTICLE VI.
CONDITIONS TO OBLIGATIONS OF SELLING PARTIES

The obligations of the Selling Parties 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 Selling Parties in their sole discretion:

SECTION 6.1. RECEIPT OF DOCUMENTS.

Buyer shall have delivered, or be standing ready to deliver, to the Selling Parties the items specified in Section 1.2(b), in each case duly executed and dated the Closing Date.

SECTION 6.2. REPRESENTATIONS AND WARRANTIES OF BUYER.

All representations and warranties made by Buyer in this Agreement that are not qualified by materiality or material adverse effect shall be true and correct in all material respects on and as of the Closing Date as if again made by Buyer on and as of such date, and all representations and warranties that are qualified by materiality or material adverse effect shall be true and correct on the Closing Date as if made by the Buyer on and as of such date; and the Selling Parties shall have received a certificate dated the Closing Date and signed by a senior executive officer of Buyer to that effect.

SECTION 6.3. PERFORMANCE OF BUYER'S OBLIGATIONS.

Buyer shall have performed in all material respects all obligations required under this Agreement to be performed by it on or before the Closing Date, and the Selling Parties shall have received a certificate dated the Closing Date and signed by a senior executive officer of Buyer to that effect.

SECTION 6.4. CONSENTS AND APPROVALS.

All consents, waivers, authorizations and approvals set forth on Schedule 3.4 shall have been duly obtained and shall be in full force and effect on the Closing Date.

SECTION 6.5. NO VIOLATION OF ORDERS.

No preliminary or permanent injunction or other order issued by any Governmental Authority that declares this Agreement or any of the Transaction Documents invalid or unenforceable in any respect or that prevents the consummation of the transactions contemplated hereby or thereby shall be in effect; and no action or proceeding before any Governmental Authority shall have been instituted by a Governmental Authority or threatened by any Governmental Authority that seeks to prevent or delay the consummation of the transactions contemplated by this Agreement or any of the Transaction Documents or that challenges the validity or enforceability of this Agreement or any of the Transaction Documents.

SECTION 6.6. LEGAL OPINION.

The Selling Parties shall have received an opinion of Vinson & Elkins L.L.P., counsel to Buyer, dated the Closing Date substantially in the form of Exhibit 6.6.

SECTION 6.7. ASSUMPTION OF CONSENT DECREE

Buyer shall have agreed to be bound by the Consent Decree, only to the extent (i) the Consent Decree is applicable to the properties, assets or operations of the Partnership Entities and (ii) required by the Federal Trade Commission after consultation therewith. Nothing herein shall prevent Buyer from exercising any rights under the Consent Decree, including the right to petition to the Federal Trade Commission to modify or terminate the Consent Decree as it applies to Buyer or the Partnership Entities.

ARTICLE VII.
TERMINATION AND ABANDONMENT

SECTION 7.1. METHODS OF TERMINATION; UPSET DATE.

This Agreement may, or in the case of Section 7.1(g) will, be terminated and the transactions contemplated hereby may be abandoned at any time before the Closing:

(a) by the mutual written consent of the Selling Parties and Buyer;

(b) by the Selling Parties, if Buyer fails to comply with any of its covenants or agreements contained herein, or breaches their representations and warranties contained herein, which failure to comply or breach is not cured within 30 days after receipt by Buyer from the Selling Parties of written notice specifying particularly such failure to comply or breach, and such failure to comply or breach would result in a failure to satisfy the conditions to Closing set forth in Sections 6.2 and/or 6.3;

(c) by Buyer, if the Selling Parties fail to comply with any of their covenants or agreements contained herein, or breaches its representations and warranties contained herein, which failure to comply or breach is not cured within 30 days after receipt by the Selling Parties from Buyer of written notice specifying particularly such failure to comply or breach, and such failure to comply or breach would result in the failure to satisfy the conditions to Closing set forth in Sections 5.2 and/or 5.3;

(d) by Buyer in accordance with Section 4.17(c) hereof;

(e) by the Selling Parties or Buyer, if a Governmental Authority shall have issued an order, decree or ruling or taken any other action (which order, decree or ruling the parties hereto shall use their commercially reasonable efforts to lift), 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;

(f) by written notice of the Selling Parties by not later than 5:00 p.m. New York time on July 3, 2003 if (i) the Closing has not occurred on or before 11:59 p.m. New York time on June 30, 2003, (ii) the Selling Parties have satisfied, or are standing ready and able to satisfy, as of June 30, 2003, all of the conditions precedent under Article V (other than the condition set forth in Section 5.9, as to which the Selling Parties shall not be in breach of their covenant contained in the second sentence of Section 4.6), and (iii) none of the Selling Parties is in breach of any provision of this Agreement; or

(g) without any action required by the Selling Parties or Buyer, if the Closing has not occurred by 11:59 p.m. New York time on September 30, 2003.

SECTION 7.2. EFFECT OF TERMINATION.

In the event of termination of this Agreement pursuant to Section 7.1(a), (d), (e), (f) or (g) hereof, this Agreement shall forthwith become void and there shall be no liability on the part of Buyer or the Selling Parties (or their respective officers or directors), except based upon obligations set forth in Sections 4.17(c), 9.3 and 9.4 hereof, and except that Buyer shall thereupon promptly return or destroy (and cause its agents and representatives to return or destroy) to the Selling Parties all documents (and copies thereof) furnished to Buyer and the parties shall continue to adhere to the Confidentiality Agreement. Notwithstanding the foregoing or any other provision of this Agreement, termination of this Agreement pursuant to Section 7.1(b) or Section 7.1(c) shall not in any way limit or restrict the rights and remedies of any party hereto against any other party hereto that has violated or breached any of the representations, warranties, agreements or other provisions of this Agreement prior to termination hereof.

ARTICLE VIII.
SURVIVAL; INDEMNIFICATION

SECTION 8.1. SURVIVAL.

(a) The representations and warranties of the Selling Parties contained herein or in any certificates or other documents delivered pursuant to this Agreement on the Closing Date shall survive the Closing for a period of eighteen (18) months following the Closing Date; provided however, that (i) the representations and warranties set forth in Section 2.21 (Environmental; Health and Safety Matters) shall survive for a period of five (5) years following the Closing Date, (ii) the representations and warranties set forth in Sections 2.2 and 2.3 (Capitalization; Title), Section 2.5 (Validity of Agreement; Authorization), Section 2.18 (Brokers) and Section 2.27 (Excluded Assets) shall survive indefinitely and (iii) the representations and warranties set forth in Section 2.10 (Taxes) shall survive for a period equal to thirty (30) days after the expiration of the applicable statute of limitations (including extensions)

for each Tax and taxable year. The covenants and agreements in this Article VIII shall survive the Closing and shall remain in full force and effect for such period as is necessary to resolve any claim made with respect to any representation, warranty, covenant or agreement contained herein during the survival period thereof, and the covenants and agreements of the Parties contained in Articles IV and IX of this Agreement shall survive the Closing for (x) the time period(s) set forth in the respective Sections contained in such Articles, or (y) if no time period is so specified, without any contractual limitation on the period of survival.

(b) The representations and warranties of Buyer contained herein or in any certificates or documents delivered pursuant to this Agreement or the Closing shall survive the Closing for a period of eighteen (18) months following the Closing Date; provided, however, that the representations and warranties set forth in Section 3.2 (Validity of Agreement) and Section 3.7 (Brokers) shall survive indefinitely.

SECTION 8.2. INDEMNIFICATION COVERAGE.

(a) From and after the Closing, the Selling Parties shall indemnify and defend, save and hold Buyer, the Partnership Entities and their Affiliates and each of their officers, directors, employees and agents (collectively, the "BUYER INDEMNIFIED PARTIES") harmless if any such Buyer Indemnified Party shall suffer 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," and collectively, "LOSSES") arising out of, relating to or resulting from:

(i) any breach or inaccuracy in any representation by the Selling Parties or the breach of any warranty by the Selling Parties contained in this Agreement or any certificates or other documents delivered pursuant to this Agreement at the Closing; provided, that in determining whether any such representation or warranty has been breached or is inaccurate, such representation or warranty shall be construed as if Material Adverse Effect or materiality is not a qualification thereto;

(ii) any failure by the Selling Parties to perform or observe any term, provision, covenant, or agreement on the part of the Selling Parties to be performed or observed under this Agreement;

(iii) the failure by the Selling Parties to comply with any applicable statutory provisions relating to bulk sales and transfers;

(iv) subject to Section 8.2(c) hereof, any of the matters listed on Schedule 2.21 hereto; and

(v) any fines, penalties, or amounts paid to settle or resolve the last matter listed on Schedule 2.7 as of the date of this Agreement.

provided, however, that if any Loss for which Buyer would otherwise be entitled to seek indemnity from the Selling Parties under this Section 8.2(a) is included within the matters for which the Partnership Entities or any other Buyer Indemnified Party would be entitled to indemnity under any of Section 3.1 of the Old Omnibus Agreement, Article IV of the New

Omnibus Agreement or Section 10.1(b) of the WPL Contribution Agreement (such provisions are collectively referred to herein as the "ADDITIONAL PARTNERSHIP INDEMNITY AGREEMENTS"), even if recovery under the Additional Partnership Indemnity Agreements is not available due to the expiration of any applicable survival period or any applicable deductible, threshold, maximum or "cap" thereon, then none of the Buyer Indemnified Parties shall be entitled to indemnification with respect to such matter or matters under this Section 8.2(a). The foregoing proviso shall not be deemed to amend, supplement or modify in any way the Additional Partnership Indemnity Agreements.

(b) From and after the Closing, Buyer shall indemnify and defend, save and hold the Selling Parties and their Affiliates and their officers, directors, employees and agents (collectively, the "SELLER INDEMNIFIED PARTIES") harmless if any such Seller Indemnified Party shall suffer any Loss arising out of, relating to or resulting from:

(i) any breach or inaccuracy in any representation by Buyer or the breach of any warranty by Buyer contained in this Agreement or any certificates or other documents delivered pursuant to this Agreement at the Closing;

(ii) any failure by Buyer to perform or observe any term, provision, covenant, or agreement on the part of Buyer to be performed or observed under this Agreement;

(iii) with respect to any of the Partnership Entities, whether occurring before or after Closing to the extent such Losses are not covered by Section 8.2(a), except in the case, and only to the extent, of Losses that arise out of, or relate to or result from matters covered under the Additional Partnership Indemnity Agreements or otherwise covered under the Transaction Documents, the WPL Contribution Agreement or the Old Omnibus Agreement; and

(iv) any Losses arising under the second paragraph of Section 3.1 and Section 3.2, in each case, of the Assignment and Assumption Agreement (as defined in Section 9.16), other than Affiliate intercompany obligations.

(c) Buyer and the Selling Parties hereby acknowledge and agree as follows:

(i) Buyer agrees, on the terms and subject to the conditions specified in this Section 8.2(c), to assume at the Closing the obligations of WES under the Additional Partnership Indemnity Agreements to indemnify the Partnership Entities for the environmental remedial obligations specified in Schedule 8.2(c) hereto.

(ii) The Partnership and WES have (A) identified environmental remedial obligations in Schedule 8.2(c) hereto for which WES is, subject only to Section 8.2(c)(iii), required to indemnify the Partnership pursuant to the Additional Partnership Indemnity Agreements and (B) prepared estimates of the costs expected to be incurred by the Partnership in connection with remediation activities to be undertaken in connection with such matters, and the Partnership, in accordance with GAAP, has recognized as a liability for such estimated costs and expenses to be incurred a total of $21,870,000 (as of March 31, 2003), consisting of both the current and long-term portions of such liability.

Included in Schedule 8.2(c) hereto is a schedule setting forth in reasonable detail the projected schedule for the incurrence of such costs and expenses.

(iii) Buyer hereby covenants and agrees that it will pay on behalf of WES when due to the Partnership Entities under the Additional Partnership Indemnity Agreements all amounts that otherwise would be required to be paid by WES thereunder in respect of the matters listed under the column entitled "Site Name" in Schedule 8.2(c) hereto, such payments to be made by Buyer from time to time as and when such amounts otherwise would become due and payable by WES and whether or not such amounts become due and payable before or after the time(s) projected in Schedule 8.2(c) (and WES agrees to notify Buyer promptly upon the request of any Partnership Entity or other Person for any payment subject to this clause (iii) of Section 8.2(c)).

(iv) If (A) the matters specified under the column entitled "Site Name" in Schedule 8.2(c) hereto are determined to have reached closure by the appropriate Governmental Authority or have otherwise been finally resolved and all payments required to be made under the Additional Partnership Indemnity Agreements with respect thereto have been made by Buyer as provided in clause (iii) of this Section 8.2(c), (B) the Maximum Obligation (as defined below) has not been reached and (C) WES or the other Selling Parties have continuing indemnity obligations under the Additional Partnership Indemnity Agreements, Section 8.2(a)(i) hereof (in respect of a breach of a representation in Section 2.21 hereof) or Section 8.2(a)(iv) hereof, then Buyer covenants and agrees that, only to the extent of the Maximum Obligation, it shall pay any amounts that become payable by WES or the other Selling Parties under any of the continuing indemnity obligations referred to in clause (C) of this Section 8.2(c)(iv) from time to time as and when amounts would otherwise be payable by WES or the other Selling Parties.

(v) If (A) the conditions referenced in clauses (iv)(A) and (iv)(B) of this Section 8.2(c) exist and the obligations of WES and the other Selling Parties under the provisions referenced in clause (iv)(C) of this Section 8.2(c) have expired and no amounts remain payable by WES or the other Selling Parties thereunder and (B) WES and the other Selling Parties (or their respective successors) and the Partnership furnish to Buyer a certificate from their respective chief financial officers or chief legal officers to such effect, then promptly upon receipt of such certificates in proper form Buyer shall pay to the Selling Parties the remaining unpaid amount, if any, of the Maximum Obligation.

(vi) Buyer agrees that it shall use commercially reasonable efforts to cause the Partnership Entities to treat any payments made by Buyer under clauses (iii) or (iv) of this Section 8.2(c) as a payment by WES or the other Selling Parties under the applicable Additional Partnership Indemnity Agreement in respect of which such payment is made, and Buyer shall indemnify and hold harmless WES and the other Selling Parties from any and all Losses caused by the failure or refusal of the Partnership Entities or any other Person to treat any payment so made by Buyer in accordance with clause (iii) or (iv) of this Section 8.2(c) as a payment made by or on behalf of WES or the other Selling Parties, as case may be, pursuant to the referenced indemnity obligation of such Person(s).

(vii) For purposes of this Section 8.2(c), Buyer shall pay to the Partnership all amounts due under this Section 8.2(c) following receipt of such amounts due from the General Partner on behalf of the Partnership. The determination of amounts and when they are due shall be made in good faith solely by the General Partner; provided, however, that Buyer shall not be required to make any such payments within less than twenty (20) days after receipt of the General Partner's determination; provided, further, Buyer shall indemnify and hold harmless the Selling Parties from any and all Losses caused by any delay by Buyer in making any such payment to the Partnership under this Section 8.2(c)(vii).

(viii) Notwithstanding the foregoing provisions of this Section 8.2(c), in no event shall the aggregate amounts payable by or on behalf of Buyer under this Section 8.2(c) exceed $21,870,000 (the "MAXIMUM OBLIGATION").

(d) The foregoing indemnification obligations shall be subject to the following limitations:

(i) the Selling Parties' aggregate liability under Section 8.2(a) shall not exceed $175,000,000 (the "CAP"); provided, however, that the Cap shall not be applicable with respect to Losses otherwise indemnifiable under Section 8.2(a)(i) with respect to breaches or inaccuracies of Section 2.27 or under 8.2(a)(v);

(ii) no indemnification for any Losses asserted against the Selling Parties under Section 8.2(a)(i) shall be required unless and until the cumulative aggregate amount of such Losses exceeds $4,000,000 (the "DEDUCTIBLE"), at which point the Selling Parties shall be obligated to indemnify the Buyer Indemnified Parties the amount of such Losses in excess of the Deductible, subject to the Cap; provided however, that the Deductible shall not be applicable to breaches under Sections 2.2, 2.3, 2.5, 2.11(b), 2.18, 2.21 or 2.27 hereof or recovery under Sections 8.2(a)(ii), 8.2(a)(iii), 8.2(a)(iv) or 8.2(a)(v) hereof;

(iii) the amount of any Losses suffered by a Seller Indemnified Party or a Buyer Indemnified Party, as the case may be (such party seeking indemnification pursuant to this Article VIII, the "INDEMNIFIED PARTY," and the other party, the "INDEMNIFYING Party"), shall be reduced by any third-party insurance or other indemnification benefits which such party receives in respect of or as a result of such Losses, less the reasonable costs incurred to recover those insurance or indemnification benefits to the extent such costs are not otherwise recovered. If any Losses for which indemnification is provided hereunder is subsequently reduced by any third-party insurance or other indemnification benefit or recovery, the amount of the reduction shall be remitted to the Indemnifying Party. In the case of any purchase agreement between a Partnership Entity and a third-party relating to the acquisition of assets, businesses or securities by such Partnership Entity that contains unexpired and otherwise applicable indemnification provisions, if any Loss for which Buyer is entitled to seek indemnity from the Selling Parties under Section 8.2(a) is also included within the matters for which the Partnership Entities are entitled to indemnity under any such third-party agreement, Buyer agrees to use commercially reasonable efforts to cause any such Partnership Entity

first to pursue indemnification under such third-party agreement in good faith for a reasonable period of time prior to enforcing any claim against the Selling Parties for indemnification hereunder. Nothing in the foregoing sentence shall (i) prejudice the rights of the Buyer Indemnified Parties to make a claim for indemnification hereunder within the applicable survival period, if any, or (ii) require any Buyer Indemnified Party to file or institute any judicial proceeding or action. In addition, to the extent the Selling Parties make any payments to any Buyer Indemnified Party with respect to any claims covered under the unexpired and otherwise applicable indemnification provisions of such third-party agreements, Buyer agrees to use commercially reasonable efforts to cause the applicable Partnership Entity or Entities, at the sole cost and expense of the Selling Parties, (A) to assign any rights to the Selling Parties under such third-party agreement as may be necessary to allow the Selling Parties to independently pursue a claim for indemnification against the counterparty or counterparties to such third-party agreement and (B) to be subrogated to the rights of the applicable Partnership Entity or Entities in respect of such indemnification claims;

(iv) no claim may be asserted nor may any action be commenced against any party for breach or inaccuracy of any representation or breach of a warranty, unless written notice of such claim or action is received by the other party 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;

(v) no Indemnified Party shall be entitled under this Agreement to multiple recovery for the same Losses; and

(vi) the limitations on indemnification set forth in clauses (i) and (ii) of this Section 8.2(d) shall not apply to any Losses arising from the failure by the Selling Parties or Buyer to pay any Taxes in accordance with Section 4.9 or for any amounts payable in accordance with Section 9.3 hereof.

SECTION 8.3. PROCEDURES.

(a) Any Indemnified Party shall notify the Indemnifying Party (with reasonable detail) 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 reasonable available information and documentation necessary to support and verify any Losses associated with such claim or action. Subject to Section 8.2(d)(iv), the failure to so notify or provide information to 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 of such material prejudice. The Indemnifying Party shall participate in and 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, there is no admission or statement of fault or culpability on the part of the Indemnified Party and there is an unconditional release of the Indemnified Party from all liability on any claims that are the subject of such claim or action. 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 commercially reasonable efforts to cooperate with and assist the Indemnifying Party; provided, however, that the Indemnifying Party shall pay the fees and expenses of separate counsel for the Indemnified Party if (i) the Indemnifying Party has agreed to pay such fees and expenses or (ii) counsel for the Indemnifying Party reasonably determines that representation of both the Indemnifying Party and the Indemnified Party by the same counsel would create a conflict of interest. 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.

Any claim or action for indemnification under Section 8.2(a)(i) (for Losses arising from, or relating to a breach of a representation or warranty set forth in Section 2.21) or Section 8.2(a)(iv), that requires remediation shall be administered in accordance with the procedures set forth on Schedule 8.3(b) hereto.

SECTION 8.4. WAIVER OF CONSEQUENTIAL, ETC. DAMAGES.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, BUYER SHALL NOT BE LIABLE TO ANY OF THE SELLER INDEMNIFIED PARTIES, NOR SHALL ANY OF THE SELLING PARTIES BE LIABLE TO ANY OF THE BUYER INDEMNIFIED PARTIES, FOR ANY EXEMPLARY, PUNITIVE, SPECIAL, INDIRECT, CONSEQUENTIAL, REMOTE, OR SPECULATIVE DAMAGES (INCLUDING, WITHOUT LIMITATION, ANY DAMAGES ON ACCOUNT OF LOST PROFITS OR OPPORTUNITIES) RESULTING FROM OR ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 8.5. COMPLIANCE WITH EXPRESS NEGLIGENCE RULE.

ALL RELEASES, DISCLAIMERS, LIMITATIONS ON LIABILITY, AND INDEMNITIES IN THIS AGREEMENT, INCLUDING THOSE IN THIS ARTICLE VIII, SHALL APPLY EVEN IN THE EVENT OF THE SOLE, JOINT, AND/OR CONCURRENT NEGLIGENCE, STRICT LIABILITY, OR OTHER FAULT OF THE PARTY WHOSE LIABILITY IS RELEASED, DISCLAIMED, LIMITED, OR INDEMNIFIED.

SECTION 8.6. LIQUIDATED DAMAGES.

If Buyer breaches its obligations to close as contemplated by Article V, then Buyer shall pay to the Selling Parties $25,000,000 by wire transfer of immediately available funds to a bank

account in the United States of America designated in writing by the Selling Parties not later than three days following receipt of such designation. BUYER AND THE SELLING PARTIES HEREBY ACKNOWLEDGE THAT (I) THE EXTENT OF DAMAGES TO THE SELLING PARTIES CAUSED BY THE FAILURE OF THIS TRANSACTION TO BE CONSUMMATED DUE TO THE CIRCUMSTANCES SPECIFIED IN THE IMMEDIATELY PRECEDING SENTENCE WOULD BE IMPOSSIBLE OR EXTREMELY DIFFICULT TO ASCERTAIN, (II) THE AMOUNT OF THE LIQUIDATED DAMAGES PROVIDED FOR IN THIS SECTION 8.6 IS A FAIR AND REASONABLE ESTIMATE OF SUCH DAMAGES UNDER SUCH CIRCUMSTANCES AND (III) RECEIPT OF SUCH AMOUNT BY THE SELLING PARTIES DOES NOT CONSTITUTE A PENALTY AND WILL BE THE SELLING PARTIES' SOLE AND EXCLUSIVE REMEDY WITH RESPECT TO THE CIRCUMSTANCES SPECIFIED IN THE IMMEDIATELY PRECEDING SENTENCE.

SECTION 8.7. REMEDY.

Except for seeking equitable relief under Section 9.12 or otherwise or actions involving fraud or as set forth in Section 9.5, 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.

SECTION 8.8. TAX TREATMENT OF INDEMNITY PAYMENTS.

Each party, to the extent permitted by applicable law, agrees to treat any payments made pursuant to this Article VIII as adjustments to the Purchase Price for all federal and state income and franchise Tax purposes. To the extent that any such payment is not permitted to be treated as an adjustment to the Purchase Price, the amount of such payment shall be increased so that after reduction for the amount of any actual additional Tax cost incurred as a result of the receipt of such payment, the amount remaining will be equal to the amount of the payment that is owed under this Article VIII.

ARTICLE IX.
MISCELLANEOUS PROVISIONS

SECTION 9.1. PUBLICITY.

On or prior to the Closing Date, no 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 commercially reasonable 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; THIRD-PARTY BENEFICIARIES.

This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and permitted assigns. Except as contemplated by Article VIII, nothing in this Agreement shall confer upon any Person not a party to this Agreement, or the legal representatives of such Person, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement. No party shall sell, assign or otherwise transfer all or any of its rights, benefits or obligations hereunder without the prior written consent of the other party, such consent not to be unreasonably withheld or delayed, provided, however, that (a) Buyer may, without the Selling Parties' prior written consent, assign or transfer its rights and duties hereunder to the Partnership (or an Affiliate of Buyer other than a Partnership Entity) and, if so assigned or transferred, the Partnership (or such Affiliate of Buyer other than a Partnership Entity) shall be entitled to enforce the rights, and shall comply with the duties, hereunder so transferred or assigned as if it were a named party hereto, but no such transfer or assignment shall relieve Buyer of its obligations hereunder and no such assignee or transferee may further assign any such rights, (b) for the purposes of any financing or refinancing arrangement entered into by the Buyer in connection with the purchase of the Securities the Buyer may, without the Selling Parties' prior written consent, assign to or create a security interest in favor of any party providing any such financing or refinancing to the Buyer, all of its rights, benefits, obligations and interests hereunder, and the Selling Parties hereby consent to the exercise by any such party of any rights, benefits, obligations or interests assigned to or created in favor of such party pursuant to the foregoing and any remedies arising in connection therewith and (c) each of the Selling Parties may, without Buyer's prior written consent, assign or transfer its rights under Section 8.2(c) hereof to one or more of the Partnership Entities and, if so assigned or transferred, any such Partnership Entity shall be entitled to enforce the rights hereunder so transferred or assigned as if it were a named party hereto, but no such transfer or assignment shall relieve the Selling Parties of their obligations under Section 8.2(c) and no such assignee or transferee may further assign any such rights.

SECTION 9.3. INVESTMENT BANKERS, FINANCIAL ADVISORS, BROKERS AND FINDERS.

(a) The Selling Parties shall indemnify and agree to defend and hold Buyer and the Partnership Entities harmless against and in respect of all claims, losses, liabilities and expenses which may be asserted against Buyer (or any Affiliate of Buyer) and the Partnership Entities 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 Parent, the Selling Parties or the Partnership Entities.

(b) Buyer shall indemnify and agree to save and hold the Selling Parties (and their Affiliates) harmless against and in respect of all claims, losses, liabilities, fees, costs and expenses which may be asserted against any of the Selling Parties (or any of their Affiliates) 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 Buyer.

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.

SECTION 9.5. OFF-SET RIGHT.

From and after the Closing, the Selling Parties agree and acknowledge that Buyer and the Partnership Entities shall have a right to off-set any payments to be made by Buyer or any of the Partnership Entities pursuant to this Agreement or the Transition Services Agreement against any payments owed by the Selling Parties, Parent or any direct or indirect wholly owned subsidiary of Parent to Buyer or any of the Partnership Entities in respect of (i) the proviso set forth in the final sentence of Section 4.3(l) hereof, (ii) undisputed trade receivables, (iii) services provided by the Partnership Entities to the Selling Parties or Parent (or any direct or indirect wholly owned subsidiary of Parent) under the Services Agreement referred to in Section 1.2(a)(iv)(4) or (iv) any other amounts determined by a final and non-appealable judgment to be owed by any such parties; provided, however, that without the express prior written consent of the Selling Parties or Parent, neither the Buyer nor any of the Partnership Entities shall have a right hereunder to set-off against any other amount that may become payable to the Buyer under this Agreement, any other agreement or otherwise. The right of off-set provided for in this paragraph is in addition to, and not in limitation of, any other right or remedy available to Buyer or to the Partnership Entities under this Agreement, the Transaction Documents, or any other agreement, under applicable law, in equity, or otherwise.

SECTION 9.6. 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 Buyer, to:

Madison Dearborn Partners, LLC
Three First National Plaza
Suite 3800
Chicago, Illinois 60602
Facsimile: (312) 895-1206
Attention: Justin S. Huscher

and to:

Carlyle/Riverstone Global Energy and Power Fund II, LP
712 Fifth Avenue
19th Floor
New York, New York 10019
Facsimile: (212) 993-0077
Attention: Pierre Lapeyre

with a copy to:

Vinson & Elkins L.L.P.
666 Fifth Avenue
26th Floor
New York, New York 10103
Facsimile: (917) 206-8100
Attention: Mike Rosenwasser

(b) If to the Selling Parties, to:

Williams Energy Services, LLC and
Williams Natural Gas Liquids, Inc.
One Williams Center
Tulsa, Oklahoma 74172
Facsimile: (918) 573-6928
Attention: Lonny Townsend

with a copy to:

Andrews & Kurth L.L.P.
600 Travis, Suite 4200
Houston, Texas 77002
Facsimile: (713) 220-4285
Attention: G. Michael O'Leary

or to such other Persons or at such other addresses as shall be furnished by any 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 9.6 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 9.6.

SECTION 9.7. ENTIRE AGREEMENT.

This Agreement, together with the Disclosure Schedules and the Exhibits hereto, the Confidentiality Agreement and the Transaction Documents represent the entire agreement and understanding of the parties with reference to the transactions set forth herein and therein and no

representations or warranties have been made in connection herewith and therewith other than those expressly set forth herein or therein. This Agreement, together with the Disclosure Schedules and the Exhibits hereto, the Confidentiality Agreement and the Transaction Documents supersede all prior negotiations, discussions, correspondence, communications, understandings and agreements between the parties relating to the subject matter hereof or thereof and all prior drafts of such documents, all of which are merged into such documents. No prior drafts of such documents and no words or phrases from any such prior drafts shall be admissible into evidence in any action or suit involving such documents.

SECTION 9.8. WAIVERS AND AMENDMENTS.

The Selling Parties or Buyer may, by written notice to the other party: (a) extend the time for the performance of any of the obligations or other actions of the other party; (b) waive any inaccuracies in the representations or warranties of the other party 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 party contained in this Agreement; (d) waive performance of any of the obligations of the other party 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 9.9. 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 9.10. 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 9.11. 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 Buyer or the Selling Parties, 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 9.12. ENFORCEMENT OF THE AGREEMENT; DAMAGES.

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.

SECTION 9.13. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the internal and substantive laws of New York and without regard to any conflicts of laws concepts that would apply the substantive law of some other jurisdiction.

SECTION 9.14. DISCLOSURE.

Certain information set forth in the Disclosure Schedules is included solely for informational purposes, is not an admission of liability with respect to the matters covered by the information, and may not be required to be disclosed pursuant to this Agreement. Disclosure of any item in any section of the Disclosure Schedules only qualifies (i) the correspondingly numbered representation and warranty or covenant in this Agreement to the extent specified therein and (ii) such other representations and warranties or covenants in this Agreement that are qualified by another Disclosure Schedule (or section of a Disclosure Schedule), but only to the extent (a) there is an explicit cross-reference in such other Disclosure Schedule (or section of a Disclosure Schedule, as applicable) or (b) such item is disclosed in such a way as to make its relevance to the information called for by such other Disclosure Schedule (or section of a Disclosure Schedule, as applicable) readily apparent on its face. The specification of any dollar amount in the representations and warranties contained in this Agreement or the inclusion of any specific item in the Disclosure Schedules is not intended to imply that such amounts (or higher or lower amounts) are or are not material, and no party shall use the fact of the setting of such amounts or the fact of the inclusion of any such item in the Disclosure Schedules in any dispute or controversy between the parties as to whether any obligation, item, or matter not described herein or included in a Disclosure Schedule is or is not material for purposes of this Agreement.

SECTION 9.15. CONSENT TO JURISDICTION.

The parties hereby irrevocably submit to the jurisdiction of the courts of the State of New York and the federal courts of the United States of America located in New York, New York over any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby, and each party irrevocably agrees that all claims in respect of such dispute or proceeding shall be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the venue of any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each party agrees that a judgment in any dispute heard in the venue specified by this section may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable law.

SECTION 9.16. 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.

(b) "ASSIGNMENT AND ASSUMPTION AGREEMENT" means the Assignment, Assumption and Amendment Agreement, dated November 15, 2002, among the Selling Parties, the New Company and the Partnership.

(c) "CLOSING PRICE" means the average of the daily closing prices of the Common Units for the ten (10) consecutive days the Common Units were trading on the New York Stock Exchange immediately prior to the applicable date.

(d) "CONFIDENTIALITY AGREEMENT" means, collectively, the Nondisclosure Agreement among WES, WNGL and Madison Dearborn Partners, LLC, dated September 3, 2002, and the Nondisclosure Agreement among WES, WNGL and Riverstone Holdings, LLC, dated October 29, 2002.

(e) "INTELLECTUAL PROPERTY" shall mean and include all intellectual property of any kind, both foreign and domestic, including, without limitation, all patents, trademarks, service marks, trade names, trade dress, (and the goodwill associated with each), copyrights, confidential and proprietary information (including trade secrets and know-how), and registrations and applications for registration of any of the foregoing. Intellectual Property does not include any software, whether owned or licensed, or any copyrights associated with Licensed Software.

(f) "KEY EXECUTIVES" means those individuals as previously provided in writing to Buyer from the Selling Parties.

(g) "KNOWLEDGE OF THE SELLING PARTIES" shall mean the actual knowledge, after reasonable inquiry, of J. Chandler, B. Hagy, B. Hayes, M. Little, T. McCoy, M. Mears, R. Olsen, C. Rich, J. Strief, A Sheridan, J. Walkup, D. Wellendorf, J. Wiese, J. Willis and P. Wright.

(h) "MATERIAL ADVERSE EFFECT" shall mean an adverse effect on the assets, properties, business, operations, financial condition or ability to maintain current levels of Operating Surplus (as defined in the Partnership Agreement) of the Partnership Entities, taken as a whole, that would have a material adverse effect on the value of the Securities, 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, (ii) any effect resulting from changes in general economic conditions in the industry in which any of the Partnership Entities operates, and (iii) any effect resulting from changes in the United States or global economy as a whole, unless in the case of clause (ii) or (iii) above such change has a disproportionately adverse effect on the Partnership Entities, taken as a whole.

(i) "OLD OMNIBUS AGREEMENT" means the Omnibus Agreement, dated February 9, 2001, by and among Parent, the Selling Parties, the Partnership and the other parties named therein, as amended by Amendment I, dated as of January 28, 2002, and the Second and Third Amendments thereto, dated as of April 11, 2002 and September 30, 2002, respectively.

(j) "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.

(k) "PARENT CREDIT FACILITY" means (i) the First Amended and Restated Credit Agreement, dated as of October 31, 2002, among the Parent, Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation and Texas Gas Transmission Corporation, as Borrowers, the Banks named therein, JPMorgan Chase Bank and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, Citicorp USA, Inc., as Agent and Salomon Smith Barney, Inc., as Arranger, and (ii) the Amended and Restated Credit Agreement, dated as of October 31, 2002, among the Parent, 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., and Bank of Nova Scotia, as Issuing Banks and Solomon Smith Barney, Inc., as Arranger, each as amended from time to time.

(l) "PARENT CREDIT FACILITY LIENS" means any lien on the Securities or any other security or interest in any of the Partnership Entities, or on any asset or property of any of the Partnership Entities pursuant to, or created in connection with, the Parent Credit Facility or any Parent Credit Facility Security Document.

(m) "PARENT CREDIT FACILITY SECURITY DOCUMENTS" means (i) the Security Agreement, dated as of July 31, 2002, among the Parent and certain subsidiaries of the Parent party thereto, in favor of Citibank, N.A., as Collateral Trustee, as amended from time to time, (ii) the Pledge Agreement, dated as of July 31, 2002, among the Parent and certain subsidiaries of the Parent party thereto, in favor of Citibank, N.A., as Collateral Trustee, as amended from time to time, (iii) the Collateral Trust Agreement, dated as of July 31, 2002, among the Parent and certain subsidiaries of the Parent party thereto, and Citibank, N.A., as Collateral Trustee, as amended from time to time, (iv) the Guaranty, dated as of July 31, 2002, made by each of the subsidiaries of the Parent that is a signatory thereto, in favor of Citibank, N.A., as Surety Administrative Agent and (v) any other contract, agreement or other instrument relating to or entered into in connection with the Parent Credit Facility and binding upon the any of the Partnership Entities or any of their respective securities, interests (including the Securities), properties or assets.

(n) "PARTNERSHIP GROUP" means the Partnership Entities, with the exception of the New Company.

(o) "PERSON" shall mean 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 Exchange Act).

(p) "TRANSACTION DOCUMENTS" shall mean the agreements, contracts, documents, instruments and certificates provided for in this Agreement to be entered into by one or more of the parties hereto or any of their Affiliates in connection with the transactions contemplated by this Agreement, including without limitation the Transition Services Agreement, the Services Agreement referred to in Sections 1.2(a)(iv)(4) and 1.2(b)(vi), the ATLAS Assignment, Contribution and License Agreement, the New Omnibus Agreement, the Bills of Sale, the Parent Guaranty and the written document referred to in Section 9.16(f).

(q) "WPL CONTRIBUTION AGREEMENT" means the Contribution Agreement, dated April 11, 2002, by and among WES, the Old Company and the Partnership.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SELLING PARTIES: WILLIAMS ENERGY SERVICES, LLC

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

WILLIAMS NATURAL GAS LIQUIDS, INC.

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

WILLIAMS GP LLC

By: WILLIAMS ENERGY SERVICES, LLC and
WILLIAMS NATURAL GAS LIQUIDS, INC.,
its Members

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

BUYER: WEG ACQUISITIONS, L.P.

By: WEG Acquisition Management, LLC
Its General Partner

By: /s/ Pierre F. Lapeyre, Jr.

Name: Pierre F. Lapeyre, Jr.
Title: Authorized Signatory

By: /s/ Justin S. Huscher

Name: Justin S. Huscher
Title: Authorized Signatory

DISCLOSURE SCHEDULES

DATED AS OF APRIL 18, 2003

FOR

PURCHASE AGREEMENT

BY AND AMONG

WILLIAMS ENERGY SERVICES, LLC

WILLIAMS NATURAL GAS LIQUIDS, INC., AND

WILLIAMS GP LLC

COLLECTIVELY, AS SELLING PARTIES,

AND

WEG ACQUISITIONS, L.P.

Dated as of April 18, 2003 (the "AGREEMENT")

Unless otherwise defined in these Disclosure Schedules, all capitalized terms used herein shall have the meanings ascribed to them in the Agreement. These Disclosure Schedules shall be deemed to be part of the Agreement.

The inclusion of information in these Schedules shall not be construed as an admission of liability to any third party with respect to the matters covered by the information. Any matter or item disclosed on any Disclosure Schedule shall not be deemed to be material (whether singularly or in the aggregate) or deemed to give rise to circumstances which may result in a Material Adverse Effect solely by reason of it being so disclosed herein. Disclosure of any item in any section of these Schedules only qualifies (i) the correspondingly numbered representation and warranty or covenant in the Agreement to the extent specified therein and (ii) such other representations and warranties or covenants in the Agreement that are qualified by another Schedule (or section of a Schedule), but only to the extent (a) there is an explicit cross-reference in such other Schedule (or section of a Schedule, as applicable) or (b) such item is disclosed in such a way as to make its relevance to the information called for by such other Schedule (or section of a Schedule, as applicable) readily apparent on its face.

These Disclosure Schedules supersede and replace any other Disclosure Schedules previously provided to Buyer prior to the date of this Agreement. Any such earlier Disclosure Schedules have no force or effect.

INDEX OF DEFINED TERMS

EXHIBIT 10.7
Execution Copy

AMENDMENT NO. 1

TO

PURCHASE AGREEMENT,

DATED AS OF APRIL 18, 2003,

BY AND AMONG

WILLIAMS ENERGY SERVICES, LLC,

WILLIAMS NATURAL GAS LIQUIDS, INC. AND

WILLIAMS GP LLC

COLLECTIVELY, AS SELLING PARTIES,

AND

WEG ACQUISITIONS, L.P.
A DELAWARE LIMITED PARTNERSHIP,
AS BUYER,

FOR THE PURCHASE AND SALE OF

(i) ALL THE MEMBERSHIP INTERESTS OF

WEG GP LLC
A DELAWARE LIMITED LIABILITY COMPANY,

(ii) ALL OF THE COMMON UNITS AND SUBORDINATED UNITS OF

WILLIAMS ENERGY PARTNERS L.P.
A DELAWARE LIMITED PARTNERSHIP

OWNED BY WILLIAMS ENERGY SERVICES, LLC AND WILLIAMS NATURAL GAS LIQUIDS, INC.

AND

(iii) ALL THE CLASS B COMMON UNITS OF

WILLIAMS ENERGY PARTNERS L.P.
A DELAWARE LIMITED PARTNERSHIP

DATED AS OF MAY 5, 2003

AMENDMENT NO. 1

TO

PURCHASE AGREEMENT

THIS AMENDMENT NO. 1 TO PURCHASE AGREEMENT (this "AMENDMENT NO. 1") is made and entered into as of this 5th day of May 2003, by and among WILLIAMS ENERGY SERVICES, LLC, a Delaware limited liability company ("WES"), WILLIAMS NATURAL GAS LIQUIDS, INC., a Delaware corporation ("WNGL"), and WILLIAMS GP LLC, a Delaware limited liability company (the "OLD COMPANY," and collectively with WES and WNGL, the "SELLING PARTIES"), and WEG ACQUISITIONS, L.P., a Delaware limited partnership ("BUYER").

W I T N E S S E T H:

WHEREAS, the Selling Parties and Buyer have entered into the Purchase Agreement, dated as of April 18, 2003 (the "PURCHASE AGREEMENT"), pursuant to which, on the terms and subject to the conditions set forth therein, the Selling Parties have agreed to sell, and Buyer has agreed to purchase, at the Closing the Securities (as such terms are defined in the Purchase Agreement); and

WHEREAS, in accordance with Section 9.8 of the Purchase Agreement, the Selling Parties and Buyer have agreed to enter into this Amendment No. 1 to amend the Purchase Agreement to the extent, and only to the extent, specified below;

NOW, THEREFORE, in consideration of the mutual terms, conditions and other agreements set forth herein and in the Purchase Agreement, the parties hereto agree as follows:

ARTICLE I
AMENDMENTS

Section 1.1 Capitalized terms used herein but not defined shall have the meanings assigned to such terms in the Purchase Agreement.

Section 1.2 The Purchase Agreement is hereby amended by adding the following provisions to Article IV of the Purchase Agreement, as new Sections 4.22, 4.23, 4.24 and 4.25 of the Purchase Agreement:

"SECTION 4.22. COMMITMENT REGARDING INDEMNIFICATION PROVISIONS.

(a) The Selling Parties covenant and agree that prior to Closing the Selling Parties (i) shall not propose to vote, or vote, the Securities in favor of, or cause New Company to propose or to adopt, an amendment, modification, waiver or termination of Section 7.7 or Section 7.8 of the Partnership Agreement, and (ii) shall not amend, modify, waive or terminate Section 9.01 or Section 9.02 of the New LLC Agreement, to the extent that such amendment, modification, waiver or termination under clauses (i) and (ii) above would affect adversely the rights thereunder of any person serving as a member of the Board of Directors of New Company

existing as of the date of this Agreement; provided, however, that the foregoing covenants and agreements shall not apply to any such amendment, modification, waiver or termination to the extent required to cause such provisions (or any portion thereof) to comply with applicable law.

(b) Buyer covenants and agrees that, during the period that commences on the Closing Date and ends at 12:01 a.m. New York time on the sixth (6th) anniversary of the Closing Date (the "STIPULATED PERIOD"), Buyer (i) shall not propose to vote, or vote, the Securities (or any of the Securities that Buyer then owns) in favor of, or cause New Company to propose or adopt, any amendment, modification, waiver or termination of Section 7.7 or Section 7.8 of the Partnership Agreement and (ii) shall not amend, modify, waive or terminate Section 9.01 or Section 9.02 of the New LLC Agreement, to the extent that such amendment, modification, waiver or termination under clauses (i) and (ii) above would affect adversely the rights thereunder of any person serving as a member of the Board of Directors of New Company existing as of the date of this Agreement; provided, however, that the foregoing covenants and agreements shall not apply to any such amendment, modification, waiver or termination to the extent required to cause such provisions (or any portion thereof) to comply with applicable law.

SECTION 4.23. WEG INSURANCE CONTINUATION.

(a) The Selling Parties covenant and agree that during the Stipulated Period, with respect to any person serving as a member of the Board of Directors of New Company as of the date of this Agreement and who resigns effective at or before the Closing, the Selling Parties shall make the payments contemplated to be made by the Selling Parties referred to in clause (b) below on the terms and conditions specified in this Section 4.23.

(b) Buyer covenants and agrees that, during the Stipulated Period, with respect to any person serving as a member of the Board of Directors of New Company as of the date of this Agreement and who resigns effective at or before the Closing, Buyer shall use its commercially reasonable efforts to cause the New Company: (i) to continue in effect the current director and officer liability insurance policy or policies that New Company has as of the date of this Agreement, as reflected on Schedule 2.20(a)(ii) hereto, or (ii) upon the termination or cancellation of any such policy or policies, (A) to provide director and officer liability insurance in substitution for, or in replacement of, such cancelled or terminated policy or policies or (B) to provide a "tail" or "run-off" policy, in each case, so that any person serving as a member of the Board of Directors of New Company as of the date of this Agreement and who resigns effective at or before the Closing has coverage thereunder for acts, events, occurrences or omissions occurring or arising at or prior to the Closing to the same extent (including, without limitation, policy limits, exclusions and scope) as such person has coverage for such acts, events, occurrences or omissions under the director and officer liability insurance policy maintained by New Company as of the date of this Agreement, as reflected on Schedule 2.20(a)(ii) hereto; provided, however, that in no event shall Buyer or any of the Partnership Entities be required to spend in excess of 200% of the annual premium paid as of the date of this Agreement by or on behalf of the Partnership Entities for such coverage (which amount as of the date of this Agreement is $2,055,160.46) (the "CURRENT PREMIUM"). Without limiting the immediately preceding proviso, if the premium required to obtain the amount of coverage contemplated by clauses (i) or (ii) above would at any time exceed 200% of the Current Premium Buyer or the Partnership Entities shall make a written request to the Selling Parties to pay the amount of such

premium in excess of 200% of the Current Premium, up to 300% of the Current Premium, and the Selling Parties will make payment to such requesting party of such amount promptly, and in any event within thirty (30) calendar days of the date of such request, in immediately available funds to an account previously designated in writing by the requesting party; provided, however, that the Selling Parties shall not have any obligation to make any payments with respect to any amounts of such premium other than the amount between 200% of the Current Premium and 300% of the Current Premium.

SECTION 4.24. THIRD-PARTY BENEFICIARY RIGHTS.

The parties agree that any person serving as a member of the Board of Directors of New Company as of the date of this Agreement and who resigns effective at or before the Closing is an intended third-party beneficiary of the provisions of Section 4.22 and Section 4.23. In the event that the Selling Parties do not make the payment to the requesting party in the amount that is in excess of 200% of the Current Premium and up to 300% of the Current Premium, as provided in Section 4.23(b), within the time period specified in Section 4.23(b), each person serving as a member of the Board of Directors of New Company as of the date of this Agreement and who resigns effective at or before the Closing shall have the right, as a third-party beneficiary of Section 4.22 and Section 4.23, to pursue all remedies available to it under this Agreement or otherwise at law or in equity against any party to this Agreement in order to enforce its third-party beneficiary rights under this Section 4.24. If a person serving as a member of the Board of Directors of New Company as of the date of this Agreement and who resigns effective at or before the Closing enforces its third-party beneficiary rights under this Section 4.24 against any party to this Agreement and prevails in a litigation or otherwise in such enforcement of such third-party rights, the losing party shall reimburse such person in full for all of such person's costs and expenses (including reasonable attorney's fees) resulting from, arising out of or related to the enforcement of such third-party beneficiary rights.

SECTION 4.25 MODIFICATION OF OMNIBUS AGREEMENT. The Selling Parties and Buyer agree that the New Omnibus Agreement to be entered into at the Closing shall provide that no provision of the New Omnibus Agreement with respect to which any entity comprising the Partnership Entities or the Partnership Group, as applicable, is a third-party beneficiary can be amended, modified, waived or terminated without the express prior written approval of the Partnership and if New Company, in its capacity as the general partner of the Partnership, determines in its reasonable discretion that such an amendment, modification, waiver or termination is reasonably likely to adversely affect the holders of Common Units, such amendment, modification, waiver or termination must also be approved by Special Approval of the Conflicts Committee (as such terms are defined in the Partnership Agreement).

Section 1.3 The second sentence of Section 9.2 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"Except as contemplated by Section 4.24 and Article VIII, nothing in this Agreement shall confer upon any Person not a party to this Agreement, or the legal representatives of such Person, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement."

Section 1.4 Section 9.7 of the Purchase Agreement is hereby amended and restated in its entirety as follows:

"Section 9.7 Entire Agreement.

This Agreement, together with the Disclosure Schedules and the Exhibits hereto, the Confidentiality Agreement, the Transaction Documents and the Amendment No. 1 to the Purchase Agreement, dated May 5, 2003, represent the entire agreement and understanding of the parties with reference to the transactions set forth herein and therein and no representations or warranties have been made in connection herewith and therewith other than those expressly set forth herein or therein. This Agreement, together with the Disclosure Schedules and the Exhibits hereto, the Confidentiality Agreement, the Transaction Documents and the Amendment No. 1 to the Purchase Agreement, dated May 5, 2003, supersede all prior negotiations, discussions, correspondence, communications, understandings and agreements between the parties relating to the subject matter hereof or thereof and all prior drafts of such documents, all of which are merged into such documents. No prior drafts of such documents and no words or phrases from any such prior drafts shall be admissible into evidence in any action or suit involving such documents."

Section 1.5. Section 9.8 of the Purchase Agreement is hereby amended by inserting the following provision immediately after the final sentence of such section:

"Notwithstanding anything to the contrary in this Agreement, Section 4.22 (Commitment Regarding Indemnification Provisions), Section 4.23 (WEG Insurance Continuation) and Section 4.24 (Third-Party Beneficiary Rights) shall not be amended, modified, waived or terminated by the parties hereto without the prior written consent of all persons who are third-party beneficiaries under Section 4.24 if such amendment, modification, waiver or termination would adversely affect such third-party beneficiaries' rights under such provisions."

ARTICLE II
MISCELLANEOUS

SECTION 2.1. SIGNATURES AND COUNTERPARTS. Facsimile transmissions of any signed original document and/or retransmission of any signed facsimile transmission shall be the same as delivery of an original. At the request of Buyer or the Selling Parties, the parties will confirm facsimile transmission by signing a duplicate original document. This Amendment No. 1 may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same document.

SECTION 2.2. GOVERNING LAW. This Amendment No. 1 shall be governed by and construed in accordance with the internal and substantive laws of New York and without regard to any conflicts of laws concepts that would apply the substantive law of some other jurisdiction.

SECTION 2.3. CONTINUATION OF PURCHASE AGREEMENT. To the extent not amended hereby, the Purchase Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 1 as of the date first above written.

SELLING PARTIES: WILLIAMS ENERGY SERVICES, LLC

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

WILLIAMS NATURAL GAS LIQUIDS, INC.

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

WILLIAMS GP LLC

By: WILLIAMS ENERGY SERVICES, LLC and
WILLIAMS NATURAL GAS LIQUIDS, INC.,
Its Members

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

BUYER: WEG ACQUISITIONS, L.P.

By: WEG Acquisition Management, LLC
Its General Partner

By: /s/ Pierre F. LaPeyre, Jr.

Name: Pierre F. LaPeyre, Jr.
Title: Authorized Signatory

By: /s/ Justin S. Huscher

Name: Justin S. Huscher
Title: Authorized Signatory

Execution Copy

EXHIBIT 10.8

TRANSITION SERVICES

AGREEMENT

BY AND BETWEEN

THE WILLIAMS COMPANIES, INC.,
A DELAWARE CORPORATION

AND

WEG ACQUISITIONS, L.P.,
A DELAWARE LIMITED PARTNERSHIP

TRANSITION SERVICES AGREEMENT

This TRANSITION SERVICES AGREEMENT (this "Agreement") is entered into as of June 17, 2003, by and between THE WILLIAMS COMPANIES, INC., a Delaware corporation ("Williams"), and WEG ACQUISITIONS, L.P., a Delaware limited partnership ("Buyer").

Recitals

WHEREAS, Buyer, Williams Energy Services, LLC ("WES"), Williams Natural Gas Liquids, Inc. ("WNGL") and Williams GP LLC (the "Old GP," and together with WES and WNGL, the "Selling Parties") have entered into that certain Purchase Agreement, dated April 18, 2003, as amended by Amendment No. 1 thereto dated as of May 5, 2003 (as amended, the "Purchase Agreement"), for the purchase and sale of all of the membership interests of WEG GP LLC (the "General Partner"), the general partner of the Williams Energy Partners L.P. (the "MLP"), all of the common units and subordinated units representing limited partner interests in the MLP owned by WES and WNGL, and all of the class B common units representing limited partner interests in the MLP owned by the Old GP (as contemplated in the Purchase Agreement, the "Transaction");

WHEREAS, the Partnership Entities (as defined herein) are engaged in the business of the storage, transportation and distribution of refined petroleum products and ammonia (the "Business"); and

WHEREAS, Williams and certain of its affiliates and subsidiaries currently provide certain services to the Partnership Entities with respect to the operation of its Business pursuant to the Services Agreement, dated September 30, 2002 (the "Services Agreement"), among WES, Williams Petroleum Services, L.L.C. ("WPS"), the General Partner and the MLP; and it is a closing condition for the parties to the Purchase Agreement that Williams and Buyer enter into this Agreement pursuant to which Williams shall provide, or cause the Williams Service Providers (as defined herein) to provide, and make available to the Buyer Entities (as defined herein) for their benefit, the Transition Services (as defined herein) during the term of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

"Accounting Referee" has the meaning set forth in Section 5(b).

"Additional Services" has the meaning set forth in Section 2(j).

"Business" shall have the meaning set forth in the recitals.

"Buyer Entities" shall mean, collectively, Buyer and its subsidiaries, including the Partnership Entities.

"Buyer Indemnified Parties" shall have the meaning set forth in Section 9(a).

"Claim" shall have the meaning set forth in Section 9(a).

"Closing" shall have the meanings set forth in Section 1.1 of the Purchase Agreement.

"Closing Date" shall have the meaning set forth in Section 1.1 of the Purchase Agreement.

"Determination Amount" shall have the meaning set forth in Section 5(b).

"Employee Lease Payment" shall have the meaning set forth in Section 2(f).

"Force Majeure Event" shall mean an act of God; unusual fire, flood, earthquake, storm, lightning; an act of Governmental Authority, or necessity for compliance with any court order, law, statute, ordinance or regulation promulgated by a Governmental Authority having jurisdiction with respect to the applicable subject matter; a strike, lockout or other industrial disturbance; an act of the public enemy, sabotage, war, act of terrorism, insurrection or blockade; riot or other civil disturbance; epidemic; explosions; and any other similar event that, in each such case, prevents, in whole or in part, the performance of a party's obligations under this Agreement, is not reasonably within the control of the affected party and which by the exercise of commercially reasonable efforts the affected party is unable to overcome or prevent.

"G&A Employees" shall have the meaning set forth in Section 1A.

"G&A Services" shall mean all general and administrative services of the same or similar nature which the Williams Service Providers furnished to the Partnership Entities pursuant to the Services Agreement during the one-month period ending on the Closing Date, the categories with respect to which are set forth on Schedule "A" attached hereto.

"G&A Service Fee" shall have the meaning set forth in Section 5(a)(ii).

"Governmental Approval" shall mean any material consent, authorization, certificate, permit, right of way grant or approval of any Governmental Authority that is necessary for the construction, ownership and operation of the Business in accordance with applicable Laws.

"Governmental Authority" shall mean any court or tribunal in any jurisdiction or any federal, state, tribal, municipal or local government or other governmental body, agency, authority, department, commission, board, bureau, instrumentality, arbitrator or arbitral body or any quasi-governmental or private body lawfully exercising any regulatory or taxing authority.

"Interest Rate" shall have the meaning set forth in Section 5(b).

"Laws" shall mean any applicable statute, Environmental Law (as defined in the Purchase Agreement), common law, rule, regulation, judgment, order, ordinance, writ, injunction or decree issued or promulgated by any Governmental Authority.

"Leased Employee" shall have the meaning set forth in Section 2(f).

"Leasing Period" shall have the meaning set forth in Section 2(f).

"MLP" shall have the meaning set forth in the recitals.

"Monthly Invoice" shall have the meaning set forth in Section 5(a)(iii).

"New Omnibus Agreement" shall mean the New Omnibus Agreement, dated the date hereof, among the Buyer, Williams and the Williams Service Providers named therein.

"O&M Employees" shall have the meaning set forth in Section 1A.

"O&M Services" shall mean all operating and maintenance services of the same or similar nature which the Williams Service Providers furnished, during the one-month period ending on the Closing Date, to the Partnership Entities pursuant to the Services Agreement.

"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.

"Partnership Assets" shall mean the assets and properties of the Partnership Entities.

"Partnership Entities" shall mean the General Partner, the MLP and all of the subsidiaries of the MLP.

"Partnership Group" shall mean the Partnership Entities, with the exclusion of the General Partner.

"Person" shall mean an individual, corporation, partnership, joint venture, trust, limited liability company, unincorporated organization or any other entity.

"Section 4.3(a) Notice" shall mean the notice provided by Buyer to the Selling Parties pursuant to Section 4.3(a) of the Purchase Agreement which lists the Business Employees and Additional Employees that have accepted employment offers with Buyer.

"Services Agreement" shall have the meaning set forth in the recitals to this Agreement.

"Transition Services" shall mean the G&A Services and the O&M Services.

"Williams Indemnified Parties" shall have the meaning set forth in Section 9(b).

"Williams Service Providers" shall mean any subsidiary or affiliate of Williams that, during the one-month period ending on the Closing Date, was providing to the Partnership Entities any services pursuant to the Services Agreement.

1A. Covered Employees.

Promptly upon delivery of the Section 4.3(a) Notice to the Selling Parties by Buyer as required under the Purchase Agreement, and no more than five (5) days after such delivery, Williams and Buyer shall determine (i) which of such Business Employees and Additional Employees, as of the Closing Date, provided O&M Services to the Partnership Entities under the Services Agreement (the "O&M Employees") and (ii) which of such Business Employees and Additional Employees, as of the Closing Date, provided G&A Services to the Partnership Entities under the Services Agreement (the "G&A Employees"), and among the G&A Employees, which single category of G&A Services (of those categories listed on Schedule A hereto) they are responsible for providing. Immediately, upon such determination, Williams and Buyer shall attach such information to this Agreement as Schedule "C" hereto.

2. Services.

(a) Existing Services Agreement. Williams and the Williams Service Providers currently provide certain services to the Partnership Entities pursuant to the Services Agreement. Williams shall continue, and shall cause the Williams Service Providers to continue, to provide such services to the Partnership Entities pursuant to the Services Agreement, as further provided in this Agreement; provided, however, in the event of the termination of the Services Agreement during the term of this Agreement, Williams shall continue, and shall cause the Williams Service Providers to continue, to provide, or cause to be provided, such services under this Agreement. At any time during the term of this Agreement, upon the written request of Williams, Buyer shall use its reasonable best efforts to cause the Partnership Entities to terminate the Services Agreement as promptly as possible.

(b) O&M Services. Until the date that all of the O&M Employees are transferred to one or more of the Buyer Entities as provided in Section 2(e) below, the Williams Service Providers shall continue to provide the O&M Services to the Partnership Entities at a cost consistent with the historical cost of providing such services under the Services Agreement.

(c) G&A Services. The Williams Service Providers shall provide, or subject to Section 2(h) below shall cause a third-party to provide, to the Buyer (or the Partnership Entity designated by Buyer) each category of G&A Services pursuant to the terms of the Services Agreement; provided, the obligation to provide any category of G&A Services hereunder shall terminate when the group of G&A Employees who provides such category of G&A Services is transferred to Buyer or a Partnership Entity designated by Buyer as provided in Section 2(e) below.

(d) Standard for Provision of Transition Services. Williams hereby covenants and agrees that the Transition Services will be performed (i) in accordance with applicable material Governmental Approvals and Laws, (ii) with at least the same level, standard of care and timeliness that services were provided to the Partnership Entities under the Service Agreement prior to the Closing and (iii) with at least the same level, standard of care and timeliness that the Williams Service Providers operate assets similar to the

Partnership Assets. EXCEPT AS SET FORTH IN THIS SECTION AND SECTION 8(b) HEREOF, WILLIAMS AND THE WILLIAMS SERVICE PROVIDERS MAKE NO REPRESENTATION, WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, OF ANY KIND CONCERNING THE TRANSITION SERVICES AND ANY RESULTS OR WORK PRODUCT AND SPECIFICALLY MAKE NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND NONE SHALL BE IMPLIED. ALL OTHER REPRESENTATIONS, WARRANTIES OR GUARANTEES, WRITTEN OR ORAL, EXPRESS OR IMPLIED IN FACT OR IN LAW, AND WHETHER OR NOT BASED ON STATUTE ARE EXCLUDED.

(e) Transfer of Employees.

(i) To effect the transfer of the O&M Employees, Buyer shall deliver written notice to Williams requesting that all (and not less than all) of the O&M Employees be transferred to Buyer, or one or more of the Partnership Entities designated by Buyer. The O&M Employees shall be transferred within twenty (20) days of the receipt by Williams of such notice, or as soon as practicable thereafter, in either case, as of a date mutually agreed upon by the parties (which shall be the last day of the any month during the term of this Agreement). Upon the transfer of the O&M Employees, the obligation of the Williams Service Providers to continue providing the O&M Services hereunder shall terminate;

(ii) To effect the transfer of one or more groups of G&A Employees that provide a category of G&A Services, Buyer shall deliver written notice to Williams requesting that all (and not less than all) of the G&A Employees comprising each such group be transferred to Buyer, or one or more of the Partnership Entities designated by Buyer. Each such group of G&A Employees shall be transferred within twenty (20) days of the receipt by Williams of such notice, or as soon as practicable thereafter, in either case, as of a date mutually agreed upon by the parties (which shall be the last day of the any month during the term of this Agreement). Upon the transfer of any such group of G&A Employees, the obligation of the Williams Service Providers to continue providing the corresponding category of G&A Services hereunder shall terminate; and

(iii) The transfer of O&M Employees and G&A Employees under this Section 2(e) is subject to Section 2(f) below.

(f) Leased Employees. Notwithstanding the provisions of Section 2(e) above, Buyer shall lease from Williams the services of each of the employees listed on Schedule "B" hereto (each, a "Leased Employee") for the period beginning on the date that such employee would otherwise be transferred to Buyer (or a Partnership Entity designated by Buyer) and ending, with respect to each such employee, on the date such employee reaches the age of fifty-five (55) years (the "Leasing Period"), for the amount per month previously provided by Williams to Buyer in writing, which amount shall include salary and an allocation equal to 34% of salary which represents the cost of payroll, taxes, benefits and target bonus accruals for such employee (in aggregate the "Employee Lease

Payment"). Buyer shall, or shall cause the Partnership Entities to, reimburse Williams for any amounts paid in respect of a Leased Employee that are in excess of the target bonus amount with respect to such employee. During the Leasing Period, Williams shall have the sole responsibility for the payment of salary and providing benefits to the Leased Employees. The provisions of this Section 2(f) shall not apply in the case of any employee listed on Schedule "B" who reaches the age of fifty-five (55) years prior to the date such employee would otherwise be transferred to Buyer (or a Partnership Entity designated by Buyer) pursuant to Section 2(e) above.

(g) Service Changes. Williams and/or the Williams Service Providers may at any time, in their sole discretion, change or replace any of its (or their) internal or external services, functions or features that may affect such Transition Services; provided, that such change or replacement does not materially change Williams or the Williams Services Providers' performance of the Transition Services.

(h) Subcontractors. Williams and the Williams Service Providers shall have the right, in their sole discretion, to subcontract the performance of services under this Agreement to one or more third-parties; provided, that such subcontracting arrangement does not materially change Williams or the Williams Services Providers' performance of the Transition Services.

(i) Transfer upon Termination. Notwithstanding anything else in this Agreement, except as provided in Section 2(f), upon the termination of this Agreement, any O&M Employees or G&A Employees that have not been transferred to Buyer, or a Partnership Entity designated by Buyer, shall immediately be transferred to Buyer.

(j) Additional Services. Buyer may from time to time during the term of this Agreement request that Williams or a Williams Service Provider to provide additional services in accordance with the provisions of this Agreement that are not included in the definition of Transition Services. Upon receipt of any such request, Williams shall consider in good faith as to whether to provide such additional services and notify Buyer as to whether Williams is willing to provide or perform such service, and if so, shall submit to Buyer an estimate of the cost of such services; provided, Williams shall not unreasonably refuse to provide such additional services to Buyer. Buyer shall then promptly review such estimate and notify Williams in writing as to Buyer's concurrence or non-concurrence with such estimated costs. If Buyer concurs with such estimated costs, Buyer may notify Williams to proceed to provide or cause such services to be provided to Buyer, or the Partnership Entity designated by Buyer. Williams shall not be obligated to provide any such services to Buyer or the Partnership Entities other than pursuant to this Section 2(j). Any such services provided pursuant to this Section 2(j) shall be referred to as "Additional Services."

3. [Reserved].

4. Term and Termination.

(a) Term. The term of this Agreement shall commence on the Closing Date and shall continue until the earlier of (i) the date on which all of the O&M Employees and G&A Employees have been transferred to Buyer, or one or more of the Partnership Entities designated by Buyer, or (ii) the last day of the ninth (9th) full calendar month following the calendar month in which the Closing Date occurs; provided, however, Buyer may, upon written notice delivered to and received by Williams not less than ten (10 days) prior to the date referred to in clause (ii) above, extend the term of this agreement until the last day of the twelfth (12th) full calendar month following the calendar month in which the Closing Date occurs; provided, further, that upon any such extension by Buyer, the aggregate amount payable by Buyer set forth on each Monthly Invoice following such extension shall be increased by five percent (5%).

(b) Termination of Transition Services. Except as provided in Section 4(c) or as otherwise provided in this Section 4(b), the provision of Transition Services by Williams and/or the Williams Service Providers will terminate upon the transfer of the employees associated with such service as provided under Section 2(e) above. With respect to any category of G&A Services, with respect to which there are no G&A Employees associated with such category, Buyer may elect, by giving not less ten (10) days advance written notice to Williams to terminate the provision by Williams or any Williams Service Provider of such category(ies) of Transition Services; provided, such categories of G&A Services shall only be terminated as of the last day of the month. The Buyer Entities shall have the right to immediately commence, whether directly or indirectly through third parties, the performance of any of the Transition Services, without advance notice to Williams, in the event of any event or occurrence of an emergency nature, in the event that Williams or any Williams Service Provider is unable to perform any such service because of the occurrence of a Force Majeure Event or in the event of any bankruptcy, insolvency or similar proceeding affecting Williams or any Williams Service Provider, without any obligation to Williams other than for Transition Services previously performed.

(c) Williams' Right to Suspend Performance or Terminate the Agreement. Williams shall have the right to suspend the performance of its obligations under this Agreement in the event of the Buyer Entities' failure to make payments due, owing and not disputed in good faith pursuant to Section 5(b) hereof or properly set off pursuant to Section 9.5 of the Purchase Agreement, to Williams under this Agreement, and such failure has not been cured within thirty (30) days after written notice of such failure to Buyer. In the event a Buyer Entity cures such payment default within sixty (60) days, Williams shall resume the performance of its obligations hereunder. Williams shall have the right to terminate this Agreement in the event such failure to make payment has not been cured within sixty (60) days after written notice of such failure to the Buyer.

(d) Effect of Termination. Upon termination of this Agreement or any category of Transition Services, Williams and Williams Service Providers shall have no further obligation to provide such Transition Services to any of the Buyer Entities hereunder.

5. Billing and Payment.

(a) Fees. Subject to Buyer's off-set rights contained in Section 9.5 of the Purchase Agreement, Buyer shall, or shall cause a Partnership Entity to, reimburse Williams for the Transition Services in accordance with this Section 5.

(i) O&M Services Fee. Buyer shall, or shall cause a Partnership Entity to, reimburse the Williams Service Providers each month an amount equal to the cost of providing the O&M Services, as set forth in the Monthly Invoice, except that payment shall be made as provided in Section 5(a)(iii) below.

(ii) G&A Services Fee. Beginning on the Closing Date, the Buyer Entities shall, or shall cause a Partnership Entity to, pay Williams each month for G&A Services (the "G&A Service Fee") an amount equal to $2,898,913 (which amount represents the sum of the monthly service fees for each of the separate categories of G&A Services set forth on Schedule "A" hereto), subject to Article VII of the New Omnibus Agreement. Upon receipt of notice from Buyer pursuant to Section 4(b) requesting the termination of one or more categories of G&A Services, the G&A Service fee shall be reduced by the amount of the monthly service fee set forth on Schedule "A" for each such category of G&A Services to be terminated, effective as of the beginning of the month immediately following the month in which each such category of G&A Services has been terminated pursuant to Section 4 hereof.

(iii) Billing. On or before the twentieth (20th) day of each month, Williams shall provide to the Buyer one or more written invoices (collectively, the "Monthly Invoice"), setting out the total amount due Williams for (A) G&A Service Fee, (B) the cost of O&M Expenses provided in the immediately preceding month, (C) the Employee Lease Payment and (D) the cost of any Additional Services provided in the immediately preceding month, subject, if applicable, to the final proviso of Section 4(a) above. Items properly invoiced and not disputed in good faith by the Buyer are due and payable within fifteen (15) days following the date of such invoice; provided, that the Buyer shall give written notice on or before the due date of any Williams invoice of any good faith dispute of all or any portion of such Monthly Invoice, with the particulars of such dispute, which dispute shall be resolved in the manner provided in Section 5(b) below.

(b) Disputes. If there is a dispute between a Buyer Entity, on the one hand, and Williams or a Williams Service Provider, on the other hand, regarding the amounts shown as billed to the Buyer on any Monthly Invoice, (i) Williams shall, where applicable and practicable, furnish or cause to be furnished to the Buyer additional supporting documentation to reasonably substantiate the amounts billed including listings

of the dates, times and amounts of the Transition Services in question, and (ii) the Buyer Entities may withhold payment with respect to all or any portion of such invoiced amounts that such Buyer Entity believes in good faith are inaccurate or are otherwise not in accordance with the terms of this Agreement until resolution in accordance with the procedures set forth below in this Section 5(b); provided that the Buyer Entities shall pay any undisputed portion of such amount in accordance with Section 5(a).

Upon delivery of such additional documentation, Williams and the Buyer Entities shall cooperate and use their reasonable efforts to resolve such dispute. If they are unable to resolve their dispute within twenty (20) business days of the delivery of such additional supporting documentation by Williams, then the dispute shall be referred for resolution by a firm of independent accountants of nationally recognized standing (the "Accounting Referee") to be selected in the following manner: Williams will select three (3) candidates and deliver a written notice containing the names of such candidates to Buyer, and within five (5) days of receiving such notice, Buyer will select one of such three candidates to serve as the Accounting Referee. The Accounting Referee may not be otherwise engaged by Williams or Buyer, or their respective Affiliates, in connection with the transactions contemplated under this Agreement or the Transaction Documents and may not have performed any material services on behalf of Williams or Buyer, or their respective Affiliates, during the five (5) years immediately preceding the date of this Agreement. The Accounting Referee shall determine the validity of the disputed amounts within thirty (30) days of the referral of such dispute to such Accounting Referee. The determination of the Accounting Referee shall not require the Buyer Entities to pay more than the amount in dispute nor require any Williams Service Provider to return any amount previously paid by the Buyer Entities. The determination of the Accounting Referee shall be finally binding. The fees and expenses of the Accounting Referee shall be borne (i) by the Buyer if the difference between the amount set forth in such determination by the Accounting Referee (the "Determination Amount") and the Buyer's estimation of what the invoice amount should have been (which the Buyer shall provide to the Accounting Referee at such time the dispute is referred to such Accounting Referee) is greater than the difference between the Determination Amount and the amount set forth on the Monthly Invoice, (ii) by Williams if the first such difference is less than the second such difference and (iii) otherwise equally by Williams and the Buyer; provided, if any invoice dispute is resolved in favor of the Buyer Entities and Buyer has paid such amount, Williams shall offset the amount of any overpayment against future invoices to Buyer; or, if there are no additional invoices to be paid, Williams shall refund any amount owed within fifteen (15) days of resolution of the dispute. Such offset or refund shall be credited or paid to Buyer together with interest at the Interest Rate from the date of overpayment to Williams until the date of such offset or refund. If a dispute is resolved in favor of Williams, Buyer shall, or shall cause the Buyer Entities to, pay interest on the undisputed amount of an invoice from the due date thereof up to and including the date when such amount and interest thereon are paid in full, at the rate per annum equal to the rate published as the "prime rate" in The Wall Street Journal for the first business day of the month in which such invoice is paid, plus 2%, but in no event at any rate that is greater than the maximum interest rate allowed by applicable Laws (such rate, the "Interest Rate").

(c) Buyer's Audit Rights. Buyer shall have the right, at any time within three (3) months after the date of any Williams invoice for reimbursement of costs of Transition Services to audit those books and records of Williams and any Williams Service Provider that provided Transition Services or which books and records relate to the Transition Services covered by such invoice, to verify the items reflected on such invoice. Any such audit shall be conducted during normal business hours by Buyer or its designated auditor after ten (10) days prior written notice to Williams, at Buyer's sole cost and expense, in the offices of Williams and the relevant Williams Service Provider or such other location as may be mutually agreed. Williams shall cooperate and shall cause any relevant Williams Service Provider to cooperate with and provide reasonable assistance to Buyer and/or its auditor in connection with the performance of any such audit. Buyer shall assert any claim for refund of costs of Transition Services reimbursed to Williams under the audited invoice within thirty (30) days after the completion of the audit. Williams shall have thirty (30) days from receipt of Buyer's claim for refund to respond. If Williams does not dispute Buyer's refund claim, Williams shall offset the overpayment against future invoices; or, if there are no additional invoices to be paid, Williams shall pay such refund within such 30-day period; such offset or refund shall be credited or paid together with interest at the Interest Rate from the date of Buyer's overpayment to Williams until the date of such offset or refund of such overpayment is credited or paid. Should Williams dispute the claim and refuse to pay any refund claim by Buyer resulting from the exercise of Buyer's audit rights, the parties will refer the dispute to an Accounting Referee in the manner described in Section 5(b) above.

6. Confidentiality of Information.

(a) General. During the term of this Agreement and for a period of one (1) year following the termination of this Agreement, neither Party (as defined below in this Section 6(a)) shall, directly or indirectly, disclose to any Person any information received, obtained or created that is 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 other Party. Notwithstanding the foregoing, either Party may disclose any information relating to the business and operations of the other Party (i) if required by Law or applicable stock exchange rule, and (ii) to such other Persons if, at the time such information is provided, such Person is already in the possession of such information. For purposes of this Section 6, each of Buyer and its affiliates, on the one hand, and Williams and its affiliates, on the other hand, shall be a "Party."

(b) Obligations upon Termination. Upon termination of this Agreement, except as otherwise provided in this Agreement or in the Purchase Agreement, each Party agrees to turn over to the other Party or destroy such confidential information in its possession, but only in accordance with the instructions of the other Party; provided, however, that each Party may maintain one archive copy of all of such confidential information that was generated during the term of this Agreement in a secure data storage facility.

7. Relationships Among the Parties. It is the intent of the parties that with respect to the provision of Transition Services pursuant to this Agreement, Williams and the Williams Service Providers are independent contractors, with authority to control, direct and oversee their

performance of the Transition Services, subject to the overall direction and control of the representatives of the Buyer Entities. Nothing in this Agreement shall cause the relationship between Williams and the Williams Service Providers on the one hand, and Buyer and the Partnership Entities on the other hand, to be deemed to constitute an agency, partnership or joint venture. The terms of this Agreement are not intended to constitute a joint employer for any purpose between any of the parties and their affiliates. Neither Williams nor the Williams Service Providers shall have or hold itself out as having, any authority to enter into any contract or create any obligation or liability on behalf of, in the name of, or binding upon the Buyer Entities except as specifically provided in this Agreement.

8. Representations and Warranties.

(a) Representations and Warranties of Buyer. As of the date of this Agreement, Buyer represents and warrants as follows:

(i) Organization. Buyer is a limited partnership duly organized, 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.

(ii) Validity of Agreement. 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 its general partner, and no other proceedings on the part of Buyer are necessary to authorize such execution, delivery and performance. This Agreement has been duly executed by Buyer and constitutes the valid and binding obligation of Buyer enforceable against 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).

(iii) No Conflict or Violation; No Defaults. The execution, delivery and performance by 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 Buyer is a party or by which it is bound or to which 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, net income or financial condition of Buyer.

(b) Representations and Warranties of Williams. As of the date of this Agreement, Williams represents and warrants as follows:

(i) Corporate Organization. Williams is a corporation duly organized, 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.

(ii) Validity of Agreement. Williams 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 Williams' obligations hereunder have been duly authorized by its Boards of Directors and no other proceedings on the part of Williams are necessary to authorize such execution, delivery and performance. This Agreement has been duly executed by Williams and constitutes the valid and binding obligation of Williams enforceable in accordance with its terms against Williams (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).

(iii) No Conflict or Violation; No Defaults. The execution, delivery and performance by Williams 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 Williams 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, net income or financial condition of Williams.

9. Indemnification; Release; Limit on Liability.

(a) Williams and the Williams Service Providers shall, jointly and severally, indemnify and hold harmless the Buyer Entities and each of their respective officers, directors, employees, agents and affiliates (and the officers, directors, employees and agents of such affiliates) (the "Buyer Indemnified Parties") from and against any and all losses, claims, demands, damages, fines, penalties, injuries, liabilities, suits, obligations to indemnify others, judgments, expenses or costs (including reasonable attorneys', consultants' and experts' fees and other expenses incurred in the defense of any claim or lawsuit in the enforcement of this indemnity obligation) (each, a "Claim") arising out of, relating to or resulting from the Williams Service Providers' performance of the services specified under this Agreement to the extent such Claim results from Williams or the Williams Service Providers' negligence or willful failure to perform their obligations hereunder.

(b) The Buyer Entities shall, jointly and severally, indemnify and hold harmless Williams and the Williams Service Providers, and each of their respective officers, directors, employees, agents and affiliates (and the officers, directors, employees and agents of such affiliates) ("Williams Indemnified Parties") if any of the Williams Indemnified Parties shall at any time or from time to time be subject to any Claims arising out of, relating to or resulting from the performance of the services specified under this Agreement by either party except to the extent such Claim results from the Williams Indemnified Parties' negligence or willful failure to perform their obligations hereunder.

(c) Notwithstanding anything to the contrary in this Agreement, the Buyer Entities shall not be liable to any of the Williams Indemnified Parties, nor shall Williams or the Williams Service Providers be liable to any of the Buyer Indemnified Parties, for any exemplary, punitive, special, indirect, consequential, remote, or speculative damages (including, without limitation, any damages on account of lost profits or opportunities) resulting from or arising out of this Agreement or the transactions contemplated hereby.

(d) The obligations of the Parties in this Section 9 shall not limit their respective indemnification obligations, or those of their affiliates, under the Purchase Agreement.

10. Schedules. The Schedules to this Agreement that are specifically referred to herein are a part of this Agreement as if fully set forth herein. All references herein to Articles, Sections, subsections, paragraphs, subparagraphs, clauses and Schedules shall be deemed references to such parts of this Agreement, unless the context shall otherwise require.

11. Force Majeure. If by reason of a Force Majeure Event either party is rendered unable, in whole or in part, to perform its obligations under this Agreement, other than the obligation to make payments of money then due, such party shall be excused from such performance to the extent it is prevented by, and during the continuance of, such Force Majeure Event. The party whose performance is affected by an Force Majeure Event shall (i) give the other party notice of the occurrence of such Force Majeure Event as soon as practicable and (ii) use all commercially reasonable efforts to remedy the cause(s) and effect(s) of such Force Majeure Event with all reasonable dispatch; provided, however, that the affected party shall not be obligated to undertake commercially unreasonable costs or burdens in order to overcome the effects of the Force Majeure Event and reinstate full performance of its obligations under this Agreement.

12. Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed given if delivered personally, by facsimile (which is confirmed) or sent by overnight courier (providing proof of delivery), to the parties at the following address:

(a) If to Williams:

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

Facsimile: (918) 573-4503
Attention: Mr. Tony Gehres

(b) If to the Buyer Entities:

WEG Acquisitions, L.P.
c/o WEG GP LLC
One Williams Center
Tulsa, Oklahoma 74172
Facsimile: (918) 573-6928
Attention: Mr. Lonny Townsend

with a copy to:

Vinson & Elkins L.L.P.
666 Fifth Avenue
26th Floor
New York, New York 10103
Facsimile: (917) 206-8100
Attention: Mr. Mike Rosenwasser

Any party may, by notice given in accordance with this Section 12 to the other parties, designate another address or person for receipt of notices hereunder provided that notice of such a change shall be effective upon receipt.

13. Successors and Assigns. This Agreement shall inure to the benefit of, and be binding upon, Williams and Buyer and their respective successors and permitted assigns. No party may assign or otherwise transfer all or any of its rights, benefits or obligations hereunder without the prior written consent of the other party, and any assignment without such consent shall be void; provided however, that, upon written notice to the other party but without the prior written consent of such other party, a party may assign or otherwise transfer its rights, benefits and obligations hereunder to another person or entity in connection with an acquisition, merger, consolidation, sale of assets or other transaction involving such other person or entity and constituting a change of control of such party hereto.

14. Headings. The headings in this Agreement are for reference only, and shall not affect the interpretation of this Agreement.

15. Signatures 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 Buyer or Williams, 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.

16. Amendments. This Agreement may be amended, modified or supplemented only by a written instrument executed by Williams and Buyer. The execution of such instrument by any Partnership Entity shall not be required.

17. Governing Law. This Agreement shall be governed and construed in accordance with the internal and substantive laws of New York and without regard to any conflicts of laws concepts that would apply the substantive law of some other jurisdiction.

18. Entire Agreement. This Agreement, together with the Schedules attached hereto, and the provisions of the Purchase Agreement relating hereto, represent the entire agreement and understanding of the parties hereto and thereto with reference to the transactions set forth herein. This Agreement, together with the Schedules attached hereto, and the provisions of the Purchase Agreement relating hereto, supercede all prior negotiations, discussions, correspondence, communications, understandings and agreements between the parties relating to the transactions set forth herein and all prior drafts hereof (including Exhibit 1.2(a)(iv)(2) to the Purchase Agreement). No prior drafts hereof and no words or phrases from any such prior drafts shall be admissible into evidence in any action or suit involving this Agreement.

19. Negotiated Agreement. This Agreement has been negotiated by the parties and the fact that the initial and final draft will have been prepared by either party will not give rise to any presumption for or against any party to this Agreement or be used in any respect or forum in the construction or interpretation of this Agreement or any of its provisions.

20. Waiver. No consent or waiver, express or implied, by any party to or of any breach or default by any other party in the performance by such other party of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance of obligations hereunder by such other party hereunder. Failure on the part of any party to complain of any act or failure to act of any other party or to declare any other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such first party of any of its rights hereunder.

21. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, each of Williams and Buyer directs that such court interpret and apply the remainder of this Agreement in the manner that it determines most closely effectuates their intent in entering into this Agreement, and in doing so particularly take into account the relative importance of the term, provision, covenant or restriction being held invalid, void or unenforceable.

22. Interpretation. Whenever the words "include," "includes," or "including," are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

23. Third Party Beneficiaries. Except for the Buyer Entities other than the Buyer (including the Partnership Entities) and Williams Service Providers, which are intended third party beneficiaries, and except as set forth in Sections 9 and 13, nothing in this Agreement is intended or shall be construed to give any person, other than the parties hereto, their successors and permitted assigns, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

24. Agreement Binding on Entities Other Than Parties. Buyer shall use commercially reasonable efforts to cause the Partnership Entities to be bound by the terms and conditions of this Agreement, and Buyer shall be responsible for any breaches thereof by any such Partnership Entity. The Buyer Entities are jointly and severally liable hereunder.

25. Press Release. Except as required by Laws or applicable stock exchange rules, neither party shall issue any press releases relating to or arising out of the performance of this Agreement without the prior written consent and approval of the content of such statement by the other party (which consent shall not be unreasonably withheld).

26. Reasonable Cooperation. During the term of this Agreement, each of the parties shall reasonably cooperate with each other to perform its obligations under this Agreement, including without limitation, agreeing to negotiate in good faith to enter into an amendment to this Agreement upon the written request of either party.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

THE WILLIAMS COMPANIES, INC.
A DELAWARE CORPORATION

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

WEG ACQUISITIONS, L.P.
A DELAWARE LIMITED PARTNERSHIP

By: WEG Acquisition Management, LLC
its General Partner

By: /s/ Justin S. Huscher

Name: Justin S. Huscher
Title: Authorized Signatory

By: /s/ Pierre F. Lapeyre, Jr.

Name: Pierre F. Lapeyre, Jr.
Title: Authorized Signatory

SCHEDULE "A"

G&A SERVICES

	Category of G&A Services	Monthly G&A Services Fee
1.	Technical services, including engineering, project management, corrosion control, environmental, health and safety services (excludes $30,583 estimated monthly bonus accrual and $22,702 benefits)	$746,715
2.	Pipeline commercial services, including commercial, business development, tariffs, and operations management for the Pipeline Group (excludes $31,417 in estimated monthly bonus accrual and $12,231 benefits)	$423,019
3.	Terminals commercial services, including commercial, business development and operations management for the Terminals Group (excludes $22,833 in estimated monthly bonus accrual and $7,508 benefits)	$286,325
4.	Services of CEO, CFO and their staffs, including investor relations and planning (excludes $16,750 in estimated monthly bonus accrual and $2,976 benefits)	$113,607
5.	Information technology services, including business, financial and HR applications and network, hardware and website support (excludes $12,500 in estimated monthly bonus accrual and $10,518 benefits),* subdivided as follows:	$710,000
	a. ATLAS	$193,000
	b. Terminals Application (TAS)	$ 49,000
	c. Pipeline Applications (SCADA, Magic, Squire)	$ 54,000
	d. Environmental Management	$ 9,000
	e. GIS	$ 1,000
	f. Livelink	$ 6,000
	g. Financial applications, including accounts payable/receivable, general ledger, financial reporting, purchasing)	$ 13,000
	h. HR/Payroll applications	$ 46,000
	i. Personal computing infrastructure (PC procurement, helpdesk, email, security)	$174,000
	j. Hardware Leases	$ 27,000
	k. Network support, including LAN and WAN routers	$138,000
6.	Accounting services, including business, general, accounts payable, property and management accounting and accounting services for	$192,673

	SEC reporting (excludes $9,083 in estimated monthly bonus accrual and $6,577 benefits), subdivided as follows:	
	a. Financial Reporting	$ 27,365
	b. General Accounting	$ 33,522
	c. Accounts Payable	$ 24,068
	d. Revenue Accounting	$ 82,049
	e. Property Accounting	$ 25,669
7.	Human resources and benefits administration, including HR generalists, compensation benefits analysts and benefits administration and employee communications (excludes $5,250 in estimated monthly bonus accrual and $2,710 benefits)	$ 167,040
8.	Legal services of internal and external attorneys for legal services including contract negotiation, business advice, corporate secretary, general business advice, and services of general counsel (excludes $10,583 in estimated monthly bonus accrual and $2,102 benefits)	$ 120,648
9.	Governmental Affairs and regulatory representation (excludes $3,250 in estimated monthly bonus accrual and $446 benefits)	$ 37,971
10.	Tax services, including state and local taxes, ad valorem tax, transactional taxes, and federal K-1 reporting assistance (excludes $2,167 in estimated monthly bonus accrual and $1,209 benefits)	$ 38,291
11.	Internal audit and compliance services (excludes $2,167 in estimated monthly bonus accrual and $676 benefits)	$ 22,157
12.	Risk management and insurance services	$ 8,333
13.	Treasury services, including cash management and wire/ACH processing (excludes $167 in estimated monthly bonus accrual and $143 benefits)	$ 8,024
14.	Administrative services, including mail services, fax and copier leases, records management, office services, and parking subsidy (excludes $500 in estimated monthly bonus accrual and $390 benefits)	$ 24,110
	TOTAL	$2,898,913

* Notes to Item 5 above:

- Individual PC leases will be reduced following transfer of payment responsibilities.

- Network circuit charges (Williams' billed amount) will be reduced following circuit transfers.

- Computing (subcategory "i .") shall remain for the duration of the Agreement.

- Subcategories "a." through "j." shall not be subdivided; Buyer shall assume cost until the entire service represented by any such subcategory is removed.

SCHEDULE "B"

POTENTIAL LEASED EMPLOYEES*

Employee Name	Date of Birth	Lease End Date
Kent Pribil	7/4/1948	7/11/2003
Elsie Harmon	8/14/1948	8/22/2003
Shirley Maxon	8/18/1948	8/22/2003
Patricia L. Jones	9/21/1948	10/3/2003
Jimmie D. Hamilton	10/28/1948	10/31/2003
Karl A. Erickson	11/8/1948	11/14/2003

* Each potential Leased Employees listed above shall become a Leased Employee in accordance with Section 2(f) of this Agreement.

SCHEDULE "C"

POTENTIAL O&M EMPLOYEES AND G&A EMPLOYEES*

[See Attached List]

* This Schedule shall be finalized no more than five (5) days after delivery of the Section 4.3(a) Notice to the Selling Parties.

EXECUTION COPY

EXHIBIT 10.9

==========

NEW OMNIBUS AGREEMENT

among

WEG Acquisitions, L.P.,

Williams Energy Services, LLC,

Williams Natural Gas Liquids, Inc.

and

The Williams Companies, Inc.

==========

NEW OMNIBUS AGREEMENT

THIS NEW OMNIBUS AGREEMENT (the "Agreement") is entered into on, and effective as of, June 17, 2003 among WEG Acquisitions, L.P., a Delaware limited partnership ("Buyer"), Williams Energy Services, LLC, a Delaware limited liability company ("WES"), Williams Natural Gas Liquids, Inc., a Delaware corporation ("WNGL"), and The Williams Companies, Inc., a Delaware corporation ("Williams", and together with WES and WNGL, the "Williams Parties").

R E C I T A L S:

WHEREAS, Williams, WES, WNGL, Williams Pipe Line Company, LLC, a Delaware limited liability company ("WPL"), Williams Energy Partners, L.P., a Delaware limited partnership (the "MLP"), Williams OLP, L.P., a Delaware limited partnership (the "OLP"), Williams GP LLC, a Delaware limited liability company (the "Old GP"), and Williams Information Technology, Inc. (f/k/a Williams Information Services Corporation), a Delaware corporation, entered into that certain Omnibus Agreement, effective as of February 9, 2001, as amended by the Amendment I thereto, dated January 28, 2002, the Second Amendment thereto, dated April 11, 2002, and the Third Amendment thereto, dated September 30, 2002 (as amended, the "Old Omnibus Agreement");

WHEREAS, Buyer, WES, WNGL and the Old GP have entered into that certain Purchase Agreement, dated as of April 18, 2003, as amended by Amendment No. 1 thereto dated as of May 5, 2003 (as amended, the "Purchase Agreement"), for the purchase and sale of all of the membership interests of WEG GP LLC, a Delaware limited liability company ("WEG GP LLC"), all of the common units and subordinated units representing limited partner interests in the MLP owned by WES and WNGL, and all of the class B common units representing limited partner interests in the MLP owned by the Old GP (as contemplated in the Purchase Agreement, the "Transaction");

WHEREAS, the Old Omnibus Agreement will terminate upon closing of the Transaction (the "Closing" and the date on which the Closing occurs, the "Closing Date"); and

WHEREAS, the parties hereto specifically intend for each of the entities comprising the Partnership Entities and the Partnership Group, as applicable, to be third-party beneficiaries with respect to certain of the rights and benefits herein of the parties hereto.

NOW, THEREFORE, in consideration of the premises and the covenants, conditions, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 DEFINITIONS.

(a) Capitalized terms used herein but not defined shall have the meanings given to them in the MLP Agreement.

(b) As used in this Agreement, the following terms shall have the respective meanings set forth below:

"Accounting Referee" is defined in Section 9.1(a).

"Acquisition Date" means April 11, 2002, the date WES contributed and the MLP acquired all of the membership interests in WPL.

"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.

"Applicable Period" means the period commencing on the Closing Date and terminating on the second (2nd) anniversary of the Closing Date.

"Assignee" is defined in the MLP Agreement.

"Buyer" is defined in the introduction to this Agreement.

"Buyer Entities" means the Buyer and any entity that directly, or indirectly through one or more intermediaries, is controlled by the Buyer, including WEG GP LLC (but excluding each entity comprising the Partnership Group).

"Buyer Offer" is defined in Section 3.3(a).

"Change of Control" means, with respect to any Person (the "Applicable Person"), any of the following events:

(i) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the Applicable Person's assets to any other Person, unless immediately following such sale, lease, exchange or other transfer such assets are owned, directly or indirectly, by the Applicable Person;

(ii) the consolidation or merger of the Applicable Person with or into another Person pursuant to a transaction in which the outstanding Voting Securities of the Applicable Person are changed into or exchanged for cash, securities or other property, other than any such transaction where (a) the outstanding Voting Securities of the Applicable Person are changed into or exchanged for Voting Securities of the surviving corporation or its parent and (b) the holders of the Voting Securities of the Applicable Person immediately prior to such transaction own, directly or indirectly, not less than a majority of the Voting Securities of the surviving corporation or its parent immediately after such transaction;

(iii) a "person" or "group" (within the meaning of Sections 13(d) or 14(d)(2) of the Exchange Act) being or becoming the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have "beneficial ownership" of all Voting Securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the

passage of time) of more than 50% of all of the then outstanding Voting Securities of the Applicable Person, except in a merger or consolidation that would not constitute a Change of Control under clause (ii) above; or

(iv) solely with respect to WEG GP LLC, the Continuing Directors of WEG GP LLC cease for any reason to constitute all of the board of directors of WEG GP LLC then in office;

notwithstanding the foregoing, the events described in clauses (i) through (iii) of this definition shall not constitute a Change of Control of WEG GP LLC if the other Person (or "person" or "group," in the case of clause (iii)) referred to in such clauses, immediately prior to such transaction, is an Affiliate of Buyer or WEG GP LLC.

"Closing" is defined in the recitals to this Agreement.

"Closing Date" is defined in the recitals to this Agreement.

"Conflicts Committee" is defined in the MLP Agreement.

"Continuing Directors" means (1) all individuals constituting the board of directors of WEG GP LLC immediately after the Closing and (2) any new directors whose nomination for election to the board of directors of WEG GP LLC was approved by WEG GP LLC or the board of directors of WEG GP LLC, or the nominating committee of such board, at a time that Continuing Directors comprised all of such board of directors.

"control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Covered Environmental Losses" is defined in Section 4.1.

"Environmental Laws" means all federal, state, and local laws, statutes, rules, regulations, orders, and ordinances relating to protection of health and the environment including, without limitation, the federal Comprehensive Environmental Response, Compensation, and Liability Act, the Superfund Amendments Reauthorization Act, the Resource Conservation and Recovery Act, the Clean Air Act, the Federal Water Pollution Control Act, the Toxic Substances Control Act, the Oil Pollution Act, the Safe Drinking Water Act, the Hazardous Materials Transportation Act, and other environmental conservation and protection laws, each as amended through the IPO Date.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"G&A Cap Amount" is defined in Section 7.1(a).

"General Partner" means WEG GP LLC and its successors as general partner of the MLP, unless the context otherwise requires.

"IPO Assets" is defined in Section 4.1.

"IPO Date" means February 9, 2001, the date of the closing of the initial public offering of common units representing limited partner interests in the MLP.

"Limited Partner" is defined in the MLP Agreement.

"MLP" is defined in the introduction to this Agreement.

"MLP Agreement" means the Second Amended and Restated Agreement of Limited Partnership of the MLP, dated as of September 27, 2002, as amended by Amendments Nos. 1 and 2 thereto, each dated as of November 15, 2002, as such agreement may be further amended or supplemented through the Closing Date, to which reference is hereby made for all purposes of this Agreement. No amendment or modification to the MLP Agreement subsequent to the Closing Date shall be given effect for the purposes of this Agreement unless consented to by each of the parties to this Agreement.

"OLP" is defined in the introduction to this Agreement.

"Old Omnibus Agreement" is defined in the recitals to this Agreement.

"Partnership Entities" means the General Partner, the MLP, the OLP, WPL and any entity controlled by any of the foregoing.

"Partnership Group" means the Partnership Entities, with the exclusion of the General Partner.

"Payment Request" is defined in Section 9.1(a).

"Person" means an individual, corporation, partnership, joint venture, trust, limited liability company, unincorporated organization or any other entity.

"Prospectus" means the MLP's final prospectus, dated February 5, 2001, relating to the initial public offering of common units representing limited partner interests in the MLP, as filed with Securities and Exchange Commission pursuant to Rule 424(b) under the Securities Act of 1933.

"Purchase Agreement" is defined in the recitals to this Agreement.

"Refined Products" means all grades of motor gasoline, distillate and aviation fuel.

"Restricted Assets" means, (i) with respect to the Williams Entities, for purposes of Article II, any assets or any business having assets engaged in the activities prohibited by Section 2.1 and (ii) with respect to the Buyer Entities, for purposes of Article III, any assets or any business having assets engaged in the activities prohibited by Section 3.1.

"Services Agreement" means the Services Agreement, dated the date hereof, among Williams Petroleum Services, LLC, Williams Alaska Pipeline Company, LLC, and WPL.

"Transaction" is defined in the recitals to this Agreement.

"Transition Services Agreement" means the Transition Services Agreement, dated the date hereof, between Buyer and Williams.

"Upper Cap Amount" is defined in Section 7.2(c)(i).

"Voting Securities" means securities of any class of a Person entitling the holders thereof to vote on a regular basis in the election of members of the board of directors or other similar governing body of such Person; provided, however, that in the case of WEG GP LLC, "Voting Securities" shall refer solely to the membership interests in WEG GP LLC.

"WAP LP" is defined in Section 5.1.

"WEG GP LLC" is defined in the recitals to this Agreement.

"WES" is defined in the introduction to this Agreement.

"Williams" is defined in the introduction to this Agreement.

"Williams Entities" means Williams and any entity that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with Williams, including without limitation, WNGL, WES and the Old GP.

"Williams Offer" is defined in Section 2.3(a).

"Williams Parties" is defined in the recitals to this Agreement.

"WNGL" is defined in the introduction to this Agreement.

"WPL" is defined in the recitals to this Agreement.

"WTH LP" is defined in Section 5.2.

"2003 Pre-Closing Stub Period" is defined in Section 7.1(b)(i)(A).

"2003 Pre-Closing Cap" is defined in Section 7.1(b)(i)(A).

"2003 Post-Closing Stub Period" is defined in Section 7.1(b)(i)(B).

"2003 Post-Closing Cap" is defined in Section 7.1(b)(i)(B).

"2003 Post-Closing Upper Cap Amount" is defined in Section 7.2(c)(ii)(A).

"2004 Stub Period" is defined in Section 7.2(c)(iii)(B).

"2004 Stub Period Upper Cap Amount" is defined in Section 7.2(c)(iii)(B).

ARTICLE II
WILLIAMS ENTITIES' BUSINESS OPPORTUNITIES

2.1 WILLIAMS ENTITIES RESTRICTED ASSETS. During the Applicable Period, the Williams Entities shall be prohibited from engaging in or acquiring any business having assets engaged in the following activities:

(a) the transportation, storage or distribution of ammonia or related products in the United States;

(b) the ownership and operation of facilities for the terminalling and storage of refined petroleum products in any state in the United States, except Alaska and Hawaii;

(c) Refined Product transportation (including, without limitation, through joint tariff arrangements or capacity leases or otherwise) to a delivery point within a 50-mile radius of a Refined Products delivery point owned or supplied by a Partnership Entity on the Acquisition Date; and

(d) Refinery grade butane transportation from the Koch Pine Bend, MN, refinery, Marathon St. Paul, MN refinery, ExxonMobil Joilet refinery, BP Whiting, IN refinery and CITGO Lemont, IL refinery.

2.2 PERMITTED EXCEPTIONS. Notwithstanding any provision of Section 2.1 to the contrary, any Williams Entity may own and operate Restricted Assets under the following circumstances:

(a) The Restricted Asset was owned, leased or operated by the Williams Entities on the Closing Date;

(b) The value of the Restricted Assets acquired after the Closing Date in a transaction does not exceed $20 million at the time of the acquisition, as determined by Williams, in its reasonable sole discretion;

(c) (i) The value of the Restricted Assets acquired after the Closing Date in a transaction exceeds $20 million at the time of acquisition, as determined by Williams, in its reasonable sole discretion, and (ii) the General Partner has elected not to cause a member of the Partnership Group to pursue such opportunity in accordance with the procedures set forth in Section 2.3; or

(d) The value of the Restricted Assets acquired after the Closing Date in a transaction represents less than 30% of the consideration paid by Williams or another Williams Entity in connection with such transaction, as determined by Williams, in its reasonable sole discretion.

2.3 PROCEDURES. In the event that, pursuant to Section 2.2(c), a Williams Entity acquires Restricted Assets valued or having an original cost in excess of $20 million at the time of the acquisition, as determined by Williams, in its reasonable sole discretion, then not later than six (6) months after the consummation of the acquisition by such Williams Entity of the Restricted Assets, such Williams Entity shall notify the General Partner of such purchase and offer the Partnership Group the opportunity to purchase such Restricted Assets. As soon as practicable, but in any event, within sixty (60) days after receipt of such notification, the General Partner shall notify the Williams Entity that either (i) the General Partner has elected not to cause a member of the Partnership Group to purchase such Restricted Assets, in which event such Williams Entity shall be forever free to continue to own or operate such Restricted Assets, or (ii) the General Partner has elected to cause a member of the Partnership Group to purchase such Restricted Assets, in which event the following procedures shall be followed:

(a) Within thirty (30) days of receipt of the notice from the General Partner that the General Partner has elected to cause a member of the Partnership Group to purchase the Restricted Assets, Williams shall submit an offer to the General Partner to sell the Restricted Assets (the "Williams Offer") to any member of the Partnership Group selected by the General Partner on the terms and for the consideration stated in the Williams Offer;

(b) Williams and the General Partner shall negotiate after receipt of such Williams Offer by the General Partner, the terms on which the Restricted Assets will be sold to a member of the Partnership Group. Williams shall provide all information concerning the business, operations and finances of such Restricted Assets as may be reasonably requested by the General Partner.

(i) If Williams and the General Partner agree on such terms within sixty (60) days after receipt by the General Partner of the Williams Offer, the General Partner shall cause a member of the Partnership Group to purchase the Restricted Assets on such terms as soon as commercially practicable after such agreement has been reached;

(ii) If Williams and the General Partner are unable to agree on the terms of a sale during the 60-day period after receipt by the General Partner of the Williams Offer, Williams and the General Partner will engage an independent investment banking firm with a national reputation to determine the fair market value of the Restricted Assets. In determining the fair market value of the Restricted Assets, the investment banking firm will have access to the proposed sale and purchase values for the Restricted Assets submitted by Williams and the General Partner, respectively. Such investment banking firm will determine the value of the Restricted Assets within thirty (30) days and furnish Williams and the General Partner its opinion of such value. The fees of the investment banking firm's appraisal will be split equally between Williams and the MLP. Upon receipt of such opinion, the General Partner will have the option, but not the obligation to:

(iii)

(A) cause a member of the Partnership Group to purchase the Restricted Assets in accordance with the following process:

(1) if the valuation of the investment banking firm is in the range between the proposed sale/purchase values of Williams and the General Partner, the General Partner will have the right to cause a member of the Partnership Group to purchase the Restricted Assets at the valuation submitted by the investment banking firm;

(2) if the valuation of the investment banking firm is less than the proposed purchase value submitted by the General Partner, the General Partner will have the right to cause a member of the Partnership Group to purchase the Restricted Assets for the amount submitted by the General Partner; and

(3) if the valuation of the investment banking firm is greater than the proposed sale value submitted by Williams, the General Partner will have the right to cause a member of the Partnership Group to purchase the Restricted Assets for the amount submitted by Williams; or

(B) decline to purchase such Restricted Assets, in which event the Williams Entity forever will be free to continue to own and operate such Restricted Assets.

2.4 SCOPE OF PROHIBITION. Williams and any other Williams Entity shall only be required to offer Restricted Assets to the General Partner for purchase by a member of the Partnership Group upon the terms and conditions, including the price to be paid, contained in this Article II. Except as provided in this Article II, each Williams Entity shall be free to engage in any business activity whatsoever, including those that may be in direct competition with Buyer or any Partnership Entity.

ARTICLE III
BUYER ENTITIES' BUSINESS OPPORTUNITIES

3.1 BUYER ENTITIES RESTRICTED ASSETS. During the Applicable Period, the Buyer Entities shall be prohibited from engaging in or acquiring any business having assets engaged in the following activities:

(a) the transportation, storage or distribution of ammonia or related products in the United States;

(b) the ownership and operation of facilities for the terminalling and storage of refined petroleum products in any state in the United States, except Alaska and Hawaii; and

(c) Refined Product transportation (including, without limitation, through joint tariff arrangements or capacity leases or otherwise) to a delivery point within a 50-mile

radius of a Refined Products delivery point owned or supplied by a Partnership Entity on the Acquisition Date.

3.2 PERMITTED EXCEPTIONS. Notwithstanding any provision of Section 3.1 to the contrary, any Buyer Entity may own and operate Restricted Assets under the following circumstances:

(a) The Restricted Asset was owned, leased or operated by the Buyer Entities on the Closing Date;

(b) The Restricted Asset is owned, leased or operated by the Buyer Entities on behalf of the Partnership Group;

(c) The value of the Restricted Assets acquired after the Closing Date in a transaction does not exceed $20 million at the time of the acquisition, as determined by Buyer, in its reasonable sole discretion;

(d) (i) The value of the Restricted Assets acquired after the Closing Date in a transaction exceeds $20 million at the time of acquisition, as determined by Buyer, in its reasonable sole discretion, and (ii) the General Partner (with the approval of the Conflicts Committee) has elected not to cause a member of the Partnership Group to pursue such opportunity in accordance with the procedures set forth in Section 3.3; or

(e) The value of the Restricted Assets acquired after the Closing Date in a transaction represents less than 30% of the consideration paid by Buyer or another Buyer Entity in connection with such transaction, as determined by Buyer, in its reasonable sole discretion.

3.3 PROCEDURE. In the event that, pursuant to Section 3.2(d), a Buyer Entity acquires Restricted Assets valued or having an original cost in excess of $20 million at the time of the acquisition, as determined by Buyer, in its reasonable sole discretion, then not later than six (6) months after the consummation of the acquisition by such Buyer Entity of the Restricted Assets, such Buyer Entity shall notify the General Partner of such purchase and offer the Partnership Group the opportunity to purchase such Restricted Assets. As soon as practicable, but in any event, within sixty (60) days after receipt of such notification, the General Partner shall notify the Buyer Entity that either (i) the General Partner has elected (with the approval of the Conflicts Committee) not to cause a member of the Partnership Group to purchase such Restricted Assets, in which event such Buyer Entity shall be forever free to continue to own or operate such Restricted Assets, or (ii) the General Partner (with the approval of the Conflicts Committee) has elected to cause a member of the Partnership Group to purchase such Restricted Assets, in which event the following procedures shall be followed:

(a) Within thirty (30) days of receipt of the notice from the General Partner that General Partner has elected to cause a member of the Partnership Group to purchase the Restricted Assets, the Buyer Entity shall submit an offer to the General Partner to sell the Restricted Assets (the "Buyer Offer") to any member of the Partnership Group selected by the General Partner on the terms and for the consideration stated in the Buyer Offer;

(b) The Buyer Entity and the General Partner shall negotiate after receipt of such Buyer Offer by the General Partner, the terms on which the Restricted Assets will be sold to a member of the Partnership Group. The Buyer Entity shall provide all information concerning the business, operations and finances of such Restricted Assets as may be reasonably requested by the General Partner.

(i) If the Buyer Entity and the General Partner agree on such terms within sixty (60) days after receipt by the General Partner of the Buyer Offer, a member of the Partnership Group shall purchase the Restricted Assets on such terms as soon as commercially practicable after such agreement has been reached;

(ii) If the Buyer Entity and the General Partner are unable to agree on the terms of a sale during the 60-day period after receipt by the General Partner of the Buyer Offer, the Buyer Entity and the General Partner will engage an independent investment banking firm with a national reputation to determine the fair market value of the Restricted Assets. In determining the fair market value of the Restricted Assets, the investment banking firm will have access to the proposed sale and purchase values for the Restricted Assets submitted by the Buyer Entity and the General Partner, respectively. Such investment banking firm will determine the value of the Restricted Assets within thirty (30) days and furnish the Buyer Entity and the General Partner its opinion of such value. The fees of the investment banking firm's appraisal will be split equally between the Buyer Entity and the MLP. Upon receipt of such opinion, the General Partner will have the option, but not the obligation to:

(iii)

(A) cause a member of the Partnership Group to purchase the Restricted Assets in accordance with the following process:

(1) if the valuation of the investment banking firm is in the range between the proposed sale/purchase values of the Buyer Entity and the General Partner, a member of the Partnership Group will have the right to purchase the Restricted Assets at the valuation submitted by the investment banking firm;

(2) if the valuation of the investment banking firm is less than the proposed purchase value submitted by the General Partner, a member of the Partnership Group will have the right to purchase the Restricted Assets for the amount submitted by the General Partner; and

(3) if the valuation of the investment banking firm is greater than the proposed sale value submitted by the Buyer Entity, a member of the Partnership Group will have the right to purchase the Restricted Assets for the amount submitted by the Buyer Entity; or

(B) decline to purchase such Restricted Assets, in which event the Buyer Entity forever will be free to continue to own and operate such Restricted Assets.

3.4 SCOPE OF PROHIBITION. Except as provided in this Article III, each Buyer Entity shall be free to engage in any business activity whatsoever, including those that may be in direct competition with any member of the Partnership Group.

ARTICLE IV
ENVIRONMENTAL INDEMNIFICATION

4.1 WES INDEMNIFICATION FOR COVERED ENVIRONMENTAL LOSSES. Williams and WES, jointly and severally, shall indemnify, defend and hold harmless the Partnership Entities from and against any Covered Environmental Losses relating to the assets of the Partnership Entities described in the Prospectus that arose prior to the IPO Date (the "IPO Assets") that become known by February 9, 2004 and that exceed all amounts recovered or recoverable by any Partnership Entity under contractual indemnities from third Persons or under any applicable insurance policies. "Covered Environmental Losses" mean those non-contingent environmental losses, costs, damages and expenses suffered or incurred by the Partnership Entities arising from correction of violations of, or performance of remediation required by, Environmental Laws in effect at the IPO Date due to events and conditions associated with the operation of the IPO Assets and occurring before the IPO Date.

4.2 LIMITATIONS. Williams and WES shall have no indemnification obligation under Section 4.1 for claims made after February 9, 2004. The aggregate liability of Williams and WES in respect of all Covered Environmental Losses under Section 4.1 shall not exceed $13.3 million, representing $15 million less amounts previously paid by Williams or WES to the Partnership Entities pursuant to Section 3.1 of the Old Omnibus Agreement.

ARTICLE V
RIGHT-OF-WAY INDEMNIFICATION

5.1 WNGL RIGHT-OF-WAY INDEMNIFICATION. Williams and WNGL, jointly and severally, shall indemnify, defend and hold harmless the Partnership Entities and their successors or assigns until February 9, 2016 from and against any losses, costs, damages, expenses and fees suffered or incurred by any of the Partnership Entities or their successors or assigns as a result of (a) the failure of Williams Ammonia Pipeline, L.P., a Delaware limited partnership ("WAP LP"), or its successors or assigns to be the owner of such valid and indefeasible easement rights in and to the easements and rights of way in which the ammonia pipeline was located as of the IPO Date and as are necessary to enable WAP LP and its successors and assigns to continue to own and operate the ammonia pipeline in the manner that it was owned and operated as of the IPO Date; and (b) the failure of WAP LP or its successors and assigns to have the consents and permits necessary to allow such pipeline to cross the roads, waterways, railroads and other areas upon which the ammonia pipeline was located as of the IPO Date.

5.2 WES RIGHT-OF-WAY INDEMNIFICATION. Williams and WES, jointly and severally, shall indemnify, defend and hold harmless, the Partnership Entities and their successors and

assigns, until February 9, 2016, from and against any losses, costs, damages, expenses and fees suffered or incurred by any of the Partnership Entities or their successors or assigns as a result of (a) the failure of Williams Terminals Holdings, L.P. , a Delaware limited partnership ("WTH LP"), or its successors and assigns to be the owner of valid and indefeasible easement rights in and to the easements and rights of way in which the pipelines that are associated with the marine terminal facilities at Galena Park, Texas, Corpus Christi, Texas and Marrero, Louisiana were located as of the IPO Date and that are necessary to enable WTH LP and its successors and assigns to continue to own and operate the pipelines in all material respects in the manner that such pipelines were owned and operated prior to the IPO Date; and (b) the failure of WTH LP or its successors and assigns to have the consents and permits necessary to allow such pipelines to cross roads, waterways, railroads and other areas upon which such pipelines were located as of the IPO Date.

ARTICLE VI
ENVIRONMENTAL AND RIGHT-OF-WAY INDEMNIFICATION PROCEDURES

6.1 Buyer agrees that within a reasonable period of time after any Partnership Entity becomes aware of facts giving rise to a claim for indemnification pursuant to Sections 4.1, 5.1 or 5.2, Buyer will use its reasonable best efforts to cause such Partnership Entity to provide notice thereof in writing to Williams, specifying the nature of and specific basis for such claim.

(a) Except as provided in this Section 6.1(b), Williams shall have the right to control all aspects of the defense of (and any counterclaims with respect to) any claims brought against the Partnership Entities that are covered by the indemnification set forth in Sections 4.1, 5.1 or 5.2, including, without limitation, the selection of counsel, determination of whether to appeal any decision of any court and the settling of any such matter or any issues relating thereto; provided, however, that no such settlement shall be entered into without the consent of the Partnership Entities unless it includes a full and unconditional release of the Partnership Entities from all liability with respect to such matter or issues, as the case may be, the sole relief provided is monetary damages that are paid in full by the Williams Parties, and there is no admission or statement of fault or culpability on the part of any Partnership Entity.

(b) Buyer agrees to use its reasonable best efforts to cause the Partnership Entities, at their own cost and expense, to cooperate fully with Williams with respect to all aspects of the defense of any claims covered by the indemnification set forth in Sections 4.1, 5.1 or 5.2, including, without limitation, the prompt furnishing to Williams of any correspondence or other notice relating thereto that the Partnership Entities may receive, permitting the names of the Partnership Entities to be utilized in connection with such defense, the making available to Williams of any files, records or other information of the Partnership Entities that Williams reasonably considers relevant to such defense and the making reasonably available to Williams, during normal business hours, of any employees of the Partnership Entities; provided, however, that in connection therewith Williams agrees to use reasonable best efforts to minimize the impact thereof on the operations of such Partnership Entities. In no event shall the obligation of Buyer to use its reasonable best efforts to cause the Partnership Entities to cooperate with Williams as set forth in the immediately preceding sentence be construed as imposing upon the Buyer or the Partnership Entities an obligation to hire and pay for counsel in connection with the defense of any claims covered by the indemnification set forth in this Article VI, it being agreed

that the Williams Parties, jointly and severally, shall pay the fees and expenses of such counsel; provided, further, that Buyer or the Partnership Entities may hire and pay for separate counsel in connection with any such defense, at the Buyers or the MLP's own option, cost and expense, as the case may be; provided, further, that the Williams Parties, jointly and severally, shall pay the fees and expenses of separate counsel for the Buyer or the Partnership Entities if (i) the Williams Parties have agreed to pay such fees and expenses or (ii) counsel for the Williams Parties reasonably determines that representation of both the Williams Parties, on the one hand, and the Partnership Entities, on the other hand, by the same counsel would create a conflict of interest. Williams agrees to keep any counsel hired by the Partnership Entities reasonably informed as to the status of any such defense, but Williams shall have the right to retain sole control over such defense except as provided above.

(c) In determining the amount of any loss, cost, damage or expense for which any of the Partnership Entities are to be indemnified under Sections 4.1, 5.1 or 5.2, the gross amount of the indemnification will be reduced by (i) any insurance proceeds realized or to be realized by the Partnership Entities, and such correlative insurance benefit shall be net of any incremental insurance premium that becomes due and payable by the Partnership Entities as a result of such claim and (ii) all amounts recovered or recoverable by any Partnership Entity under contractual indemnities from third Persons as described in Section 4.1.

ARTICLE VII
GENERAL AND ADMINISTRATIVE EXPENSES

7.1 G&A CAP AMOUNT.

(a) Subject to Section 7.2, the amount of general and administrative expenses reimbursed by the Partnership Group to the Buyer Entities (or, in the case of Section 7.1(b)(i)(A) below, to the Williams Entities) for any MLP fiscal year shall not exceed the amounts calculated pursuant to Section 7.1(b) (for any MLP fiscal year, the "G&A Cap Amount").

(b) 2003 Fiscal Year. For the MLP fiscal year ending on December 31, 2003, the G&A Cap Amount shall be calculated as follows:

(A) For the period beginning on January 1, 2003 and ending on the day immediately preceding the Closing Date (the "2003 Pre-Closing Stub Period"), the amount of general and administrative expenses reimbursed by the Partnership Group to the Williams Entities shall not exceed $37.9 million times a fraction, (X) the numerator of which is the number of successive whole months beginning with January 2003 and ending with the month in which the Closing occurs and (Y) the denominator of which is twelve (12) (the "2003 Pre-Closing Cap"). To the extent that the Partnership Group reimbursed the Williams Entities for general and administrative expenses incurred in 2003 in excess of the 2003 Pre-Closing Cap, the Williams Parties shall reimburse the MLP for any such excess amounts and shall make such payment no later than thirty (30) days following the Closing Date. To the extent that the Williams Entities paid unreimbursed general and administrative expenses up to the 2003 Pre-

Closing Cap, Buyer shall use commercially reasonable efforts to cause the MLP to, make payment to the appropriate Williams Entity of such unreimbursed amount no later than thirty (30) days following the Closing Date.

(B) For the period beginning with the Closing Date and ending on December 31, 2003 (the "2003 Post-Closing Stub Period"), the amount of general and administrative expenses reimbursed by the Partnership Group to the Buyer Entities shall not exceed the sum of (1) the product of $37.9 million (as may be adjusted pursuant to Section 7.1(b)(iii)) times a fraction, (X) the numerator of which is the number of successive whole months beginning with the month following the month in which the Closing occurs and ending with December 2003 and (Y) the denominator of which is twelve (12) (the "2003 Post-Closing Cap"), plus (2) the amount of general and administrative expenses incurred by or on behalf of the Partnership Group in excess of the 2003 Post-Closing Upper Cap Amount less any amounts duly reimbursed by the Williams Parties to the Buyer Entities pursuant to Section 7.2(c)(iii)(A).

(ii) Succeeding Fiscal Years. For each succeeding MLP fiscal year beginning with the MLP fiscal year ending December 31, 2004, the G&A Cap Amount shall be calculated as follows:

(A) The G&A Cap Amount from the preceding fiscal year (as may be adjusted pursuant to Section 7.1(b)(iii)) shall be increased by the greater of (A) 7% per year and (B) the percentage increase in the Consumer Price Index -- All Urban Consumers, U.S. City Average, Not Seasonally Adjusted.

(B) For purposes of calculating the initial increase in the G&A Cap Amount for the MLP fiscal year ending on December 31, 2004, the G&A Cap Amount for the 2003 fiscal year shall be $37.9 million (as may be adjusted pursuant to Section 7.1(b)(iii) for acquisitions, construction, capital improvements, replacements or expansions occurring in 2003).

(iii) Adjustment for Acquisitions and Other Events. If, after the Closing Date, the Partnership Group (A) makes an acquisition, (B) constructs or causes to be constructed any assets to be owned, leased or operated by any member of the Partnership Group or (C) makes or causes to be made any capital improvements, replacements or expansions of any assets owned, leased or operated by any member of the Partnership Group, the amount of general and administrative expenses reimbursed by the Partnership Group to the Buyer Entities will be increased by the Buyer's good faith reasonable estimate of the additional amount of annual general and administrative expenses to be incurred by or on behalf of the Partnership Group with respect to such acquisition, construction, capital improvement, replacement or expansion. The pro rata portion of the additional general and administrative expenses shall be added to the G&A Cap Amount and the Upper Cap Amount in the year in which such acquisition, construction, capital

improvement, replacement or expansion occurs for the portion of the year occurring thereafter and the full amount of such general and administrative expenses shall be added to the G&A Cap Amount and the Upper Cap Amount thereafter.

7.2 CERTAIN LIMITATIONS. The provisions of Section 7.1 shall be subject to the following limitations:

(a) Expiration of G&A Cap. The amount of general and administrative expenses reimbursed by the Partnership Group to the Buyer Entities shall not be limited under this Agreement with respect to any fiscal year ending after December 31, 2010.

(b) Certain Expenses Not Included. General and administrative expenses with respect to the following matters shall be excluded in determining limitations herein on the amount of general and administrative expenses that are required to be reimbursed by the Partnership Group or the Williams Parties to the Buyer Entities:

(i) expenses associated with equity-based incentive compensation plans;

(ii) general and administrative expenses incurred by Buyer that are covered under Section 4.15 to the Purchase Agreement, regardless of whether in excess of the Expense Limit (as defined in Section 4.15 to the Purchase Agreement), it being understood that to the extent the Williams Parties reimburse Buyer for general and administrative expenses in excess of the Expense Limit, Buyer shall promptly pay any such reimbursements to the MLP by wire transfer of immediately available funds to an account or accounts designated in writing by the MLP; or

(iii) general and administrative expenses incurred in connection with providing Services (as defined by the Services Agreement) under the Services Agreement.

(c) Upper Cap Amount.

(i) Notwithstanding the limitations in Section 7.1 on the Partnership Group's reimbursement obligations for general and administrative expenses in excess of the G&A Cap Amount, the Partnership Group (or in the case of Section 7.2(c)(iii), the Williams Parties) shall be required to reimburse the Buyer Entities for general and administrative expenses incurred on behalf of the Partnership Group in any MLP fiscal year in excess of the Upper Cap Amount as calculated below (the "Upper Cap Amount").

(ii) The Upper Cap Amount shall be calculated as follows:

(A) For the 2003 Post-Closing Stub Period, the Upper Cap Amount shall be equal to the product of $49.3 million (as may be adjusted pursuant to Section 7.1(b)(iii)) times a fraction, (X) the numerator of which is the number of successive whole months beginning with the month following the month in which the Closing occurs and ending with month of

December 2003 and (Y) the denominator of which is twelve (12) (the "2003 Post-Closing Upper Cap Amount").

(B) For each succeeding MLP fiscal year beginning with the MLP fiscal year ending December 31, 2004, the Upper Cap Amount shall be calculated as follows:

(1) The Upper Cap Amount from the preceding fiscal year (as may be adjusted pursuant to Section 7.1(b)(iii)) shall be increased annually by the lesser of (A) 2.5% per year and (B) the percentage increase in the Consumer Price Index -- All Urban Consumers, U.S. City Average, Not Seasonally Adjusted.

(2) For purposes of calculating the initial increase in the Upper Cap Amount for the MLP fiscal year ending on December 31, 2004, the Upper Cap Amount for the 2003 fiscal year shall be $49.3 million (as may be adjusted pursuant to Section 7.1(b)(iii) for acquisitions, construction, capital improvements, replacements and expansions occurring in 2003).

(iii) For the twelve months immediately following the Closing Date, the Williams Parties shall be required to reimburse the Buyer Entities for any and all general and administrative expenses incurred by or on behalf of the Partnership Group in excess of the Upper Cap Amount, as follows:

(A) If, for the 2003 Post-Closing Stub Period, the general and administrative expenses incurred by or on behalf of the Partnership Group are in an amount in excess of 2003 Post-Closing Upper Cap Amount, the Williams Parties, jointly and severally, shall be required to reimburse the Buyer Entities in full for the amount of such excess and shall make such payment no later than thirty (30) days after the last day of the 2003 Post-Closing Stub Period by wire transfer of immediately available funds to an account or accounts designated in writing by the Buyer Entities.

(B) If, for the period beginning on January 1, 2004 and ending on the last day of the month in which the first anniversary of the Closing Date occurs (the "2004 Stub Period"), the general and administrative expenses incurred by or on behalf of the Partnership Group exceed the Upper Cap Amount for the MLP fiscal year ended December 31, 2004 multiplied by a fraction, (X) the numerator of which is the number of successive months beginning with January 2004 and ending with the month in which the 2004 Stub Period ends and (Y) the denominator of which is twelve (12) (the "2004 Stub Period Upper Cap Amount"), the Williams Parties, jointly and severally, shall be required to reimburse the Buyer Entities in full for the amount of such excess and shall make such payment no later than thirty (30) days after the last day of the 2004 Stub Period by wire transfer of immediately available funds to an account or accounts designated in

writing by the Buyer Entities. If Buyer becomes obligated to pay the 5% premium for transition services pursuant to the final proviso in Section 4(a) of the Transition Services Agreement, then for purposes of the immediately preceding sentence, the 2004 Stub Period Upper Cap Amount shall be increased by the portion of such premium constituting general and administrative expenses of the Partnership Group attributable to the 2004 Stub Period.

(C) Buyer shall, and shall cause each of the other Buyer Entities to, use good faith efforts to minimize the amount of general and administrative expenses incurred by any of the Buyer Entities and for which the Williams Parties would be required to reimburse the Buyer Entities under this Section 7.2(c)(iii).

(D) Notwithstanding any other provision of this Article VII, the Williams Entities will not have any obligations to reimburse the Buyer Entities for general and administrative expenses incurred on behalf of the Partnership Group or otherwise, except as specifically provided in this Section 7.2(c)(iii).

(iv) Except as provided in Section 7.2(c)(iii), the Partnership Group shall be required to reimburse the Buyer Entities for any and all general and administrative expenses in excess of the Upper Cap Amount incurred by or on behalf of the Partnership Group in any MLP fiscal year.

7.3 NO AFFECT ON SECTION 7.4 OF THE MLP AGREEMENT. Nothing in this Article VII is intended or shall be construed to affect or modify the terms and conditions of Section 7.4 of the MLP Agreement.

ARTICLE VIII
CAPITAL EXPENDITURES

8.1 WILLIAMS REIMBURSEMENT OF PARTNERSHIP GROUP MAINTENANCE CAPITAL EXPENDITURES. The Williams Entities will reimburse the Partnership Group in each of the MLP's 2003 and 2004 fiscal years for any reasonable and customary maintenance capital expenditures made by the Partnership Group, in accordance with past practices, to maintain the assets of WPL, in either year, in excess of $19 million; provided, that the Williams Entities shall not be required to reimburse the Partnership Group in excess of an aggregate amount of $15 million under this Section 8.1.

ARTICLE IX
MISCELLANEOUS

9.1 PAYMENTS; DISPUTED AMOUNTS; AUDIT RIGHTS.

(a) Except as otherwise provided herein, any payments to be made by the Williams Entities to Buyer or the Partnership Entities under this Agreement shall be made by the Williams Entities within sixty (60) days of receipt of a written request for such payment from

Buyer (which request shall contain a description in reasonable detail of the individual costs and expenses that comprise the aggregate amount of the payment requested) (a "Payment Request"). In the event of a good faith dispute as to the amount of such payment, the applicable Williams Entity shall give written notice of such dispute on or before the due date with respect to all or any portion of the Payment Request, with the particulars of such dispute. Upon receipt of such notice, Buyer shall, or shall use its reasonable best efforts to cause the Partnership Entities to, furnish to the applicable Williams Entity additional supporting documentation to reasonably substantiate the amount of the Payment Request. Upon delivery of such additional documentation, the applicable Williams Entity and the Buyer Entities shall cooperate and use their reasonable best efforts to resolve such dispute. If they are unable to resolve their dispute within twenty (20) business days of the delivery of such additional supporting documentation to the applicable Williams Entity, then the dispute shall be referred for resolution by a firm of independent accountants of nationally recognized standing reasonably satisfactory to each of Buyer and the applicable Williams Entity (the "Accounting Referee"), which shall determine the disputed amounts within thirty (30) days of the referral of such dispute to such Accounting Referee. The determination of the Accounting Referee shall not require the applicable Williams Entity to pay more than the amount in dispute nor require Buyer or any Partnership Entity to return any amount previously paid by the applicable Williams Entity. The fees and expenses of the Accounting Referee shall be borne equally by the applicable Williams Entity, on the one hand, and Buyer or a member of the Partnership Entities, on the other hand. The determination of the Accounting Referee shall be finally binding. If any dispute is resolved in favor of Buyer or any Partnership Entity, the applicable Williams Entity shall make payment to Buyer or the applicable Partnership Entity within thirty (30) days of resolution of the dispute. Notwithstanding the foregoing, in no event shall the Williams Entities be entitled to withhold any amounts other than those portions of the applicable payment that are in dispute.

(b) Williams shall have the right, at any time within six (6) months after the date of any payment by Williams to Buyer or the Partnership Entities pursuant to a Payment Request to audit those books and records of Buyer and/or any Partnership Entity that incurred costs or expenses attributable to such Payment Request or which books and records relate thereto, to verify the amount reflected on such Payment Request. Any such audit shall be conducted during normal business hours by Williams or its designated auditor after ten (10) days prior written notice to Buyer, at Williams' sole cost and expense, in the offices of Buyer and the relevant Partnership Entities or such other location as may be mutually agreed. Buyer shall cooperate and shall use its reasonable best efforts to cause any relevant Partnership Entity to cooperate with and provide reasonable assistance to Williams and/or its auditor in connection with the performance of any such audit. Williams shall assert any claim for refund of amounts reimbursed to Buyer or the Partnership Entities under the audited Payment Request within sixty (60) days after the completion of the audit. Buyer shall have sixty (60) days from receipt of Williams' claim for refund to respond. If Buyer does not dispute Williams' refund claim, Buyer or the applicable Partnership Entity shall pay such refund within such 60-day period. Should Buyer dispute the claim and refuse to pay any refund claim by Williams resulting from the exercise of Williams' audit rights, the parties will refer the dispute to an Accounting Referee in the manner described in Section 9.1(a) above.

9.2 THIRD-PARTY BENEFICIARY; ASSIGNMENT; ENFORCEMENT.

(a) Each of Buyer and the Williams Parties specifically intends that each entity comprising the Partnership Entities or the Partnership Group, as applicable, shall be entitled to assert rights and remedies hereunder as third-party beneficiaries hereto with respect to those provisions of this Agreement affording a right, benefit or privilege to any such entity. Notwithstanding anything else in this Agreement, pursuant to Section 4.25 of the Purchase Agreement, no provision of this Agreement with respect to which any of the entities comprising the Partnership Entities or the Partnership Group, as applicable, is a third-party beneficiary shall be amended, modified, waived or terminated by a party hereto without the express prior written approval of the MLP, and if the General Partner, in its capacity as general partner of the MLP, determines in its reasonable discretion that such an amendment, modification, waiver or termination is reasonably likely to adversely affect the holders of common units representing limited partner interests in the MLP, such amendment, modification, waiver of termination must also be approved by Special Approval (as such term is defined in the MLP Agreement).

(b) No party shall have the right to assign its rights or obligations under this Agreement without the consent of the other parties hereto.

(c) 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 hereof, this being in addition to any other remedy to which they are entitled at law or in equity. The third-party beneficiaries to whom certain rights and remedies under this Agreement extend as contemplated under Section 9.2(a) above shall also be entitled to enforce this Agreement in the manner provided in this Section 9.2(c). Notwithstanding anything else in this Agreement, the provisions of this Agreement are enforceable solely by the parties to this Agreement and the third-party beneficiaries identified in Section 9.2(a) above, and no Limited Partner (other than Buyer), Assignee or other Person (other than a permitted assignee under Section 9.2(b)) may enforce any provision of this Agreement or compel any party to this Agreement to comply with the terms of this Agreement.

9.3 CHOICE OF LAW; SUBMISSION TO JURISDICTION. This Agreement shall be governed and construed in accordance with the internal and substantive laws of New York, and without regard to any conflicts of laws concepts that would apply the substantive law of some other jurisdiction. Each party hereby submits to the jurisdiction of the state and federal courts in the State of New York and to venue in the Borough of Manhattan in the City of New York, New York.

9.4 NOTICE. All notices or requests or consents provided for or permitted to be given pursuant to this Agreement must be in writing and must be given by depositing same in the United States mail, addressed to the Person to be notified, postpaid, and registered or certified with return receipt requested or by delivering such notice in person or by telecopier or telegram to such party. Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by telegram or telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices to be sent to a party pursuant to this Agreement shall be sent to or made at the address set forth below such

party's signature to this Agreement, or at such other address as such party may stipulate to the other parties in the manner provided in this Section 9.4.

9.5 ENTIRE AGREEMENT. This Agreement, together with the provisions of the Purchase Agreement relating hereto, represent the entire agreement and understanding of the parties hereto and thereto with reference to the transactions set forth herein. This Agreement, together with the provisions of the Purchase Agreement relating hereto, supercede all prior negotiations, discussions, correspondence, communications, understandings and agreements between the parties relating to the transactions set forth herein and all prior drafts hereof (including Exhibit 1.2(a)(iv)(1) to the Purchase Agreement). No prior drafts hereof and no words or phrases from any such prior drafts shall be admissible into evidence in any action or suit involving this Agreement.

9.6 TERMINATION OF CERTAIN OBLIGATIONS UPON CHANGE OF CONTROL

(a) Upon a Change of Control of Williams, the obligations of the Williams Entities under Article II shall terminate.

(b) Upon a Change of Control of Buyer or WEG GP LLC, the obligations of the Buyer Entities under Article III shall terminate.

(c) Upon a Change of Control of Buyer or WEG GP LLC, the obligations of the Williams Parties under Article V shall terminate as of the later to occur of (A) the date of such Change of Control and (B) the expiration of all of the obligations of WES pursuant to Sections 10.1(a) (with respect to breaches of environmental representations, warranties, agreements or covenants), 10.1(b) and 10.1(c) of that certain Contribution Agreement dated as of April 11, 2002 by and among WES, the Old GP and the MLP and the expiration of all of the corresponding obligations of Williams pursuant to that certain Corporate Guarantee in favor of the General Partner, dated as of March 14, 2003, of Williams.

(d) Upon a Change of Control of Buyer or WEG GP LLC, Article VII and the limitations therein on the amount of general and administrative expenses for which the Partnership Group is required to reimburse the Buyer Entities shall terminate (including the provisions therein relating to the reimbursement obligations of the Williams Parties in favor of the Buyer Entities).

9.7 EFFECT OF WAIVER OR CONSENT. No waiver of any provision of this Agreement shall be effective unless set forth in writing by the party to be bound thereby. Except as otherwise expressly provided therein, no waiver or consent, express or implied, by any party to or of any breach or default by any Person in the performance by such Person of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such Person of the same or any other obligations of such Person hereunder. Failure on the part of a party to complain of any act of any Person or to declare any Person in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder until the applicable statute of limitations period has run.

9.8 AMENDMENT OR MODIFICATION. Subject to the second sentence of Section 9.2(a), this Agreement may be amended or modified from time to time only by the written agreement of

all the parties hereto. Each such instrument shall be reduced to writing and shall be designated on its face an "Amendment" or an "Addendum" to this Agreement.

9.9 COUNTERPARTS. This Agreement may be executed in any number of counterparts with the same effect as if all signatory parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

9.10 SEVERABILITY. If any provision of this Agreement or the application thereof to any Person or circumstance shall be held invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

9.11 GENDER, PARTS, ARTICLES AND SECTIONS. Whenever the context requires, the gender of all words used in this Agreement shall include the masculine, feminine and neuter, and the number of all words shall include the singular and plural. Unless otherwise provided, all references to Article numbers and Section numbers refer to Articles and Sections of this Agreement.

9.12 FURTHER ASSURANCES. In connection with this Agreement and all transactions contemplated by this Agreement, each signatory party hereto agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and all such transactions.

9.13 WITHHOLDING OR GRANTING OF CONSENT. Except as otherwise expressly provided herein, each party may, with respect to any consent or approval that it is entitled to grant pursuant to this Agreement, grant or withhold such consent or approval in its sole and uncontrolled discretion, with or without cause, and subject to such conditions as it shall deem appropriate.

9.14 U.S. CURRENCY. All sums and amounts payable to or to be payable pursuant to the provisions of this Agreement shall be payable in coin or currency of the United States of America that, at the time of payment, is legal tender for the payment of public and private debts in the United States of America.

9.15 LAWS AND REGULATION. Notwithstanding any provision of this Agreement to the contrary, no party to this Agreement shall be required to take any act, or fail to take any act, under this Agreement if the effect thereof would be to cause such party to be in violation of any applicable law, statute, rule or regulation.

9.16 WAIVER OF RIGHT OF FIRST REFUSAL. The Williams Parties hereby agree that, effective as of the date hereof, any and all rights, benefits and privileges of WES and any other Williams Entity under Section 11.10 of that certain Contribution Agreement dated as of April 11, 2002 by and among WES, the Old GP and the MLP are hereby forever terminated in all respects, and WES, WNGL and Williams hereby waive any and all rights, benefits and privileges of WES and any other Williams Entity under such section of such agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on, and effective as of, the date first written above.

THE BUYER

WEG ACQUISITIONS, L.P.

By: WEG Acquisition Management, LLC
its General Partner

By: /s/ Justin S. Huscher

Name: Justin S. Huscher
Title: Authorized Signatory

By: /s/ Pierre F. Lapeyre, Jr.

Name: Pierre F. Lapeyre, Jr.
Title: Authorized Signatory

Address for Notice:

One Williams Center
Tulsa, Oklahoma 74172
Facsimile: 918-573-6928
Attention: Mr. Lonny Townsend

THE WILLIAMS PARTIES

WILLIAMS ENERGY SERVICES, LLC

By: /s/ Phillip D Wright

Name: Phillip D. Wright
Title: Authorized Signatory

WILLIAMS NATURAL GAS LIQUIDS, INC.

By: /s/ Phillip D Wright

Name: Phillip D. Wright
Title: Authorized Signatory

THE WILLIAMS COMPANIES, INC.

By: /s/ Phillip D Wright

Name: Phillip D. Wright

Title: Authorized Signatory

Address for Notice to Each of the Williams Parties:

One Williams Center
Tulsa, Oklahoma 74172
Facsimile: 918-573-4503
Attention: Mr. Tony Gehres

EXHIBIT 10.10

Execution Copy

ASSUMPTION AGREEMENT

This ASSUMPTION AGREEMENT (this "Agreement"), dated June 17, 2003, is entered into by and between The Williams Companies, Inc., a Delaware corporation ("Williams"), and WEG Acquisitions, L.P., a Delaware limited partnership ("Buyer"). Unless otherwise defined herein, the capitalized terms not defined in this Agreement shall have the meanings assigned to such terms in the Purchase Agreement, dated April 18, 2003, as amended by Amendment No.1 thereto, dated May 5, 2003, by and among the Selling Parties (as defined therein) and Buyer (as so amended, the "Purchase Agreement").

RECITALS

WHEREAS, Williams is subject to a decision and order, dated June 27, 1998, promulgated by the Federal Trade Commission (the "FTC"), and which is attached hereto as Exhibit A (the "Consent Decree"), in connection with Williams' acquisition of MAPCO Inc., which among other things, relates to the operation of the Williams Pipe Line (which was contributed by a subsidiary of Williams to Williams Energy Partners L.P. (the "Partnership") in April 2002);

WHEREAS, under the Consent Decree, Williams is required to give at least thirty (30) days notice to the FTC prior to consummation of the transactions contemplated under the Purchase Agreement; such notice was delivered by Williams to the FTC on April 21, 2003, and such notice is attached hereto as Exhibit B;

WHEREAS, since the delivery of such notice, neither Williams nor Buyer has received a notification from the FTC in connection with the Consent Decree; and

WHEREAS, pursuant to Section 6.7 of the Purchase Agreement, it is a condition to the obligations of the Selling Parties to consummate the transactions contemplated under the Purchase Agreement that Buyer has agreed to be bound by the Consent Decree to the extent provided herein; and the parties desire to enter into this Agreement in satisfaction of such condition.

NOW THEREFORE, in consideration of their mutual undertakings and agreements hereunder, the parties to this Agreement undertake and agree as follows:

1. Partial Assumption.

(a) From and after the Closing, Buyer hereby assumes and agrees to be bound by and to duly and timely pay, perform and discharge, or cause to be paid, performed and discharged, the obligations of Williams arising after the Closing under Paragraphs II, IV, V, VI, VII.B, VIII and IX of the Consent Decree to the extent that such obligations relate to assets or facilities that are owned by Buyer or the Partnership Entities after the Closing;

(b) From and after the Closing, Williams shall continue to be bound by and to duly and timely pay, perform and discharge, or cause to be paid, performed and discharged, its obligations arising after the Closing under Paragraphs III, IV, VII.B, VIII and IX of the Consent Decree to the extent that such obligations relate to assets or facilities that are owned by Williams or its Affiliates after the Closing;

(c) Notwithstanding the foregoing provisions of this Section 1, nothing herein shall prevent either party, in its sole discretion, from exercising any rights under the Consent Decree or any applicable law, rule or regulation, including petitioning the FTC to modify or terminate the Consent Decree as it applies to such party or its affiliates; and

(d) It is understood and agreed that compliance by each party with its obligations under the applicable provisions of the Consent Decree as provided in this Section 1 shall be independent of compliance by the other party with its obligations under the applicable provisions of the Consent Decree as provided in this Section 1.

2. Indemnification.

(a) From and after the date hereof, Buyer agrees to indemnify and hold harmless Williams and each of its officers, directors, employees, agents and affiliates (and the officers, directors, employees and agents of such affiliates) from and against any and all claims, demands, costs, liabilities and expenses (including court costs and reasonable attorney's fees) resulting from Buyer's failure to comply with Section 1(a) hereof; and

(b) From and after the date hereof, Williams agrees to indemnify and hold harmless Buyer and each of its officers, directors, employees, agents and affiliates (and the officers, directors, employees and agents of such affiliates) from and against any and all claims, demands, costs, liabilities and expenses (including court costs and reasonable attorney's fees) resulting from Williams' failure to comply with (i) the Consent Decree prior to the Closing or (ii) Section 1(b) hereof.

3. Satisfaction of Closing Condition. Williams hereby acknowledges and agrees, on behalf of the Selling Parties, that the execution and delivery by Buyer of this Agreement shall be deemed to constitute satisfaction in full of the provisions of Section 6.7 of the Purchase Agreement.

4. Successors and Assigns. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and permitted assigns. No party may assign its rights, benefits or obligations hereunder without the prior written consent of the other party (such consent not to be unreasonably withheld or delayed) and in accordance with the terms of the Consent Decree; provided, however, that upon written notice to the other party as provided in the Purchase Agreement, but without the prior written consent of the other party, and upon written notice to the FTC in accordance with the terms of the Consent Decree, unless otherwise prohibited by the FTC: (a) Buyer may assign its rights or obligations hereunder to the Partnership or the New Company; (b) Buyer may assign its rights or obligations hereunder to any person or entity in connection with an acquisition, merger, consolidation, sale of assets or other

similar transaction involving the assets (or any entity that directly or indirectly owns such assets) with respect to which Buyer is subject to the obligations under Section 1(a) hereof; and (c) Williams may assign its rights or obligations hereunder to any person or entity in connection with an acquisition, merger, consolidation, sale of assets or other similar transaction involving the assets (or any entity that directly or indirectly owns such assets) with respect to which Williams is subject to the obligations under Section 1(b) hereof.

5. Further Assurances. At the request of either party, the other party shall take all commercially reasonable steps, including participating in discussions with the FTC and providing appropriate documents and information to the FTC, to effect the provisions of Section 1 hereof or to effect any assignment pursuant to Section 4 hereof; provided, however, that any reasonable expenses incurred in connection therewith by the non-requesting party shall be promptly reimbursed in full by the requesting party upon receipt of an invoice describing such expenses in reasonable detail.

6. Signatures / Counterparts.Facsimile transmission of any signed original of this Agreement and/or retransmission of any signed facsimile transmission shall be the same as delivery of an original. At the request of either party, the other party 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.

7. 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.

8. Entire Agreement. This Agreement, together with the provisions of the Purchase Agreement relating hereto, represents the entire agreement and understanding between the parties hereto and thereto with reference to the transactions set forth herein and supercedes all prior negotiations, discussions, correspondence, communications, understandings and agreements between the parties relating to the subject matter hereof and all prior drafts hereof. 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.

9. Governing Law. This Agreement shall be governed by and construed in accordance with the internal and substantive laws of New York and without regard to any conflicts of laws concepts that would apply the substantive law of some other jurisdiction.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement on, and effective as of, the date first written above.

WEG ACQUISITIONS, L.P.

By: WEG Acquisition Management, LLC
its General Partner

By: /s/ Pierre F. Lapeyre, Jr.

Name: Pierre F. Lapeyre, Jr.
Title: Authorized Signatory

By: /s/ Justin S. Huscher

Name: Justin S. Huscher
Title: Authorized Signatory

THE WILLIAMS COMPANIES, INC.

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

EXHIBIT A

[FTC Consent Decree, dated June 27, 1998]

EXHIBIT B

[Notice to FTC, pursuant to Paragraph VIII.A of the Consent Decree, dated April 21, 2003]

EXHIBIT 12

The Williams Companies, Inc.
Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements
(Dollars in millions)

	Six months ended June 30, 2003
Earnings:	
Income from continuing operations before income taxes and cumulative effect of change in accounting principles	$ 195.8
Add:	
Interest expense - net	735.6
Rental expense representative of interest factor	13.6
Minority interest in income of consolidated subsidiaries	9.5
Interest expense - net - 50% owned companies	2.1
Equity losses in less than 50% owned companies	4.3
Other	(6.1)
Total earnings as adjusted plus fixed charges	$ 954.8
Fixed charges and preferred stock dividend requirements:	
Interest expense - net	$ 735.6
Capitalized interest	23.2
Rental expense representative of interest factor	13.6
Pre-tax effect of preferred stock dividend requirements of the Company	47.8
Interest accrued - 50% owned companies	2.1
Combined fixed charges and preferred stock dividend requirements	$ 822.3
Ratio of earnings to	

combined fixed charges and preferred stock dividend requirements
1.16

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, Steven J. Malcolm, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Williams Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

By: /s/ Steven J. Malcolm

President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, Donald R. Chappel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Williams Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

By: /s/ Donald R. Chappel

Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Williams Companies, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, in his capacity as an officer of the Company, pursuant to 18 U.S.C. 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 results of operations of the Company.

/s/ Steven J. Malcolm
- ------------------------------------
Steven J. Malcolm
Chief Executive Officer
August 12, 2003

/s/ Donald R. Chappel
- ------------------------------------
Donald R. Chappel
Chief Financial Officer
August 12, 2003

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Report and shall not be considered filed as part of the Report.