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 March 31, 2001

OR

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

For the transition period from ____ to ____

Commission file number 1-4174

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

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

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

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

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

Yes X No

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

Class	Outstanding at April 30, 2001
Common Stock, $1 par value	484,609,543 Shares

The Williams Companies, Inc.
Index

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

Forward-looking statements can be identified by words such as "anticipates," "believes," "expects," "planned," "scheduled" or similar expressions. Although Williams believes these forward-looking statements are based on reasonable assumptions, statements made regarding future results are subject to a number of assumptions, uncertainties and risks that may cause future results to be materially different from the results stated or implied in this document. Additional information about issues that could lead to material changes in performance is contained in The Williams Companies, Inc.'s 2000 Form 10-K.

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

(Dollars in millions, except per-share amounts)	Three months ended March 31, 2001	Three months ended March 31, 2000*
Revenues:		
Gas Pipeline	$ 468.6	$ 481.3
Energy Services	2,843.9	1,539.2
Other	18.5	16.3
Intercompany eliminations	(243.0)	(137.5)
Total revenues	3,088.0	1,899.3
Segment costs and expenses:		
Costs and operating expenses	2,041.4	1,310.0
Selling, general and administrative expenses	226.1	179.9
Other expense-net	11.2	.9
Total segment costs and expenses	2,278.7	1,490.8
General corporate expenses	29.4	23.4
Operating income:		
Gas Pipeline	204.0	197.3
Energy Services	600.5	208.3
Other	4.8	2.9
General corporate expenses	(29.4)	(23.4)
Total operating income	779.9	385.1
Interest accrued	(190.0)	(168.6)
Interest capitalized	9.7	9.2
Investing income	37.1	22.1
Minority interest in income and preferred returns of consolidated subsidiaries	(24.2)	(13.1)
Other income-net	5.4	4.5
Income from continuing operations before income taxes	617.9	239.2
Provision for income taxes	239.6	100.3
Income from continuing operations	378.3	138.9
Loss from discontinued operations	(179.1)	(39.2)
Net income	$ 199.2	$ 99.7
Basic earnings per common share:		
Income from continuing operations	$ .79	$ .31
Loss from discontinued operations	(.37)	(.09)
Net income	$ .42	$ .22
Average shares (thousands)	479,090	442,884
Diluted earnings per common share:		
Income from continuing operations	$ .78	$ .31
Loss from discontinued operations	(.37)	(.09)
Net income	$ .41	$ .22
Average shares (thousands)	483,310	448,105
Cash dividends per common share	$ .15	$ .15

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

See accompanying notes.

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

(Dollars in millions, except per-share amounts)	March 31, 2001	December 31, 2000*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 237.8	$ 996.8
Accounts and notes receivable less allowance of $24.2 ($9.8 in 2000)	3,250.7	3,357.3
Inventories	672.8	848.4
Energy trading assets	7,900.5	7,879.8
Deferred income taxes	78.5	64.9
Margin deposits	1,165.0	730.9
Other	413.5	319.3
Total current assets	13,718.8	14,197.4
Net assets of discontinued operations	1,828.9	2,290.2
Investments	1,573.0	1,368.6
Property, plant and equipment, at cost	19,236.5	19,028.8
Less accumulated depreciation and depletion	(4,689.6)	(4,589.5)
	14,546.9	14,439.3
Energy trading assets	3,980.4	1,831.1
Other assets and deferred charges	844.6	789.0
Total assets	$36,492.6	$34,915.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 806.7	$ 2,036.7
Accounts payable	3,293.1	3,088.0
Accrued liabilities	1,810.1	1,560.4
Energy trading liabilities	7,259.4	7,597.3
Long-term debt due within one year	1,291.1	1,634.1
Total current liabilities	14,460.4	15,916.5
Long-term debt	6,851.7	6,830.5
Deferred income taxes	2,869.8	2,863.9
Energy trading liabilities	2,935.0	1,302.8
Other liabilities and deferred income	1,047.9	944.0
Contingent liabilities and commitments (Note 9)		
Minority and preferred interests in consolidated subsidiaries	1,069.1	976.0
Williams obligated mandatorily redeemable preferred securities of Trust holding only Williams indentures	193.6	189.9
Stockholders' equity:		
Common stock, $1 par value, 960 million shares authorized, 487.5 million issued in 2001, 447.9 million issued in 2000	487.5	447.9
Capital in excess of par value	3,648.4	2,473.9
Retained earnings	3,192.4	3,065.7
Accumulated other comprehensive income (loss)	(136.6)	28.2
Other	(86.0)	(81.2)
	7,105.7	5,934.5
Less treasury stock (at cost), 3.4 million shares of common stock in 2001 and 3.6 million in 2000	(40.6)	(42.5)
Total stockholders' equity	7,065.1	5,892.0
Total liabilities and stockholders' equity	$36,492.6	$34,915.6

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

See accompanying notes.

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

(Millions)	Three months ended March 31, 2001	Three months ended March 31, 2000*
OPERATING ACTIVITIES:		
Income from continuing operations	$ 378.3	$ 138.9
Adjustments to reconcile to cash used by operations:		
Depreciation, depletion and amortization	178.6	154.3
Provision for deferred income taxes	129.7	8.6
Minority interest in income and preferred returns of consolidated subsidiaries	24.2	13.1
Tax benefit of stock-based awards	15.0	6.8
Cash provided (used) by changes in assets and liabilities:		
Accounts and notes receivable	76.3	(139.3)
Inventories	175.3	(76.8)
Margin deposits	(434.1)	(5.7)
Other current assets	(67.8)	(15.5)
Accounts payable	63.9	117.3
Accrued liabilities	67.9	(190.4)
Changes in current energy trading assets and liabilities	(358.6)	(94.6)
Changes in non-current energy trading assets and liabilities	(517.1)	(42.0)
Changes in non-current deferred income	19.6	12.2
Other, including changes in non-current assets and liabilities	33.6	38.9
Net cash used by operating activities	(215.2)	(74.2)
FINANCING ACTIVITIES:		
Proceeds from notes payable	--	246.0
Payments of notes payable	(2,012.7)	(103.8)
Proceeds from long-term debt	1,187.8	500.0
Payments of long-term debt	(706.2)	(552.7)
Proceeds from issuance of common stock	1,362.4	20.2
Dividends paid	(72.5)	(66.3)
Proceeds from sale of limited partner units of consolidated partnership	92.5	--
Other--net	(27.5)	(10.2)
Net cash provided (used) by financing activities	(176.2)	33.2
INVESTING ACTIVITIES:		
Property, plant and equipment:		
Capital expenditures	(309.5)	(291.4)
Proceeds from dispositions	14.6	13.4
Changes in accounts payable and accrued liabilities	(4.0)	(13.7)
Purchases of investments/advances to affiliates	(87.6)	(36.3)
Other--net	--	7.2
Net cash used by investing activities	(386.5)	(320.8)
Net cash provided by discontinued operations	18.9	28.2
Decrease in cash and cash equivalents	(759.0)	(333.6)
Cash and cash equivalents at beginning of period	996.8	597.7
Cash and cash equivalents at end of period	$ 237.8	$ 264.1

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

See accompanying notes.

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

1. General

The accompanying interim consolidated financial statements of The Williams Companies, Inc. (Williams) do not include all notes in annual financial statements and therefore should be read in conjunction with the consolidated financial statements and notes thereto in Williams' Annual Report on Form 10-K. The accompanying financial statements have not been audited by independent auditors, but include all normal recurring adjustments and others, which, in the opinion of Williams' management, are necessary to present fairly its financial position at March 31, 2001, and its results of operations and cash flows for the three months ended March 31, 2001 and 2000.

Segment profit of operating companies may vary by quarter. Based on current rate structures and/or historical maintenance schedules of certain of its pipelines, Gas Pipeline generally experiences higher segment profits in the first and fourth quarters as compared to the second and third quarters.

While the amounts recorded in the Consolidated Balance Sheet related to certain receivables from California power sales reflect management's best estimate of collectibility, future events or circumstances could change those estimates either positively or negatively.

2. Basis of presentation

On March 30, 2001, Williams' board of directors approved a tax-free spinoff of Williams' communications business, Williams Communications Group, Inc. (WCG). WCG has been accounted for as discontinued operations and, accordingly, the accompanying consolidated financial statements and notes have been restated to reflect the results of operations, net assets and cash flows of WCG as discontinued operations. Unless indicated otherwise, the information in the Notes to Consolidated Financial Statements relates to the continuing operations of Williams (see Note 4).

During first-quarter 2001, Williams Energy Partners L.P. (WEP) completed an initial public offering. WEP is now reported as a separate segment within Energy Services and consists of certain terminals and an ammonia pipeline previously reported within Petroleum Services and Midstream Gas & Liquids, respectively. Also during first-quarter 2001, management of international activities, previously reported in Other, was transferred and the international activities are now reported as a separate segment under Energy Services. Prior year segment information has been reclassified to conform to this presentation.

Effective February 2001, management of certain operations, previously conducted by Energy Marketing & Trading, was transferred to Petroleum Services. These operations included the procurement of crude oil and marketing of refined products produced from the Memphis refinery for which prior year segment information has been restated to reflect the transfer. Additionally, the refined product sales activities surrounding certain terminals located throughout the United States were transferred. This sales activity was previously included in the trading portfolio of Energy Marketing & Trading and was therefore reported net of related costs of sales. Following the transfer, these sales are reported on a "gross" basis.

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

3. Provision for income taxes

The provision for income taxes includes:

(Millions)	Three months ended March 31, 2001	2000
Current:		
Federal	$ 89.3	$ 74.9
State	14.3	13.5
Foreign	6.3	3.3
	109.9	91.7
Deferred:		
Federal	118.7	(14.2)
State	11.7	24.0
Foreign	(.7)	(1.2)
	129.7	8.6
Total provision	$ 239.6	$ 100.3

The effective income tax rate for the three months ended March 31, 2001 and 2000, is greater than the federal statutory rate due primarily to the effect of state income taxes.

4. Discontinued operations

In March 2001, the board of directors of Williams approved a tax-free spinoff of WCG to Williams' shareholders. On April 23, 2001, Williams distributed 398.5 million shares, or approximately 95 percent of the WCG common stock held by Williams, to holders of record of Williams common stock. If the distribution had occurred as of March 31, 2001, stockholders' equity would have been reduced by approximately $1.8 billion, including an increase to accumulated other comprehensive income (loss) of approximately $37 million. Williams, with respect to shares of WCG's common stock that Williams will retain, has committed to the Internal Revenue Service

Notes (Continued)

(IRS) to dispose of all of the WCG common stock that it retains as soon as market conditions allow, but in any event not longer than five years after the spinoff. As part of a separation agreement and subject to a favorable ruling by the IRS that such a limitation is not inconsistent with any ruling issued to Williams regarding the tax-free treatment of the spinoff, Williams has agreed not to dispose of the retained WCG shares for a period not to exceed three years from the date of distribution and must notify WCG of an intent to dispose of such shares. The historical cost of WCG shares retained by Williams at March 31, 2001, is approximately $93 million.

Williams has received a private letter ruling from the IRS stating that the distribution of WCG common stock would be tax-free to Williams and its stockholders. Although private letter rulings are generally binding on the IRS, Williams will not be able to rely on this ruling if any of the factual representations or assumptions that were made to obtain the ruling are, or become, incorrect or untrue in any material respect. However, Williams is not aware of any facts or circumstances that would cause any of the representations or assumptions to be incorrect or untrue in any material respect. The distribution could also become taxable to Williams, but not Williams shareholders, under the Internal Revenue Code (IRC) in the event that Williams' or WCG's business combinations were deemed to be part of a plan contemplated at the time of distribution and would constitute a total cumulative change of more than 50 percent of the equity interest in either company.

Under the terms of an amended tax sharing agreement between WCG and Williams, WCG will remain liable to Williams for federal and state income tax audit adjustments relating to the period from October 1, 1999, through the date of the spinoff, but will not be responsible for any interest accruing through 2005 on such tax deficiencies. With regard to the tax-free status of the spinoff, Williams will have the overall risk that the transaction is tax free, but WCG will have liability to Williams if WCG causes the spinoff to be taxable. Additionally, WCG and Williams have each agreed to be separately responsible for any tax resulting from actions taken by its respective company that violate the IRC requirement relating to a more than 50 percent change in equity interest in either company discussed above and to mutually monitor activities of both companies with respect to this requirement.

As part of the separation of Williams and WCG, both companies have entered into service agreements to support ongoing operations of WCG relating primarily to certain human resources services, buildings and facilities, administrative and strategic sourcing services and information technology. Most all of these service agreements are for a transition period through the end of 2001, however, certain of the agreements are longer in term. As these service agreements expire, the fees and reimbursements that are to be paid by WCG will also cease.

Williams, prior to the spinoff and in an effort to strengthen WCG's capital structure, entered into an agreement under which Williams contributed an outstanding promissory note from WCG of approximately $975 million and certain other assets, including a building under construction. In return, Williams received 24.3 million newly issued common shares of WCG. Williams is also providing indirect credit support through a commitment to issue Williams' equity in the event of a WCG default, or to the extent proceeds from WCG's refinancing or remarketing of certain structured notes issued by WCG in March 2001 are less than $1.4 billion. It is anticipated that the ability of WCG to pay the notes is dependent on its ability to raise additional capital and its subsidiaries' ability to dividend cash to WCG. WCG, however, is obligated to reimburse Williams for any payment Williams is required to make in connection with these notes. Additionally, receivables include amounts due from WCG of approximately $111 million and $69 million at March 31, 2001 and December 31, 2000, respectively. Williams has extended the payment term of up to $100 million of the outstanding balance due March 31, 2001 to March 15, 2002. Williams is also considering the purchase from WCG of the building currently under construction, and would enter into a long-term lease arrangement with WCG being the sole occupant of the building.

Summarized results of discontinued operations are as follows:

(Millions)	Three months ended March 31,	
	2001	2000
Revenues	$ 270.2	$ 160.3
Loss from operations:		
Loss before income taxes	(201.1)	(43.7)
Benefit for income taxes	69.4	26.1
Cumulative effect of change in accounting principle	--	(21.6)
Loss from operations	(131.7)	(39.2)
Estimated loss on disposal:		

Estimated operating losses from April 1, 2001 to April 23, 2001	(70.2)	--
Benefit for income taxes	22.8	--
Estimated loss on disposal	(47.4)	--
Total loss from discontinued operations	$ (179.1)	$ (39.2)

Net assets of discontinued operations include:

(Millions)	March 31, 2001	December 31, 2000
Current assets:		
Cash and cash equivalents	$ 96.5	$ 213.9
Short-term investments	1,150.0	395.2
Receivables, net	321.1	291.7
Net assets of discontinued operations (Solutions)	252.3	288.4
Other	336.1	17.2
Total current assets	2,156.0	1,206.4
Investments	136.6	619.9
Property, plant and equipment, net	5,524.6	5,228.5
Other assets and goodwill	510.3	444.0
Total assets	8,327.5	7,498.8
Current liabilities:		
Notes payable	--	39.2
Accounts payable	236.8	351.4
Accrued liabilities	548.8	509.7
Due to Williams	111.2	68.5
Total current liabilities	896.8	968.8
Long-term debt	4,912.0	3,511.9
Other liabilities and deferred income	300.5	453.9
Minority and preferred interest in consolidated subsidiaries	300.8	285.8
Total liabilities and minority interest	6,410.1	5,220.4
	1,917.4	2,278.4
Consolidated tax impact of discontinued operations	111.2	190.5
Consolidated minority interest in WCG	(295.3)	(178.7)
Accrual for estimated operating losses from April 1, 2001 to April 23, 2001	(70.2)	--
Receivables for future capital commitments	165.8	--
Net assets of discontinued operations	$ 1,828.9	$ 2,290.2

Notes (Continued)

5. Earnings per share

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

(Dollars in millions, except per-share amounts; shares in thousands)	Three months ended March 31, 2001	Three months ended March 31, 2000
Income from continuing operations for basic and diluted earnings per share	$ 378.3	$ 138.9
Basic weighted-average shares	479,090	442,884
Effect of dilutive securities:		
Stock options	4,220	5,221
Diluted weighted-average shares	483,310	448,105
Earnings per common share from continuing operations:		
Basic	$ .79	$ .31
Diluted	$ .78	$ .31

6. Inventories

(Millions)	March 31, 2001	December 31, 2000
Raw materials:		
Crude oil	$ 82.5	$ 70.0
Other	1.8	1.6
	84.3	71.6
Finished goods:		
Refined products	254.0	269.6
Natural gas liquids	81.6	200.2
General merchandise	12.2	12.5
	347.8	482.3
Materials and supplies	122.3	122.9
Natural gas in underground storage	116.6	169.0
Other	1.8	2.6
	$ 672.8	$ 848.4

7. Debt and banking arrangements

Notes payable

Williams has a $1.7 billion commercial paper program backed by a short-term bank-credit facility. At March 31, 2001, $757 million of commercial paper was outstanding under the program. Interest rates vary with current market conditions.

Debt

(Millions)	Weighted-average interest rate*	March 31, 2001	December 31, 2000
Revolving credit loans	6.7%	$ .1	$ 350.0
Debentures, 6.25% -10.25%, payable 2003 - 2031(1)	7.4	1,778.4	1,103.5
Notes, 5.1% - 9.45%, payable through 2022(2)	7.1	4,932.3	4,856.8
Notes, adjustable rate, payable through 2004	6.7	1,358.1	2,080.4
Other, payable through 2009	6.6	73.9	73.9
		8,142.8	8,464.6

Current portion of long-term debt	(1,291.1)	(1,634.1)
	$ 6,851.7	$ 6,830.5

* At March 31, 2001, including the effects of interest-rate swaps.

(1) $200 million, 7.08% debentures, payable 2026, are subject to redemption at par at the option of the debtholder in 2001.

(2) $240 million, 6.125% notes, payable 2012, are subject to redemption at par at the option of the debtholder in 2002.

Under the terms of Williams' $700 million revolving credit agreement, Northwest Pipeline, Transcontinental Gas Pipe Line and Texas Gas Transmission have access to varying amounts of the facility, while Williams (parent) has access to all unborrowed amounts. Interest rates vary with current market conditions.

In January 2001, Williams issued $1.1 billion in debt obligations consisting of $700 million of 7.5 percent debentures due 2031 and $400 million of 6.75 percent Putable Asset Term Securities, putable/callable in 2006.

Notes (Continued)

8. Derivative instruments and hedging activities

On January 1, 2001, Williams adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." This standard, as amended, did not impact the accounting for derivatives within Energy Marketing & Trading's energy trading activities which are accounted for at fair value. Energy trading derivatives are recorded in current and non-current energy trading assets and liabilities on the Consolidated Balance Sheet with changes in fair value recorded as revenues in the Consolidated Income Statement pursuant to Emerging Issues Task Force Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." All other derivatives are reflected on the balance sheet at their fair value and are recorded in other current assets ($74 million), other assets and deferred charges ($64 million), accrued liabilities ($137 million) and other liabilities and deferred income ($136 million) in the Consolidated Balance Sheet.

The accounting for changes in the fair value of a derivative depends upon whether it has been designated in a hedging relationship and, further, on the type of hedging relationship pursuant to SFAS No. 133. Changes in the fair value of derivatives not designated in a hedging relationship are recognized each period in earnings. Hedging relationships are established pursuant to Williams' risk management policies, and are initially and regularly evaluated to determine whether they are expected to be, and have been, highly effective hedges. If a derivative ceases to be a highly effective hedge, hedge accounting is discontinued prospectively, and future changes in the fair value of the derivative are recognized in earnings each period.

For derivatives designated as a hedge of a recognized asset or liability or an unrecognized firm commitment (fair value hedges), the changes in the fair value of the derivative as well as changes in the fair value of the hedged item attributable to the hedged risk are recognized each period in earnings. If a firm commitment designated as the hedged item in a fair value hedge is terminated or otherwise no longer qualifies as the hedged item, any asset or liability previously recorded as part of the hedged item is recognized currently in earnings. For derivatives designated as a hedge of a forecasted transaction or of the variability of cash flows related to a recognized asset or liability (cash flow hedges), the effective portion of the change in fair value of the derivative is reported in other comprehensive income and reclassified into earnings in the period in which the hedged item affects earnings. Amounts excluded from the effectiveness calculation and any ineffective portion of the change in fair value of the derivative are recognized currently in earnings. Gains or losses deferred in accumulated other comprehensive income associated with terminated derivatives and derivatives that cease to be highly effective hedges remain in accumulated other comprehensive income until the hedged item affects earnings. Forecasted transactions designated as the hedged item in a cash flow hedge are regularly evaluated to assess that they continue to be probable of occurring, and if the forecasted transaction is no longer probable of occurring, any gain or loss deferred in accumulated other comprehensive income is recognized in earnings currently.

On January 1, 2001, Williams recorded a cumulative effect of an accounting change associated with the adoption of SFAS No. 133 to record all derivatives at fair value. The cumulative effect of the accounting change was not material to net income, but resulted in a $95 million reduction of other comprehensive income (net of income tax benefits of $59 million) related to derivatives which hedge the variable cash flows of certain forecasted commodity transactions. Of the transition adjustment recorded in other comprehensive income at January 1, 2001, net losses of approximately $90 million (net of income tax benefits of $56 million) will be reclassified into earnings during 2001 (including approximately $49 million of net after-tax losses reclassified in first-quarter 2001) offsetting net gains expected to be realized in earnings from favorable market movements associated with the underlying transactions being hedged.

Energy commodity cash flow hedges

Williams is exposed to market risk from changes in energy commodity prices. Williams utilizes derivatives to manage its exposure to the variability in expected future cash flows attributable to commodity price risk associated with forecasted purchases and sales of natural gas, refined products, crude oil, electricity, ethanol and corn. These derivatives have been designated as cash flow hedges.

Williams produces, buys and sells natural gas at different locations throughout the United States. To reduce exposure to a decrease in revenues or an increase in costs from fluctuations in natural gas market prices, Williams enters into natural gas futures contracts and swap agreements to fix the price of anticipated sales and purchases of natural gas.

Williams' refineries purchase crude oil for processing and sell the refined products. To reduce the exposure to increasing costs of crude oil and/or decreasing refined product sales prices due to changes in market prices, Williams enters into crude oil and refined products futures contracts and swap

agreements to lock in the prices of anticipated purchases of crude oil and sales of refined products.

Williams' electric generation facilities utilize natural gas in the production of electricity. To reduce the exposure to increasing costs of natural gas due to changes in market prices, Williams enters into natural gas futures contracts and swap agreements to fix the prices of anticipated purchases of natural gas.

Derivative gains/losses are deferred in other comprehensive income and are reclassified into earnings in the same period or periods during which the hedged forecasted purchase or sale affects earnings. To match the underlying transaction being hedged, derivative gains/losses associated with anticipated purchases are recognized in costs and operating expenses in the Consolidated Statement of Income, and amounts associated with anticipated sales are recognized in revenues in the Consolidated Statement of Income. Approximately $6 million of gains from hedge ineffectiveness is included in costs and operating expenses in the Consolidated Statement of Income during first-quarter 2001. There were no derivative gains or losses excluded from the assessment of hedge effectiveness, and no hedges were discontinued during first-quarter 2001 as a result of it becoming probable that the forecasted transaction will not occur. As of March 31, 2001, Williams has hedged future cash flows associated with anticipated commodity purchases and sales for up to ten years, and approximately $53 million of net losses (net of income tax benefits of $33 million) will be reclassified into earnings within the next year as the hedged transactions impact earnings. The fair value of derivatives utilized as energy commodity cash flow hedges at March 31, 2001, is a net liability of approximately $119 million.

Other energy commodity derivatives

Williams' operations associated with crude oil refining and refined products marketing enter into derivatives (primarily forward contracts, futures contracts, swap agreements and option contracts) which are not designated as hedges to manage certain risks associated with market fluctuations of crude oil and refined product prices. The net change in fair value of these derivatives representing unrealized gains and losses is recognized in earnings currently as revenues or costs and operating expenses in the Consolidated Statement of Income. The fair value of other energy commodity derivatives at March 31, 2001, is a net asset of approximately $10 million.

Foreign currency hedges

Williams has a Canadian-dollar-denominated note receivable that is exposed to foreign-currency risk. To protect against variability in the cash flows from the repayment of the note receivable associated with changes in foreign currency exchange rates, Williams entered into a forward contract to fix the U.S. dollar cash flows from this note. This derivative has been designated as a cash flow hedge and is highly effective. Gains and losses from the change in fair value of the derivative are deferred in other comprehensive income (loss) and reclassified to other income - net below operating income when the Canadian-dollar-denominated note receivable impacts earnings as it is translated into U.S. dollars. There were no derivative gains or losses recorded in the Consolidated Statement of Income from hedge ineffectiveness or from amounts excluded from the assessment of hedge effectiveness, and no foreign currency hedges were discontinued during first-quarter 2001 as a result of it becoming probable that the forecasted transaction will not occur. This foreign-currency risk exposure is being hedged over the next 57 months. Of the $3 million loss (net of income tax benefits of $2 million) deferred in accumulated other comprehensive income (loss) at March 31, 2001, the amount that will be reclassified into earnings over the next 12 months will vary based on the gain or loss recognized as the note receivable is translated into U.S. dollars following changes in foreign-exchange rates. The fair value of this foreign currency hedge derivative at March 31, 2001, is an asset of approximately $14 million.

Interest-rate derivatives

Williams enters into interest-rate swap agreements to manage its exposure to interest rates and modify the interest characteristics of its long-term debt. These agreements are designated with specific debt obligations, and involve the exchange of amounts based on the difference between fixed and variable interest rates calculated by reference to an agreed-upon notional amount. The interest rate swap currently in place effectively modifies Williams' exposure to interest rates by converting a portion of Williams' fixed rate debt to a variable rate. The entire derivative has been designated as a fair value hedge and is perfectly effective. As a result, there is no current impact to earnings due to hedge ineffectiveness or due to the exclusion of a component of the derivative from the assessment of effectiveness. The change in fair value of the derivative and the adjustment to the carrying amount of the underlying hedged debt are recorded as equal and offsetting gains and losses in other income - net below operating income in the Consolidated Statement of Income. The fair value of this interest-rate derivative at March 31,2001, is a net liability of approximately $4 million.

Kern River Gas Transmission has interest-rate swap agreements to manage interest-rate risk that is not designated as a hedge of long-term debt. Changes in fair value are recorded each period in

other income - net below operating income in the Consolidated Statement of Income. Offsetting amounts are recorded as an adjustment to a regulatory asset, which is expected to be recovered in future transportation rates. The fair value of these interest-rate derivatives at March 31, 2001, is a net liability of approximately $36 million.

9. 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 $47 million for potential refund as of March 31, 2001.

In 1997, the Federal Energy Regulatory Commission (FERC) issued orders addressing, among other things, the authorized rates of return for three of Williams' interstate natural gas pipeline subsidiaries. All of the orders involve rate cases that became effective between 1993 and 1995 and, in each instance, these cases were superseded by more recently filed rate cases. In the three orders, the FERC continued its practice of utilizing a methodology for calculating rates of return that incorporates a long-term growth rate component. However, the long-term growth rate component used by the FERC is now a projection of U.S. gross domestic product growth rates. Generally, calculating rates of return utilizing a methodology which includes a long-term growth rate component results in rates of return that are lower than they would be if the long-term growth rate component were not included in the methodology. Each of the three pipeline subsidiaries challenged its respective FERC order in an effort to have the FERC change its rate-of-return methodology with respect to these and other rate cases. On January 30, 1998, the FERC convened a public conference to consider, on an industry-wide basis, issues with respect to pipeline rates of return. In July 1998, the FERC issued orders in two of the three pipeline subsidiary rate cases, again modifying its rate-of-return methodology by adopting a formula that gives less weight to the long-term growth component. Certain parties appealed the FERC's action, because the most recent formula modification results in somewhat higher rates of return compared to the rates of return calculated under the FERC's prior formula. The appeals have been denied. In June and July 1999, the FERC applied the new methodology in the third pipeline subsidiary rate case, as well as in a fourth case involving the same pipeline subsidiary. In March 2000, the FERC applied the new methodology in a fifth case involving a Williams interstate pipeline subsidiary, and certain parties have sought rehearing before the FERC in this proceeding. In January 2001, the FERC denied the rehearing requests in this proceeding.

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

Williams Energy Marketing & Trading subsidiaries are engaged in power marketing in various geographic areas, including in California. Prices charged for power by Williams and other traders and generators in California markets have been challenged in various proceedings including before the FERC. In December 2000, the FERC issued an order which provided that for the period between October 2, 2000 and December 31, 2002, refunds may be ordered if the FERC finds that the wholesale markets in California are unable to produce competitive, just and reasonable prices, or that market power or other individual seller conduct is exercised to produce an unjust and unreasonable rate. For periods commencing January 1, 2001, refund liability will expire within 60 days of a sale unless the FERC sends the seller a written notice that the sale is still under review. On March 9, 2001, the FERC issued a Notice of Refunds in respect of January 2001, finding a refund liability for Williams of approximately $8 million. On March 16, 2001, the FERC issued a Notice of Refunds for February 2001, finding a refund liability for Williams of approximately $21.5 million. On April 16, 2001, the FERC issued a Notice of Refunds for March 2001, finding a refund liability for Williams of approximately $26 thousand. Williams has filed objections to the refund orders and on April 11, 2001, filed justification with the FERC to reduce its aggregate refund liability for January and February to approximately $8 million. On March 14, 2001, the FERC issued a Show Cause Order directing Williams Energy Marketing & Trading Company 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 terminates the proceeding without making any findings of wrongdoing by Williams. Pursuant to the Settlement, Williams agrees to refund $8 million to the California Independent System Operator by crediting such amount against outstanding invoices. Williams also agrees 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.

Environmental matters

Since 1989, Texas Gas and Transcontinental Gas Pipe Line have had studies under way to test certain of their facilities for the presence of toxic and hazardous substances to determine to what extent, if any, remediation may be necessary. Transcontinental Gas Pipe Line has responded to data requests regarding such potential contamination of certain of its sites. The costs of any such remediation will depend upon the scope of the remediation. At March 31, 2001, these subsidiaries had accrued liabilities totaling approximately $36 million for these costs.

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

Transcontinental Gas Pipe Line, Texas Gas and Williams Gas Pipelines Central (Central) have identified polychlorinated biphenyl (PCB) contamination in air compressor systems, soils and related properties at certain compressor station sites. Transcontinental Gas Pipe Line, Texas Gas and Central have also been involved in negotiations with the U.S. Environmental Protection Agency (EPA) and state agencies to develop screening, sampling and cleanup programs. In addition, negotiations with certain environmental authorities and other programs concerning investigative and remedial actions relative to potential mercury contamination at certain gas metering sites have been commenced by Central, Texas Gas and Transcontinental Gas Pipe Line. As of March 31, 2001, Central had accrued a liability for approximately $10 million, representing the current estimate of future environmental cleanup costs to be incurred over the next six to ten years. Texas Gas and Transcontinental Gas Pipe Line likewise had accrued liabilities for these costs which are included in the $36 million liability mentioned above. Actual costs incurred will depend on the actual number of contaminated sites identified, the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA and other governmental authorities and other factors. Texas Gas, Transcontinental Gas Pipe Line and Central have deferred these costs as incurred pending recovery through future rates and other means.

In July 1999, Transcontinental Gas Pipe Line received a letter stating that the U.S. Department of Justice (DOJ), at the request of the EPA, intends to file a civil action against Transcontinental Gas Pipe Line arising from its waste management practices at Transcontinental Gas Pipe Line's compressor stations and metering stations in 11 states from Texas to New Jersey. The DOJ stated in the letter that its complaint will seek civil penalties and injunctive relief under federal environmental laws. The DOJ and Transcontinental Gas Pipe Line are discussing a settlement. While no specific amount was proposed, the DOJ stated that any settlement must include an appropriate civil penalty for the alleged violations. Transcontinental Gas Pipe Line cannot reasonably estimate the amount of its potential liability, if any, at this time. However, Transcontinental Gas Pipe Line believes it has substantially addressed environmental concerns on its system through ongoing voluntary remediation and management programs.

Williams Energy Services (WES) and its subsidiaries also accrue environmental remediation costs for its natural gas gathering and processing facilities, petroleum products pipelines, retail petroleum and refining operations and for certain facilities related to former propane marketing operations primarily related to soil and groundwater contamination. In addition, WES owns a discontinued petroleum refining facility that is being evaluated for potential remediation efforts. At March 31, 2001, WES and its subsidiaries had accrued liabilities totaling approximately $52 million. WES accrues receivables related to environmental remediation costs based upon an estimate of amounts that will be reimbursed from state funds for certain expenses associated with underground storage tank problems and repairs. At March 31, 2001, WES and its subsidiaries had accrued receivables totaling $14 million.

Williams Field Services (WFS), a WES subsidiary, received a Notice of Violation (NOV) from the EPA in February 2000. WFS received a contemporaneous letter from the DOJ indicating that the DOJ will also be involved in the matter. The NOV alleged violations of the Clean Air Act at a gas processing plant. WFS, the EPA and the DOJ agreed to settle this matter for a penalty of $850,000. In the course of investigating this matter, WFS discovered a similar potential violation at the plant and disclosed it to the EPA and the DOJ. The parties will discuss whether additional enforcement action is warranted.

Notes (Continued)

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 March 31, 2001, Williams had approximately $12 million accrued for such excess costs. The actual costs incurred will depend on the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA or other governmental authorities, and other factors.

Other legal matters

In connection with agreements to resolve take-or-pay and other contract claims and to amend gas purchase contracts, Transcontinental Gas Pipe Line and Texas Gas each entered into certain settlements with producers which may require the indemnification of certain claims for additional royalties which the producers may be required to pay as a result of such settlements. As a result of such settlements, Transcontinental Gas Pipe Line is currently defending two lawsuits brought by producers. In one of the cases, a jury verdict found that Transcontinental Gas Pipe Line was required to pay a producer damages of $23.3 million including $3.8 million in attorneys' fees. In addition, through March 31, 2001, post judgement interest was approximately $8.2 million. Transcontinental Gas Pipe Line's appeals have been denied by the Texas Court of Appeals for the First District of Texas, and on April 2, 2001, the company filed an appeal to the Texas Supreme Court which is pending. In the other case, a producer has asserted damages, including interest calculated through March 31, 2001, of approximately $8.9 million. In August 2000, a producer asserted a claim for approximately $6.7 million against Transcontinental Gas Pipe Line. Producers have received and may receive other demands, which could result in additional claims. Indemnification for royalties will depend on, among other things, the specific lease provisions between the producer and the lessor and the terms of the settlement between the producer and either Transcontinental Gas Pipe Line or Texas Gas. Texas Gas may file to recover 75 percent of any such additional amounts it may be required to pay pursuant to indemnities for royalties under the provisions of Order 528.

In 1998, the United States Department of Justice 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 including Williams Gas Pipelines Central, Kern River Gas Transmission, Northwest Pipeline, Williams Gas Pipeline Company, Transcontinental Gas Pipe Line Corporation, Texas Gas, Williams Field Services Company and Williams Production Company. Mr. Grynberg has also filed claims against approximately 300 other energy companies and alleges that the defendants violated the False Claims Act in connection with the measurement and purchase of hydrocarbons. The relief sought is an unspecified amount of royalties allegedly not paid to the federal government, treble damages, a civil penalty, attorneys' fees, and costs. On April 9, 1999, the United States Department of Justice 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 the ones filed against Williams, to the United States District Court for the District of Wyoming for pre-trial purposes. Motions to dismiss the complaints filed by various defendants, including Williams, are pending.

Williams and certain of its subsidiaries are named as defendants in various putative, nationwide class actions brought on behalf of all landowners on whose property the plaintiffs have alleged WCG installed fiber-optic cable without the permission of the landowners. Williams believes that WCG's installation of the cable containing the single fiber network that crosses over or near the putative class members' land does not infringe on their property rights. Williams also does not believe that the plaintiffs have sufficient basis for certification of a class action. It is likely that Williams will be subject to other putative class action suits challenging WCG's railroad or pipeline rights of way. However, Williams has a claim for indemnity from WCG for damages resulting from or arising out of the businesses or operations conducted or formerly conducted or assets owned or formerly owned by any subsidiary of WCG.

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 Williams Energy Marketing & Trading Company, 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

Notes (Continued)

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. The defendants have removed these cases to federal district courts and plaintiffs' petitions to remand are pending. The defendants have filed a petition with the multi-district litigation panel seeking consolidation of the cases.

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 including Williams Energy Marketing & Trading and fourteen executive officers, including 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. Neither Williams Energy Marketing & Trading nor the named individuals has been served.

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

Summary

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

Commitments

Energy Marketing & Trading has entered into certain contracts giving 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. At March 31, 2001, annual estimated committed payments under these contracts range from approximately $20 million to $466 million, resulting in total committed payments over the next 21 years of approximately $8 billion.

10. Stockholders' equity

In January 2001, Williams issued approximately 38 million shares of common stock in a public offering at $36.125 per share. The impact of this issuance resulted in increases of approximately $38 million to common stock and $1.3 billion to capital in excess of par value.

11. Comprehensive income

Comprehensive income is as follows:

(Millions)	Three months ended March 31, 2001	2000
Net income	$ 199.2	$ 99.7
Other comprehensive income (loss):		
Cumulative effect of a change in accounting for derivative instruments (net of $58.9 million income tax benefit)	(94.5)	--
Net gain on derivative instruments (net of $6.1 million income tax expense)	8.6	--
Net reclassification into earnings of derivative instruments losses (net of $3.5 million income tax benefit)	5.7	--
Net unrealized gains (losses) on securities (net of ($34.0) and $54.7 million income tax (benefit) expense for March 31, 2001 and 2000, respectively)	(52.7)	85.9
Net realized gains on securities in net income (net of $8.0 million and $12.3 million income tax expense for March 31, 2001 and 2000, respectively)	(12.6)	(19.2)
Foreign currency translation adjustments	(31.8)	(5.1)
Other comprehensive income (loss) before minority interest	(177.3)	61.6
Minority interest in other comprehensive income (loss)	12.5	(9.0)
Other comprehensive income (loss)	(164.8)	52.6

Comprehensive income	$ 34.4	$ 152.3

The accumulated net loss on derivative instruments included within accumulated other comprehensive income (loss) as of March 31, 2001, was $80.2 million (net of $49.3 million income tax benefit). There was no accumulated net gain or loss on derivative instruments at December 31, 2000.

Notes (Continued)

Components of other comprehensive income (loss) before minority interest related to discontinued operations for March 31, 2001 and 2000, are net unrealized gains (losses) on securities of ($55.2) million (net of $35.5 million income tax benefit) and $85.9 million (net of $54.7 million income tax expense), respectively, net realized gains on securities of $12.6 million (net of $8.0 million income tax expense) and $19.2 million (net of $12.3 million income tax expense), respectively, and foreign currency translation adjustment losses of $19.4 million and $5.3 million, respectively.

12. Segment disclosures

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

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

The increase in Energy Marketing & Trading's total assets, as noted on page 15, is due primarily to increased value of the trading portfolios as a result of higher commodity prices. The following table reflects the reconciliation of operating income as reported in the Consolidated Statement of Income to segment profit, per the tables on page 15:

(Millions)	Three months ended March 31, 2001	2000
Segment profit:		
Gas Pipeline	$ 204.0	$ 197.3
Energy Services	600.5	208.3
Other	4.8	2.9
Total	809.3	408.5
General corporate expenses	(29.4)	(23.4)
Operating income	$ 779.9	$ 385.1

12. Segment disclosures (continued)

(Millions)	Revenues: External Customers	Revenues: Inter-segment	Revenues: Equity Earnings (Losses)	Revenues: Total	Segment Profit (Loss)
FOR THE THREE MONTHS ENDED MARCH 31, 2001					
GAS PIPELINE	$ 453.8	$ 6.7	$ 8.1	$ 468.6	$ 204.0
ENERGY SERVICES					
Energy Marketing & Trading	821.2	(164.2)*	2.6	659.6	484.5
Exploration & Production	8.9	125.3	--	134.2	50.6
International	23.2	--	(5.1)	18.1	(8.5)
Midstream Gas & Liquids	438.1	167.2	(7.3)	598.0	37.8
Petroleum Services	1,319.6	94.2	(.1)	1,413.7	32.1
Williams Energy Partners	16.2	4.1	--	20.3	5.4
Merger-related costs and non-compete amortization	--	--	--	--	(1.4)
TOTAL ENERGY SERVICES	2,627.2	226.6	(9.9)	2,843.9	600.5
OTHER	8.8	9.7		18.5	4.8
ELIMINATIONS	--	(243.0)	--	(243.0)	--
TOTAL	$ 3,089.8	$ --	$ (1.8)	$ 3,088.0	$ 809.3
FOR THE THREE MONTHS ENDED MARCH 31, 2000					
GAS PIPELINE	$ 460.8	$ 14.6	$ 5.9	$ 481.3	$ 197.3
ENERGY SERVICES					
Energy Marketing & Trading	291.7	(135.3)*	--	156.4	77.8
Exploration & Production	7.9	47.9	--	55.8	11.4
International	16.6	--	.4	17.0	3.3
Midstream Gas & Liquids	168.7	154.7	1.0	324.4	82.5
Petroleum Services	926.3	41.6	--	967.9	28.9
Williams Energy Partners	13.2	4.5	--	17.7	7.1
Merger-related costs and non-compete amortization	--	--	--	--	(2.7)
TOTAL ENERGY SERVICES	1,424.4	113.4	1.4	1,539.2	208.3
OTHER	6.8	9.5	--	16.3	2.9
ELIMINATIONS	--	(137.5)	--	(137.5)	--
TOTAL	$ 1,892.0	$ --	$ 7.3	$ 1,899.3	$ 408.5

(Millions)	TOTAL ASSETS: March 31, 2001	TOTAL ASSETS: December 31, 2000
GAS PIPELINE	$ 9,000.5	$ 8,956.2
ENERGY SERVICES		
Energy Marketing & Trading	16,612.0	14,609.7
Exploration & Production	672.2	671.5
International	2,326.3	2,214.4
Midstream Gas & Liquids	4,263.4	4,293.5
Petroleum Services	3,097.0	2,666.5
Williams Energy Partners	342.9	349.8
TOTAL ENERGY SERVICES	27,313.8	24,805.4
OTHER	6,184.4	7,019.9
ELIMINATIONS	(7,835.0)	(8,156.1)
	34,663.7	32,625.4
NET ASSETS OF DISCONTINUED OPERATIONS	1,828.9	2,290.2
TOTAL	$ 36,492.6	$ 34,915.6

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

13. Subsequent events

On May 7, 2001, Williams announced that it had entered into a definitive merger agreement to acquire Barrett Resources. The boards of directors of both companies approved the merger agreement whereby Williams would acquire Barrett through a cash tender offer of $73 per share for 50 percent of the outstanding Barrett common stock and exchange 1.767 shares of Williams common stock for each remaining share of Barrett common stock. The agreement also calls for a termination fee of $75.5 million and reimbursement of expenses to Williams of up to $15 million. The approximately $2.8 billion transaction, which is contingent upon approval from antitrust regulators and tenders of at least 50 percent of Barrett common stock in the cash tender offer, is anticipated to be completed in third-quarter 2001.

In regards to the cash tender offer, Williams has sufficient availability under its commercial paper and revolving credit agreements to fund the cash portion of the acquisition. Williams is considering establishing a bridge loan facility to fund all or part of the cash tender obligation. In addition, Williams is evaluating various long-term funding options such as volumetric production payments, convertible debt or equity or other structured alternatives.

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

In March 2001, the board of directors of Williams approved a tax-free spinoff of Williams' communications business, Williams Communications Group, Inc. (WCG), to Williams' shareholders. On April 23, 2001, Williams distributed 398.5 million shares, or approximately 95 percent of the WCG common stock held by Williams, to holders of record of Williams common stock. As a result, the consolidated financial statements have been restated to present WCG as discontinued operations (see Note 4). Unless otherwise indicated, the following discussion and analysis of results of operations, financial condition and liquidity relates to the continuing operations of Williams and should be read in conjunction with the consolidated financial statements and notes thereto.

Results of Operations

First Quarter 2001 vs. First Quarter 2000

CONSOLIDATED OVERVIEW

Williams revenues increased $1,188.7 million, or 63 percent, due primarily to higher revenues from gas and electric power services, revenues from Canadian operations acquired in fourth-quarter 2000, increased petroleum products and natural gas prices and the $153 million impact of reporting certain revenues net of the related costs in 2000 related to sales activity surrounding certain terminals. These revenues are reported "gross" subsequent to the transfer of management over the sales activity from Energy Marketing & Trading to Petroleum Services effective February 2001 (see Note 2).

Segment costs and expenses increased $787.9 million, or 53 percent, due primarily to higher costs related to increased petroleum products average purchase prices, costs related to Canadian operations acquired in fourth-quarter 2000, and the impact of reporting certain sales activity costs net with related revenues in 2000 (discussed above).

Operating income increased $394.8, or 103 percent, due primarily to a $392.2 million increase at Energy Services primarily reflecting higher gas and electric power services margins, higher realized average natural gas sales prices from production and marketing activities and higher margins in refining and marketing operations. Partially offsetting these increases were lower per-unit natural gas liquids margins, higher gas purchase costs related to the marketing of natural gas and higher selling, general and administrative costs at Energy Marketing & Trading.

Income from continuing operations before income taxes increased $378.7 million from $239.2 million in 2000 to $617.9 million in 2001, due primarily to the $394.8 million of higher operating income. Partially offsetting the higher operating income was $21 million higher net interest expense reflecting increased debt in support of continued expansion and new projects and $11 million higher minority interest in income and preferred returns of subsidiaries related primarily to the preferred returns of Snow Goose LLC, formed in December 2000.

GAS PIPELINES

GAS PIPELINE'S revenues decreased $12.7 million, or 3 percent, due primarily to $17 million lower gas exchange imbalance settlements (offset in costs and operating expenses) and the effect of a $7 million reduction of rate refund liabilities in 2000 following the settlement of a prior rate proceeding. Partially offsetting these decreases were $4 million higher revenues following the second-quarter 2000 acquisition of a liquefied natural gas storage facility, $3 million higher interruptible transportation revenues at Kern River and $2 million higher equity investment earnings from pipeline joint venture projects.

Segment profit increased $6.7 million, or 3 percent, due primarily to $6 million lower general and administrative expenses, the effect in 2000 of a $4 million accrual for gas exchange imbalances, a $3 million insurance settlement in 2001 for storage gas losses, $3 million higher interruptible transportation revenues at Kern River and $2 million higher equity investment earnings. Partially offsetting were the effect in 2000 of a $7 million reduction of rate refund liabilities and $6 million higher depreciation expense primarily due to increased property, plant and equipment. General and administrative expenses decreased due primarily to $4 million of expenses in 2000 related to the headquarters consolidation of two of the pipeline business units.

Based on current rate structures and/or historical maintenance schedules of certain of its pipelines, Gas Pipeline experiences higher segment profit in the first and fourth quarters as compared with the second and third quarters.

ENERGY SERVICES

ENERGY MARKETING & TRADING'S revenues increased $503.2 million, or 322 percent, due to a $486 million increase in trading revenues and a $17 million increase in non-trading revenues. The $486 million increase in trading revenues is due primarily to $506 million higher gas and electric power services margins partially offset by $23 million lower crude and refined products trading margins. The higher gas and electric power services margins primarily result from net favorable changes in the

overall fair value of the gas and electric power portfolio resulting from the benefit of increased price volatility and Energy Marketing & Trading's proprietary trading activities around existing portfolio positions. In addition, the increased gas and electric power services margins reflect the benefit of additional price risk management services offered through structured transactions. These new structured transactions included the addition of approximately 2,500 megawatts of notional volumes to Energy Marketing & Trading in the mid-continent, northeast and southeast regions of the United States. These contracts include agreements to market capacity of electricity generation facilities, as well as agreements to provide load following and/or full requirements services.

The $17 million increase in non-trading revenues is due primarily to $10 million of higher natural gas liquids revenues from higher sales prices and volumes and $7 million from non-trading power services including revenues from a distributed power generation business that was transferred from Petroleum Services in mid-2000.

Costs and operating expenses increased $32 million, or 75 percent, due primarily to higher natural gas liquids and power cogeneration costs of sales and increased operating expenses. These variances are associated with the corresponding changes in non-trading revenues discussed above.

Segment profit increased $406.7 million to $484.5 million in 2001, due primarily to the $506 million higher gas and electric power services margins, partially offset by $65 million higher selling, general and administrative costs, $23 million lower crude and refined products trading margins and $11 million lower margins from non-trading natural gas liquids operations. The higher selling, general and administrative costs primarily reflect higher variable compensation levels associated with improved operating performance and $10 million of bad debt expense related to California electric power sales to a customer that had unexpectedly filed for bankruptcy.

California

At March 31, 2001, Energy Marketing & Trading had net accounts receivable of approximately $250 million from power sales to the California Independent Service Operator (ISO) and the California Power Exchange Corporation (CPEC). While the amount recorded reflects management's best estimate of collectibility, future events or circumstances could change those estimates. In March and April of 2001, two California power related entities, the CPEC and Pacific Gas and Electric Company (PG&E), filed bankruptcy under Chapter 11. Williams' direct exposure to these bankruptcies is not material, however, the potential impact of these bankruptcies on companies with which Williams does business could have a future impact on Williams.

Through April 2001, Energy Marketing & Trading had received three Notice of Refunds from the FERC that require Energy Marketing & Trading to support the prices charged in excess of the rate determined by the FERC. The refund orders total approximately $30 million and relate to sales of power during January, February and March 2001. Williams has filed objections to the refund orders and on April 11, 2001, filed justification with the FERC to reduce its aggregate refund liability for January and February to approximately $8 million (see Note 9).

In March 2001, FERC issued a Show Cause Order directing Williams 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 terminates the proceeding without making any findings of wrongdoing by Williams. Pursuant to the Settlement, Williams agrees to refund $8 million to the California ISO by crediting such amount against outstanding invoices. Williams also agrees 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 (see Note 9).

In addition to these federal agency actions, various proposals are under consideration in the California state legislative and executive branches to address the power industry issues of California, the results of which could ultimately impact the level of Williams financial results in subsequent periods to Williams.

EXPLORATION & PRODUCTION'S revenues increased $78.4 million, or 141 percent, due primarily to production and marketing. The increase is due to $66 million from increased realized average natural gas sales prices (including the effect of hedge positions) and $9 million associated with an increase in volumes from production and marketing activities. Approximately 70 percent of production in first-quarter 2001 was hedged. Exploration & Production has entered into contracts that hedge approximately 65 percent of estimated production for the remainder of the year.

Segment profit increased $39.2 million, to $50.6 million in 2001 from $11.4 million in 2000, due primarily to the higher revenues discussed previously, partially offset by $25 million higher gas purchase costs related to the marketing of natural gas from the Williams Coal Seam Royalty Trust and royalty

interest owners, $6 million higher production-related taxes and $5 million higher operating and maintenance expenses.

Management's Discussion & Analysis (Continued)

INTERNATIONAL'S revenues increased $1.1 million or 6 percent, from $17 million in 2000. The increase is attributable to $3.9 million of revenue from Colorado soda ash production which began in October 2000, and $1.8 million from increased operating fees due to increased volumes at a Venezuelan crude oil storage and shiploading terminal. These increases were partially offset by $5.3 million higher equity losses from the Lithuanian refinery, pipeline and terminal investment resulting from the effect in 2000 of a reimbursement from the crude oil supply interruption fund.

Operating costs increased $15 million primarily due to soda ash production which began operations in October 2000.

Segment profit decreased $11.8 million from segment profit of $3.3 million in 2000 to a segment loss of $8.5 million in 2001 due primarily to operating loss from soda ash production and higher equity losses from the Lithuanian investment. The soda ash project had a segment loss of $10.3 million reflecting initial operational debottlenecking and related start-up costs.

MIDSTREAM GAS & LIQUIDS' revenues increased $273.6 million, or 84 percent, due primarily to $283 million in revenues from Canadian operations acquired in October 2000. The $283 million of revenues from Canadian operations consist primarily of $229 million in natural gas liquids sales and $52 million of processing revenues. Excluding the Canadian operations, natural gas liquids revenues increased $3 million reflecting a $34 million increase due to increased average natural gas liquids sales price offset substantially by a $31 million decrease from 27 percent lower volumes. Increases in natural gas prices caused processing plants to reject ethane, which lowered natural gas liquids pipeline transportation revenues by $11 million.

Costs and operating expenses increased $326 million to $535 million in first-quarter 2001, due primarily to $283 million of costs and operating expenses related to the Canadian operations, $40 million higher liquids fuel and replacement gas purchases, and $10 million higher transportation, fractionation, and marketing expenses, partially offset by the effect in 2000 of $12 million of losses associated with certain propane storage transactions in first-quarter 2000.

General and administrative expenses decreased $11 million, or 31 percent, due primarily to $12 million of reorganization and early retirement costs occurring in 2000, partially offset by $3.7 million associated with the Canadian operations purchased in fourth-quarter 2000. The $12 million of reorganization and early retirement costs relate to the reorganization of Midstream's operations including the consolidation in Tulsa of certain support functions previously located in Salt Lake City and Houston.

Segment profit decreased $44.7 million, or 54 percent, due primarily to $33 million from lower domestic average per-unit natural gas liquids margins, $13 million from decreased natural gas liquids domestic volumes sold, a $12 million decrease from natural gas liquids pipeline and $8 million higher equity investment losses. The Canadian operations results before general and administrative costs did not contribute to segment profit. Partially offsetting these decreases to segment profit were $12 million of propane losses in first-quarter 2000 and $11 million of lower general and administrative expenses.

PETROLEUM SERVICES' revenues increased $445.8 million, or 46 percent, due primarily to $314 million higher refining and marketing revenues (excluding a $35 million increase to revenues due to lower intra-segment sales to the travel centers/convenience stores which are eliminated) and $74 million higher travel center/convenience store sales. Effective February 2001, management of refined product sales activities surrounding certain terminals throughout the United States was transferred to Petroleum Services from Energy Marketing & Trading (see Note 2). The sales activity was previously included in the trading portfolio of Energy Marketing & Trading and is therefore reported net of related cost of sales along with other refined product trading gains and losses within Energy Marketing & Trading prior to February 2001. After the transfer of the management of these activities to Petroleum Services, these sales activities are reported "gross" within the Petroleum Services segment. Energy Marketing and Trading's revenue for first-quarter 2000 includes approximately $153 million for both the sales and related cost of sales related to this activity. The $314 million increase in refining and marketing revenues includes the $153 million impact previously discussed,$122 million from 15 percent higher average refined product sales prices and $39 million resulting from a 5 percent increase in refined product volumes sold. The $74 million increase in travel center/convenience store sales reflects $62 million from a 25 percent increase in diesel and gasoline sales volumes, $9 million higher merchandise sales and $4 million from one percent higher average gasoline and diesel sales prices. In addition, revenues increased due to $21 million higher bio-energy sales reflecting increases in ethanol volumes sold and average ethanol sales prices, $12 million higher revenues from Williams' 3.1 percent undivided interest in the Trans Alaska Pipeline System (TAPS) acquired in late June 2000 and $9 million higher commodity sales from transportation activities. Slightly offsetting these increases were $7 million lower revenues related to the petrochemical

plant due to a plant turnaround in first quarter 2001.

Costs and operating expenses increased $430.6 million, or 47 percent, due primarily to $283 million higher refining costs and $81 million higher travel center/convenience store costs (excluding a $35 million increase due to lower intra-segment purchases from the refineries which are eliminated). The $283 million increase in refining and marketing costs includes the $153 million impact of the transfer of management from Energy Marketing & Trading to Petroleum Services effective February 2001 of refined product sales activities surrounding certain terminals (see discussion above) and the remaining increase reflects $94 million from higher crude supply costs and other related per-unit cost of sales and $36 million associated with increased volumes sold through refining and marketing operations. The $81 million increase in travel center/convenience store costs is primarily from $59 million increased diesel and gasoline sales volumes, $8 million higher merchandise costs and $10 million higher store operating costs. In addition, costs and operating expenses increased due to $25 million higher bio-energy operating costs and $11 million higher cost of commodity sales from transportation activities.

Segment profit increased $3.2 million, or 11 percent to $32.1 million in 2001. Increases of $31 million from refining and marketing operations due primarily to higher margins and $7 million from Williams' interest in TAPS acquired in late June 2000 were partially offset by an $11 million additional impairment charge related to an end-to-end mobile computing systems business, $10 million higher operating costs from the travel centers/convenience stores, $7 million lower revenues from activities at the petrochemical plant and $4 million unfavorable impact from bio-energy operations.

WILLIAMS ENERGY PARTNERS' revenues increased $2.6 million from $17.7 million to $20.3 million. Segment profit decreased $1.7 million from $7.1 million to $5.4 million, due primarily to the higher depreciation and other costs.

CONSOLIDATED

GENERAL CORPORATE EXPENSES increased $6 million, or 26 percent, and include $2 million and $4 million in 2001 and 2000, respectively, of costs which would have otherwise been allocated to a discontinued operation. The increase in general corporate expense is due to increased outside legal costs, higher charitable donations and higher compensation levels, partially offset by a decrease in advertising costs. Interest accrued increased $21.4 million, or 13 percent, due primarily to the $8 million effect of higher borrowing levels combined with the $11 million effect of higher average interest rates and $6 million of interest expense related to deposits received from customers relating to energy trading and hedging activities. Partially offsetting was a $3 million decrease in interest expense on rate refunds. The increased borrowing levels reflect an increase in long-term debt levels partially offset by a decrease in commercial paper levels as compared to 2000. The long-term debt includes the $1.1 billion of senior unsecured debt securities issued in January 2001. Investing income increased $15.0 million, from $22.1 million in 2000 to $37.1 million in 2001, due primarily to interest income on margin deposits. Minority interest in income and preferred returns of consolidated subsidiaries increased $11.1 million, or 84 percent, due primarily to preferred returns of Snow Goose LLC, formed in December 2000.

The provision for income taxes increased $139.3 million, from $100.3 million in 2000 to $239.6 million in 2001. The increase is primarily a result of a higher pre-tax income offset slightly by a decrease in the effective tax rate. The effective income tax rates for 2001 and 2000 are greater than the federal statutory rate due primarily to the effects of state income taxes.

Loss from discontinued operations for the three months ended March 31, 2001, includes a $131.7 million after-tax loss from operations of WCG and a $47.4 million estimated after-tax loss on disposal of WCG (see Note 4). The $39.2 million loss from operations for the three months ended March 31, 2000 represents the after-tax loss from the operations of WCG. The increase in the after-tax loss from operations of WCG results from an increase in operating losses of the network segment primarily as a result of increased depreciation expense as additional miles of fiber have been placed in operation since March 31, 2000, partially offset by an increase in gross margin. Additionally, the increase in the after-tax loss includes a $31 million increase in net interest expense due to higher debt levels in 2001. Loss from operations for the three months ended March 31, 2001, includes $59.2 million in write-downs of certain marketable equity security investments resulting from management's estimate that the decline in the value of these investments was other than temporary. Partially offsetting is a gain of $24.3 million from the change in market value of a derivative related to certain marketable equity securities. Loss from operations for the three months ended March 31, 2000, includes $31.5 million of gains on the sale of marketable securities, $16.5 million associated with the sale of an interest in a Brazilian telecommunications investment and $3.7 million of dividends from a telecommunications investment. Additionally, investing income decreased from 2000 as a result of higher interest income in 2000 from investment of the remaining proceeds of the equity and debt offerings in 1999. The decreases from 2000 discussed above were partially offset by higher minority interest in WCG's losses. In addition, the

three months ended March 31, 2000, includes a $21.6 million cumulative effect of change in accounting principle related to change in accounting method for new systems sales and upgrades from the percentage-of-completion to the completed-contract method. The after-tax loss on disposal includes the estimated operating losses from April 1 through April 23, 2001, the date of disposal (see Note 4).

Financial Condition and Liquidity

Liquidity

Williams considers its liquidity to come from both internal and external sources. Certain of those sources are available to Williams (parent) and certain of its subsidiaries. Williams' unrestricted sources of liquidity, which can be utilized without limitation under existing loan covenants, consist primarily of the following:

- Available cash-equivalent investments of $84.2 million at March 31, 2001, as compared to $854 million at December 31, 2000.
- $700 million available under Williams' $700 million bank-credit facility at March 31, 2001, as compared to $350 million at December 31, 2000.
- $940 million available under Williams' $1.7 billion commercial paper program at March 31, 2001, as compared to $4 million at December 31, 2000.
- Cash generated from operations.
- Short-term uncommitted bank lines of credit can also be used in managing liquidity.

In addition, there are outstanding registration statements filed with the Securities and Exchange Commission for Williams and Northwest Pipeline, Texas Gas Transmission and Transcontinental Gas Pipe Line (each a wholly owned subsidiary of Williams). At May 1, 2001, approximately $850 million of shelf availability remains under these outstanding registration statements and may be used to issue a variety of debt or equity securities. Interest rates and market conditions will affect amounts borrowed, if any, under these arrangements. Williams believes additional financing arrangements, if required, can be obtained on reasonable terms.

In 2001, capital expenditures and investments, excluding the Barrett Resources acquisition, are estimated to total approximately $2.3 billion. Williams expects to fund capital and investment expenditures, debt payments and working-capital requirements through (1) cash generated from operations, (2) the use of the available portion of Williams' $700 million bank-credit facility, (3) commercial paper, (4) short-term uncommitted bank lines, (5) private borrowings, (6) sale or disposal of existing businesses and/or (7) debt or equity public offerings.

WCG SEPARATION

Currently, Williams does not believe that the separation of WCG and Williams will negatively impact liquidity or the financial condition of Williams. Since the initial equity offering by WCG in October 1999, the sources of liquidity for WCG have been separate from Williams' sources of liquidity. Based on the amounts recorded at March 31, 2001, the reduction to Williams' stockholders' equity assuming the distribution had occurred as of March 31, 2001, would be approximately $1.8 billion. Williams, with respect to shares of WCG's common stock that Williams will retain, has committed to the Internal Revenue Service (IRS) to dispose of all of the WCG shares that it retains as soon as market conditions allow, but in any event not longer than five years after the spin-off. As part of a separation agreement and subject to a favorable ruling by the IRS that such a limitation is not inconsistent with any ruling issued to Williams regarding the tax-free treatment of the spinoff, Williams has agreed not to dispose of the retained WCG shares for a period not to exceed three years from the date of distribution and must notify WCG of an intent to dispose of such shares. For further discussion of separation agreements and potential tax exposure as a result of the WCG separation, see Note 4.

Additionally, Williams, prior to the spin-off and in an effort to strengthen WCG's capital structure, entered into an agreement under which Williams contributed an outstanding promissory note from WCG of approximately $975 million and certain other assets, including a building under construction. In return, Williams received 24.3 million newly issued common shares of WCG. Williams is also providing indirect credit support through a commitment to issue Williams' equity in the event of a WCG default, or to the extent proceeds from WCG's refinancing or remarketing of certain structured notes issued by WCG in March 2001 are less than $1.4 billion. It is anticipated that the ability of WCG to pay the notes is dependent on its ability to raise additional capital and its subsidiaries' ability to dividend cash to WCG. WCG, however, is obligated to reimburse Williams for any payment Williams is required to make in connection with these notes. Additionally, receivables include amounts due from WCG of approximately $111 million and $69 million at March 31, 2001 and December 31, 2000, respectively. Williams has extended the payment term of up to $100 million of the outstanding balance due March 31, 2001 to March 15, 2002. Williams is also considering the purchase from WCG of the building currently under construction, and would enter into a long-term lease arrangement with WCG being

the sole occupant of the building.

Financing Activities

In January 2001, Williams issued $1.1 billion of senior unsecured debt securities, of which $500 million in proceeds was used to retire temporary financing obtained in September 2000. Also in January 2001, Williams issued approximately 38 million shares of common stock in a public offering at $36.125 per share. Net proceeds were $1.33 billion. Williams has and will continue to use the remaining proceeds that were received from the debt offering and equity offerings to expand Williams' capacity for funding of the energy-related capital program, repay commercial paper, repay debt, including a portion of floating rate notes due December 15, 2001, pay for the completion of the building under construction contributed to WCG in February 2001, and other general corporate purposes.

Williams Energy Partners L.P. (WEP), a wholly owned partnership, owns and operates a diversified portfolio of energy assets. The partnership is principally engaged in the storage, transportation and distributions of refined petroleum products and ammonia. On February 9, 2001, WEP completed an

initial public offering of approximately 4.6 million common units at $21.50 per unit for net proceeds of approximately $92 million. The initial public offering represents 40 percent of the units, and Williams retained a 60 percent interest in the partnership, including its general partner interest.

The long term debt to debt-plus-equity ratio (including WCG debt) was 62.5 percent at March 31, 2001, compared to 63.7 percent at December 31, 2000. If short-term notes payable and long-term debt due within one year are included in the calculations, these ratios would be 66.2 percent at March 31, 2001 and 70.5 percent at December 31, 2000. If WCG debt is excluded and the impact on stockholders' equity of a WCG dividend as of March 31, 2001, is included in the calculation of the debt to debt-plus-equity ratio, the ratio would be 56.2 percent at March 31, 2001. This ratio, calculated to include short-term notes payable and long-term debt due within one year, would be 62.7 percent.

Other

On May 7, 2001, Williams announced that it had entered into a definitive merger agreement to acquire Barrett Resources. The boards of directors of both companies approved the merger agreement whereby Williams would acquire Barrett through a cash tender offer of $73 per share for 50 percent of the outstanding Barrett common stock and exchange 1.767 shares of Williams common stock for each remaining share of Barrett common stock. The agreement also calls for a termination fee of $75.5 million and reimbursement of expenses to Williams of up to $15 million. The approximately $2.8 billion transaction, which is contingent upon approval from antitrust regulators and tenders of at least 50 percent of Barrett common stock in the cash tender offer, is anticipated to be completed in third-quarter 2001.

In regards to the cash tender offer, Williams has sufficient availability under its commercial paper and revolving credit agreements to fund the cash portion of the acquisition. Williams is considering establishing a bridge loan facility to fund all or part of the cash tender obligation. In addition, Williams is evaluating various long-term funding options such as volumetric production payments, convertible debt or equity or other structured alternatives.

ITEM 3
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

Williams' interest rate risk exposure associated with the debt portfolio was impacted by new debt issuances in first-quarter 2001. In January 2001, Williams issued $1.1 billion in debt obligations consisting of $700 million of 7.5 percent debentures due 2031 and $400 million of 6.75 percent Putable Asset Term Securities, putable/callable in 2006. A portion of the proceeds was used to retire $500 million of temporary financing obtained in September 2000.

COMMODITY PRICE RISK

At March 31, 2001, the value at risk for the trading operations was $84 million compared to $90 million at December 31, 2000. Value at risk requires a number of key assumptions and is not necessarily representative of actual losses in fair value that could be incurred from the trading portfolio. Energy Marketing & Trading's value-at-risk model includes all financial instruments and physical positions and commitments in its trading portfolio and assumes that as a result of changes in commodity prices, there is a 95 percent probability that the one-day loss in the fair value of the trading portfolio will not exceed the value at risk. The value-at-risk model uses historical simulations to estimate hypothetical movements in future market prices assuming normal market conditions based upon historical market prices. Value at risk does not consider that changing our trading portfolio in response to market conditions could affect market prices and could take longer to execute than the one-day holding period assumed in the value-at-risk model.

FOREIGN CURRENCY RISK

As it relates to the continuing operations of Williams, international investments accounted for under the cost method totaled approximately $151 million and $144 million at March 31, 2001 and December 31, 2000. These international investments could affect the financial results if the investments incur a permanent decline in value as a result of changes in foreign currency exchange rates and the economic conditions in foreign countries.

In addition, the net assets of continuing consolidated foreign operations, located primarily in Canada, are approximately 8.9 percent and 11 percent of Williams' net assets at March 31, 2001 and December 31, 2000, respectively. These foreign operations, whose functional currency is the local currency, do not have significant transactions or financial instruments denominated in other currencies. However, these investments do have the potential to impact Williams' financial position, due to fluctuations in these local currencies arising from the process of re-measuring the local functional currency into the U.S. dollar. As an example, a 20 percent change in the respective functional currencies against the U.S. dollar could have changed stockholders' equity by approximately $126 million at March 31, 2001.

EQUITY PRICE RISK

Williams' exposure to equity price risk was primarily from investments held by WCG. As a result of the spinoff of WCG, Williams' exposure to equity price risk as it existed prior to the distribution date was significantly reduced, however, following the distribution date, Williams will be exposed to potential impairment valuations with respect to the WCG common stock retained.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit 2--Agreement and Plan of Merger among Williams, Resources Acquisition Corp. and Barrett Resources Corporation dated as of May 7, 2001.

Exhibit 3(I)(a)--Restated Certificate of Incorporation, as supplemented.

Exhibit 10(a)--Participation Agreement among Williams, Williams Communications Group, Inc., Williams Communications, LLC, WCG Note Trust, WCG Note Corp., Inc., Williams Share Trust, United States Trust Company of New York and Wilmington Trust Company dated as of March 22, 2001.

Exhibit 10(b)--Williams Preferred Stock Remarketing, Registration Rights and Support Agreement among Williams, Williams Share Trust, WCG Note Trust, United States Trust Company of New York and Credit Suisse First Boston Corporation dated as of March 28, 2001.

Exhibit 10(c)--Form of Second Amended and Restated Guaranty Agreement dated as of August 17, 2000 between Williams, State Street Bank and Trust Company of Connecticut, National Association, State Street Bank and Trust Company and Citibank, N.A., as Agent.

Exhibit 10(d)--Form of Amendment, Waiver and Consent dated as of January 31, 2001 to Second Amended and Restated Guaranty Agreement between Williams, State Street Bank and Trust Company of Connecticut, National Association, State Street Bank and Trust Company and Citibank, N.A., as Agent.

Exhibit 12--Computation of Ratio of Earnings to Fixed Charges

(b) During first-quarter 2001, the Company filed a Form 8-K on January 5, 2001; January 31, 2001; February 8, 2001; March 16, 2001; and March 19, 2001, which reported significant events under Item 5 of the Form and included the Exhibits required by Item 7 of the Form.

SIGNATURE

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

THE WILLIAMS COMPANIES, INC.

(Registrant)

Gary R. Belitz

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

May 15, 2001

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION

Exhibit 2 -- Agreement and Plan of Merger among Williams, Resources Acquisition Corp. and Barrett Resources Corporation dated as of May 7, 2001.

Exhibit 3(I)(a) -- Restated Certificate of Incorporation, as supplemented.

Exhibit 10(a) -- Participation Agreement among Williams, Williams Communications Group, Inc., Williams Communications, LLC, WCG Note Trust, WCG Note Corp., Inc., Williams Share Trust, United States Trust Company of New York and Wilmington Trust Company dated as of March 22, 2001.

Exhibit 10(b) -- Williams Preferred Stock Remarketing, Registration Rights and Support Agreement among Williams, Williams Share Trust, WCG Note Trust, United States Trust Company of New York and Credit Suisse First Boston Corporation dated as of March 28, 2001.

Exhibit 10(c) -- Form of Second Amended and Restated Guaranty Agreement dated as of August 17, 2000 between Williams, State Street Bank and Trust Company of Connecticut, National Association, State Street Bank and Trust Company and Citibank, N.A., as Agent.

Exhibit 10(d) -- Form of Amendment, Waiver and Consent dated as of January 31, 2001 to Second Amended and Restated Guaranty Agreement between Williams, State Street Bank and Trust Company of Connecticut, National Association, State Street Bank and Trust Company and Citibank, N.A., as Agent.

Exhibit 12 -- Computation of Ratio of Earnings to Fixed Charges

EXHIBIT 2

AGREEMENT AND PLAN OF MERGER

AMONG

THE WILLIAMS COMPANIES, INC.,

RESOURCES ACQUISITION CORP.

AND

BARRETT RESOURCES CORPORATION

DATED AS OF MAY 7, 2001

TABLE OF CONTENTS

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of May 7, 2001 (this "Agreement") among The Williams Companies, Inc., a Delaware corporation ("Parent"), Resources Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Parent ("Sub"), and Barrett Resources Corporation, a Delaware corporation (the "Company") (Sub and the Company being hereinafter collectively referred to as the "Constituent Corporations"). Except as otherwise set forth herein, capitalized (and certain other) terms used herein shall have the meanings set forth in Section 10.3.

WITNESSETH:

WHEREAS, the Board of Directors of the Company has, in light of and subject to the terms and conditions set forth herein, determined that a business combination between Parent and the Company is fair to the Company's stockholders and in the best interests of such stockholders;

WHEREAS, it is intended that the acquisition be accomplished by Sub commencing a cash tender offer for 16,730,502 outstanding shares of Common Stock, par value $0.01 per share, of the Company ("Company Common Stock"), together with the associated Company Rights, upon the terms and subject to the conditions set forth in this Agreement (the shares of Company Common Stock subject to the Offer, together with the associated Company Rights, are hereinafter referred to as the "Shares") in an amount of $73.00 per Share (the "Offer Consideration") to be followed by a merger of the Company with and into Sub (the "Forward Merger");

WHEREAS, subsequent to the purchase by Sub of Shares in the Offer, each Share (other than Shares held directly or indirectly by Parent or the Company, which Shares shall be cancelled) would be converted into the right to receive 1.767 (the "Exchange Ratio") duly authorized, validly issued, fully paid and non-assessable shares of common stock, par value $1.00 (the "Parent Common Stock" and, together with associated Parent Rights, the "Parent Shares") of Parent (the "Merger Consideration");

WHEREAS, if the Tax Opinion Standard (as defined herein) has not been met, the parties desire to permit an alternate merger structure providing for the merger of Sub (or other direct or indirect wholly-owned subsidiary of Parent, as determined by Parent in its sole discretion) with and into the Company (the "Reverse Merger"), and the surviving corporation shall thereby become a direct or indirect wholly-owned subsidiary of Parent;

WHEREAS, the Board of Directors of the Company has adopted resolutions approving the Offer, this Agreement and the Merger (as defined herein), determining that this Agreement is advisable and that the Offer and the Merger are fair to, and in the best interests of, the Company's stockholders and recommending that the Company's stockholders accept the Offer, tender their Shares into the Offer and adopt this Agreement;

WHEREAS, the respective Boards of Directors of Parent, Sub and the Company have each approved the Merger, upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the respective Boards of Directors of Parent, Sub and the Company have approved and adopted this Agreement and the transactions contemplated hereby;

WHEREAS, for Federal income tax purposes, it is intended that the Offer and the Forward Merger shall be treated as an integrated transaction (together, the "Transaction") and shall qualify as a "reorganization" within the meaning of Section 368(a) of the Code and the United States Treasury Regulations; and

WHEREAS, Parent, Sub and the Company each desires to make certain representations, warranties, covenants and agreements in connection with the Offer and the Merger and also to prescribe various conditions to the Offer and the Merger.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, Parent, Sub and the Company hereby agree as follows:

ARTICLE I
THE OFFER

Section 1.1 The Offer. (a) Provided that this Agreement shall not have been terminated in accordance with Section 9.1 and subject to the provisions of this Agreement, including the conditions to the Offer set forth in Exhibit A hereto, as promptly as practicable after the date of the public announcement by Parent and the Company of this Agreement, Sub shall, and Parent shall cause Sub to, commence, within the meaning of Rule 14d-2 under the Exchange Act, the Offer. The obligation of Sub to, and of Parent to cause Sub to, commence the Offer and accept for payment, and pay for, any Shares tendered pursuant to the Offer shall be subject only to the conditions set forth in Exhibit A (the "Offer Conditions") (any one or more of which may be waived in whole or in part by Sub in its sole discretion, provided that, without the prior written consent of the Company, Sub shall not waive the Minimum Condition (as defined in Exhibit A)). Sub expressly reserves the right to modify the terms of the Offer, except that, without the prior written consent of the Company, Sub shall not (i) reduce the number of Shares sought in the Offer, (ii) decrease the price per Share, (iii) impose any conditions to the Offer in addition to the Offer Conditions or modify the Offer Conditions in a manner adverse to the holders of Shares (other than to waive any Offer Conditions to the extent permitted by this Agreement), (iv) except as provided in (b) below, extend the Offer, (v) change the form of consideration payable in the Offer (other than by adding consideration) or (vi) make any other change or modification in any of the terms of the Offer in any manner that is adverse to the holders of Shares.

(b) The Offer shall initially be scheduled to expire 20 business days following the commencement thereof. Parent and Sub agree that Sub will not terminate the Offer between scheduled expiration dates (except in the event that this Agreement is terminated pursuant to Section 9.1) and that, in the event that Sub would otherwise be entitled to terminate the Offer at any scheduled expiration date thereof due to the failure of one or more of the Offer Conditions,

unless this Agreement shall have been terminated pursuant to Section 9.1, Sub shall, and Parent shall cause Sub to, extend the Offer for such period or periods as shall be determined by Sub until such date as the Offer Conditions have been satisfied or such later date as required by applicable law; provided, however, that nothing herein shall require Sub to extend the Offer beyond the Outside Date. Notwithstanding the foregoing, Sub may, without the consent of the Company, (i) extend the Offer, if at the scheduled or extended expiration date of the Offer any of the Offer Conditions shall not be satisfied or waived, until such time as such conditions are satisfied or waived and (ii) extend the Offer for any period required by any rule, regulation, interpretation or position of the SEC or the staff thereof applicable to the Offer or as might be required by the NYSE. Sub shall not provide for a subsequent offering period in accordance with Rule 14d-11 under the Exchange Act. Subject to the terms and conditions of the Offer and this Agreement, Sub shall, and Parent shall cause Sub to, accept and pay for 16,730,502 Shares validly tendered and not withdrawn pursuant to the Offer that Sub is permitted to accept and exchange for under applicable law, as soon as practicable after the expiration of the Offer, and in any event in compliance with the obligations respecting prompt payment pursuant to Rule 14e-1(c) under the Exchange Act; provided, however, that no such payment shall be made until after Parent and Sub shall have calculated how cash should be prorated if more than 16,730,502 Shares are validly tendered and not withdrawn pursuant to the Offer. If this Agreement is terminated by either Parent or Sub or by the Company, Sub shall, and Parent shall cause Sub to, promptly terminate the Offer.

(c) On the date of commencement of the Offer, Parent and Sub shall file with the SEC a Tender Offer Statement on Schedule TO (together with all supplements and amendments thereto, the "Schedule TO") with respect to the Offer and a related letter of transmittal, and Parent and Sub shall cause the Offer Documents to be disseminated to holders of Shares as and to the extent required by applicable federal securities laws. Parent and Sub agree that they shall cause the Schedule TO, the Offer to Purchase and all amendments or supplements thereto (which together constitute the "Offer Documents") to comply in all material respects with the Exchange Act and the rules and regulations thereunder and other applicable laws. Parent, Sub and the Company each agrees promptly to correct any information provided by it for use in the Offer Documents if and to the extent that such information shall have become false or misleading in any material respect, and Parent and Sub further agree to take all steps necessary to cause the Offer Documents as so corrected to be filed with the SEC and the other Offer Documents as so corrected to be disseminated to holders of Shares, in each case as and to the extent required by applicable federal securities laws. The Company and its counsel shall be given reasonable opportunity to review and comment upon the Offer Documents prior to their filing with the SEC or dissemination to the Company's stockholders. Parent and Sub agree to provide the Company and its counsel any comments Parent, Sub or their counsel may receive from the SEC or its staff with respect to the Offer Documents promptly after the receipt of such comments and to cooperate with the Company and its counsel in responding to such comments.

(d) Parent shall provide or cause to be provided to Sub on a timely basis all funds necessary to accept for payment, and pay for, any Shares accepted for payment that are validly tendered and not withdrawn pursuant to the Offer and that Sub is permitted to accept for payment pursuant to the terms and conditions of the Offer and under applicable law.

Section 1.2 Company Actions. (a) The Company hereby approves of and consents to the Offer and represents and warrants that the Board of Directors of the Company, at a meeting duly called and held, duly adopted resolutions by unanimous vote (i) determining that this Agreement and the transactions contemplated hereby, including the Offer and the Merger, are advisable and are fair to and in the best interest of the Company's stockholders, (ii) approving this Agreement and the transactions contemplated hereby, including the Offer and the Merger, which approval constitutes approval under Section 203 of the DGCL such that the Offer, the Merger and this Agreement and the other transactions contemplated hereby are not and shall not be subject to any restriction of Section 203 of the DGCL, (iii) waiving the application of Article IV of the Company's bylaws with respect to this Agreement, the Offer and the Merger pursuant to Section 7 thereof and (iv) resolving to recommend acceptance of the Offer and to recommend that stockholders of the Company tender their Shares pursuant to the Offer and to recommend approval and adoption of this Agreement and the Merger by the Company's stockholders at the Company Stockholders Meeting (as defined herein) (the recommendations referred to in this clause (iv) are collectively referred to in this Agreement as the "Recommendations"). The Company represents and warrants that its Board of Directors has received the opinion, each dated May 7, 2001, of each of Goldman, Sachs & Co. ("Goldman Sachs") and Petrie Parkman & Co., Inc. ("Petrie Parkman") that, as of such date and on the basis of and subject to the matters described therein, the Offer Consideration and the Merger Consideration, taken together, was fair to the Company's stockholders (other than Parent and the Company) from a financial point of view.

(b) On the date the Offer Documents are filed with the SEC, the Company shall file with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 with respect to the Offer (such Schedule 14D-9, as amended from time to time, the "Schedule 14D-9") containing the Recommendations (subject to the right of the Board of Directors of the Company to make a Subsequent Determination in accordance with Section 6.6 and shall cause the Schedule 14D-9 to be disseminated to the Company's stockholders as and to the extent required by applicable federal securities laws. Each of the Company, Parent and Sub agrees promptly to correct any information provided by it for use in the Schedule 14D-9 if and to the extent that such information shall have become false or misleading in any material respect, and the Company further agrees to take all steps necessary to amend or supplement the Schedule 14D-9 and to cause the Schedule 14D-9 as so amended or supplemented to be filed with the SEC and disseminated to the Company's stockholders, in each case as and to the extent required by applicable federal securities laws. Parent and its counsel shall be given reasonable opportunity to review and comment upon the Schedule 14D-9 prior to its filing with the SEC or dissemination to the Company's stockholders. The Company agrees to provide Parent and its counsel any comments the Company or its counsel may receive from the SEC or its staff with respect to the Schedule 14D-9 promptly after the receipt of such comments and to cooperate with Parent, Sub and their counsel in responding to such comments.

(c) In connection with the Offer and the Merger, the Company shall cause its transfer agent to furnish Sub promptly with mailing labels containing the names and addresses of the record holders of Shares as of a recent date and of those persons becoming record holders subsequent to such date, together with copies of all lists of stockholders, security position listings and computer files and all other information in the Company's possession or control regarding the beneficial owners of Shares and any securities convertible into Shares, and shall furnish to

Sub such information and assistance (including updated lists of stockholders, security position listings and computer files) as Parent or Sub may reasonably request in communicating the Offer to the Company's stockholders. Subject to the requirements of applicable law, and except for such steps as are necessary to disseminate the Offer Documents and any other documents necessary to consummate the Merger, Parent and Sub and their affiliates, associates and agents shall hold in confidence the information contained in any such labels, listings and files, will use such information only in connection with the Offer and the Merger and, if this Agreement shall be terminated, will promptly, upon request, deliver, and will use reasonable efforts to cause their affiliates, associates and agents to deliver, to the Company all copies of such information then in their possession or control.

ARTICLE II
THE MERGER

Section 2.1 The Merger. Upon the terms and subject to the conditions hereof, and in accordance with the DGCL, the Forward Merger shall be effected and the Company shall be merged with and into Sub at the Effective Time; provided, however, that if Parent does not obtain a written opinion of Tax Counsel (as defined herein) that satisfies the Tax Opinion Standard (as defined herein), then in Parent's reasonable discretion the Reverse Merger may be effected, and the surviving corporation shall thereby become a direct or indirect wholly-owned subsidiary of Parent. Following the Effective Time, if the Forward Merger is effected, then the separate existence of the Company shall cease and Sub shall continue as the surviving corporation or, if the Reverse Merger is effected, then the separate existence of Sub shall cease and the Company shall continue as the surviving corporation. The surviving corporation of the Forward Merger or the Reverse Merger, as the case may be, shall be herein referred as the "Surviving Corporation" and the Forward Merger and Reverse Merger shall collectively be referred to as the "Merger." The Surviving Corporation shall succeed to and assume all the rights and obligations of Sub and the Company in accordance with the DGCL.

Section 2.2 Closing. The closing of the Merger will take place at 10:00 a.m. on a date mutually agreed to by Parent and the Company, which shall be no later than the second business day after satisfaction or waiver of the conditions set forth in Article VIII (the "Closing Date"), at the offices of Sidley Austin Brown & Wood, Bank One Plaza, 10 South Dearborn Street, Chicago, Illinois 60603, unless another date, time or place is agreed to in writing by the parties hereto.

Section 2.3 Effective Time. The Merger shall become effective when a Certificate of Merger (the "Certificate of Merger"), executed in accordance with the relevant provisions of the DGCL, is duly filed with the Secretary of State of the State of Delaware, or at such other time as Sub and the Company shall agree should be specified in the Certificate of Merger. When used in this Agreement, the term "Effective Time" shall mean the later of the date and time at which the Certificate of Merger is duly filed with the Secretary of State of the State of Delaware or such later time established by the Certificate of Merger. The filing of the Certificate of Merger shall be made as soon as practicable after the satisfaction or waiver of the conditions to the Merger set forth in Article VIII.

Section 2.4 Effects of the Merger. The Merger shall have the effects set forth in the DGCL.

Section 2.5 Certificate of Incorporation and Bylaws; Officers and Directors. (a) At the Effective Time, the Certificate of Incorporation of Sub, as in effect immediately prior to the Effective Time, shall be the Restated Certificate of Incorporation of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law; provided, however, that the Certificate of Incorporation shall provide that the Surviving Corporation shall initially be named "Barrett Resources Corporation" and shall contain indemnification provisions consistent with the obligations set forth in Section 7.9(a).

(b) The Bylaws of Sub, as in effect immediately prior to the Effective Time, shall be the Bylaws of the Surviving Corporation until thereafter changed or amended as provided by the Certificate of Incorporation of the Surviving Corporation or by applicable law; provided that the Bylaws of the Surviving Corporation shall contain indemnification provisions consistent with the obligations set forth in Section 7.9(a).

(c) The directors of Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

(d) The officers of the Company immediately prior to the Effective Time shall be the officers of the Surviving Corporation until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

Section 2.6 Principal Offices of the Company. Parent currently anticipates that the Company's current principal offices in Denver, Colorado will serve as the Rocky Mountain principal offices for Parent's oil and gas exploration operations after the consummation of the Merger.

ARTICLE III
EFFECT OF THE MERGER ON THE STOCK OF THE CONSTITUENT CORPORATIONS; EXCHANGE OF CERTIFICATES

Section 3.1 Effect on Stock. As of the Effective Time, by virtue of the Merger and without any action on the part of any of Sub, the Company or the holders of any securities of the Constituent Corporations:

(a) Capital Stock of Sub. In the event of a Forward Merger, each issued and outstanding share of capital stock of Sub shall remain as one validly issued, fully paid and nonassessable share of Common Stock, no par value, of the Surviving Corporation. Notwithstanding the foregoing, in the event of a Reverse Merger, then each issued and outstanding share of capital stock of Sub shall be converted into and become one validly issued, fully paid and non-assessable share of Common Stock of the Surviving Corporation.

(b) Treasury Stock and Parent Owned Stock. Each Share that is owned by the Company, Parent, Sub (except for Shares that are owned by Sub, in the event of a Reverse

Merger) or any other Subsidiary of Parent shall automatically be cancelled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor.

(c) Conversion of Shares. Each Share issued and outstanding (other than Shares to be cancelled in accordance with Section 3.1(b) and other than Shares owned by Sub in the event of a Reverse Merger), shall be converted into the right to receive a number of duly authorized, validly issued, fully paid and non-assessable Parent Shares equal to the Exchange Ratio (the "Merger Consideration"). As of the Effective Time, all such Shares, when so converted, shall no longer be outstanding and shall automatically be cancelled and retired, and each holder of a certificate representing any such Shares shall cease to have any rights with respect thereto, except the right to receive any dividends or distributions in accordance with Section 3.2(c), certificates representing the Parent Shares into which such Shares are converted and any cash, without interest, in lieu of fractional shares to be issued or paid in consideration therefor upon the surrender of such certificate in accordance with Section 3.2(d).

(d) Notwithstanding anything expressed or implied to the contrary in this Agreement, appropriate modifications shall be made to the provisions of this Agreement (including, without limitation, this Section 3.1) in the event of a Reverse Merger involving a direct or indirect wholly-owned subsidiary of Parent (other than Sub).

Section 3.2 Exchange of Certificates. (a) At the Effective Time, Parent shall deposit, or shall cause to be deposited, with a banking or other financial institution mutually acceptable to Parent and the Company (the "Exchange Agent"), for the benefit of the holders of Shares, for exchange in accordance with this Article III, certificates representing the Parent Shares to be issued in connection with the Merger and cash in lieu of fractional shares (such cash and certificates for Parent Shares, together with any dividends or distributions with respect thereto (relating to record dates for such dividends or distributions after the Effective Time), being hereinafter referred to as the "Exchange Fund") to be issued pursuant to Section 3.1 and paid pursuant to this Section 3.2 in exchange for outstanding Shares.

(b) Exchange Procedure. As soon as practicable after the Effective Time, the Surviving Corporation shall cause the Exchange Agent to mail to each holder of record of a certificate or certificates that immediately prior to the Effective Time represented Shares (the "Certificates"), (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in a form and have such other provisions as Parent may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the consideration contemplated by Section 3.1 and this Section 3.2, including cash in lieu of fractional shares. Upon surrender of a Certificate for cancellation to the Exchange Agent, together with such letter of transmittal, duly executed, and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificate shall be entitled to receive in exchange therefor (x) a certificate representing that number of whole Parent Shares and (y) a check representing the amount of cash in lieu of fractional shares, if any, and unpaid dividends and distributions with respect to the Parent Shares as provided for in Section 3.2(c), if any, that such holder has the right to receive in respect of the Certificate surrendered pursuant to the provisions of this Article III, after giving effect to any required withholding tax, and the Shares represented by the Certificate so surrendered shall forthwith be canceled. No interest will

be paid or accrued on the cash payable to holders of Shares. In the event of a transfer of ownership of Shares that is not registered in the transfer records of the Company, a certificate representing the proper number of Parent Shares, together with a check for the cash to be paid pursuant to this Section 3.2 may be issued to such a transferee if such Certificate shall be properly endorsed or otherwise be in proper form for transfer and the transferee shall pay any transfer or other taxes required by reason of the payment to a person other than the registered holder of such Certificate or establish to the satisfaction of the Surviving Corporation that such tax has been paid or is not applicable. Parent or the Exchange Agent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of Shares such amounts as Parent or the Exchange Agent is required to deduct and withhold with respect to the making of such payment under the Code or under any provision of state, local or foreign tax law. To the extent that amounts are so withheld by Parent or the Exchange Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the Shares in respect of which such deduction and withholding was made by Parent or the Exchange Agent.

(c) Dividends. Notwithstanding any other provisions of this Agreement, no dividends or other distributions declared with a record date after the Effective Time on Parent Shares shall be paid with respect to any Shares represented by a Certificate until such Certificate is surrendered for exchange as provided herein. Following surrender of any such Certificate, there shall be paid to the holder of the certificates representing whole Parent Shares issued in exchange therefor, without interest, (i) at the time of such surrender, the amount of dividends or other distributions with a record date after the Effective Time theretofore payable with respect to such whole Parent Shares and not paid, less the amount of any withholding taxes which may be required thereon, and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such whole Parent Shares, less the amount of any withholding taxes which may be required thereon. Parent will provide the Exchange Agent with the cash necessary to make the payments contemplated by this Section 3.2(c).

(d) No Fractional Securities. No fractional Parent Shares shall be issued pursuant hereto. In lieu of the issuance of any fractional share of Parent Shares, cash adjustments will be paid to holders in respect of any fractional share of Parent Shares that would otherwise be issuable, and the amount of such cash adjustment shall be equal to the product obtained by multiplying such stockholder's fractional share of Parent Shares that would otherwise be issuable to such holder by the closing price per share of Parent Shares on the NYSE on the Closing Date as reported by The Wall Street Journal (or, if not reported thereby, any other authoritative source).

(e) No Further Ownership Rights in Shares. All Parent Shares issued upon the surrender for exchange of Certificates in accordance with the terms of this Article III (including any cash paid pursuant to this Section 3.2) shall be deemed to have been issued in full satisfaction of all rights pertaining to the Shares theretofore represented by such Certificates. At the Effective Time, the stock transfer books of the Company shall be closed, and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the Shares that were outstanding immediately prior to the Effective Time. If, after the Effective

Time, Certificates are presented to the Surviving Corporation or the Exchange Agent for any reason, they shall be cancelled and exchanged as provided in this Article III.

(f) Termination of Exchange Fund. Any portion of the Exchange Fund (including the proceeds of any investments thereof and any Parent Shares) which remains undistributed to the holders of Shares for twelve months after the Effective Time shall be delivered to Parent, upon demand, and any holders of Shares who have not theretofore complied with this Article III and the instructions set forth in the letter of transmittal mailed to such holders after the Effective Time shall thereafter look only to the Surviving Corporation (subject to abandoned property, escheat or other similar laws) for payment of their Parent Shares, cash and unpaid dividends and distributions on Parent Shares deliverable in respect of each Share such stockholder holds as determined pursuant to this Agreement, in each case, without any interest thereon.

(g) No Liability. None of Parent, Sub, the Company or the Exchange Agent shall be liable to any person in respect of any amount properly delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(h) Lost Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent, the posting by such Person of a bond in such reasonable amount as Parent may direct as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent shall issue in exchange for such lost, stolen or destroyed Certificate the applicable Merger Consideration with respect thereto and, if applicable, any unpaid dividends and distributions on shares of Parent Shares deliverable in respect thereof and any cash in lieu of fractional shares, in each case pursuant to this Agreement.

Section 3.3 Tax Consequences. It is intended by the parties hereto that the Transaction shall constitute a "reorganization" within the meaning of Section 368(a) of the Code and the United States Treasury Regulations thereunder.

Section 3.4 Adjustment of Exchange Ratio. In the event that Parent changes or establishes a record date for changing the number of Parent Shares issued and outstanding as a result of a stock split, stock dividend, recapitalization, subdivision, reclassification, combination or similar transaction with respect to the outstanding Parent Shares and the record date therefor shall be prior to the Effective Time, the Exchange Ratio applicable to the Merger and any other calculations based on or relating to Parent Shares shall be appropriately adjusted to reflect such stock split, stock dividend, recapitalization, subdivision, reclassification, combination or similar transaction.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Each exception set forth in the Company Letter (as defined herein) to the representations and warranties in this Article IV and each other response to this Agreement set forth in the Company Letter is identified by reference to, or has been grouped under a heading referring to, a specific individual Section of this Agreement and relates only to such Section, except to the extent that one section of the Company Letter specifically refers to or reasonably relates to

another section thereof. Except as set forth in the Company Letter, the Company represents and warrants to Parent and Sub as follows:

Section 4.1 Organization. The Company and each of its Significant Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has requisite power and authority to carry on its business as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not reasonably be expected to have a Material Adverse Effect on the Company. The Company and each of its Significant Subsidiaries is duly qualified or licensed to do business and in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing (individually or in the aggregate) would not reasonably be expected to have a Material Adverse Effect on the Company or prevent or materially delay the consummation of the Offer and/or the Merger. The Company has made available to Parent complete and correct copies of its certificate of incorporation and bylaws and the certificate of incorporation and bylaws (or similar organizational documents) of each of its Significant Subsidiaries, in each case as amended through the Closing Date.

Section 4.2 Subsidiaries. Item 4.2 of the disclosure letter delivered by the Company to Parent and Sub prior to the execution of this Agreement (the "Company Letter") lists each Subsidiary of the Company and its respective jurisdiction of incorporation and indicates whether such Subsidiary is a Significant Subsidiary. All of the outstanding shares of capital stock or ownership interest of each such Subsidiary of the Company that is a corporation have been validly issued and are fully paid and nonassessable. Except as set forth in Item 4.2 of the Company Letter, all of the outstanding shares of capital stock or ownership interest of each Subsidiary of the Company are owned by the Company, by one or more Subsidiaries of the Company or by the Company and one or more Subsidiaries of the Company, free and clear of all Liens (including any restriction on the right to vote, sell or otherwise dispose of such capital stock). Except as set forth in Item 4.2 of the Company Letter and except for the capital stock of its Subsidiaries, the Company does not own, directly or indirectly, any capital stock or other ownership interest in any Person.

Section 4.3 Capital Structure. (a) The authorized capital stock of the Company consists of 45,000,000 shares of Company Common Stock and 1,000,000 Preferred Shares, par value $.001 per share (the "Company Preferred Stock") of which 75,000 shares have been designated as Series A Junior Participating Preferred Stock (the "Company Series A Preferred Shares"). At the close of business on May 3, 2001, (i) 33,461,004 shares of Company Common Stock were issued and outstanding, all of which were validly issued, fully paid and nonassessable and free of preemptive rights, (ii) 4,999 shares of Company Common Stock were held by the Company in its treasury, (iii) 2,302,073 shares of Company Common Stock were reserved for issuance pursuant to outstanding options to purchase Company Common Stock (the "Company Stock Options") granted under the Company's 2000 Stock Option Plan, 1999 Stock Option Plan, 1997 Stock Option Plan, 1994 Stock Option Plan, Plains Petroleum Company 1992 Stock Option Plan, 1990 Barrett Resources Corporation Nondiscretionary Stock Option Plan, Plains Petroleum Company 1989 Stock Option Plan and Plains Petroleum Company 1985 Stock Option Plan for Non-Employee Directors (together, and each as amended, the "Company Stock Plans") and (iv)

no shares of Company Preferred Stock were issued and outstanding. As of the date of this Agreement, except for (i) the rights to purchase Company Series A Preferred Shares (the "Company Rights") issued pursuant to the Rights Agreement dated as of August 5, 1997, as amended pursuant to the Amendment to Rights Agreement dated as of February 25, 1999 and May 7, 2001 (as amended, the "Company Rights Agreement") between the Company and BankBoston, N.A., as Rights Agent (the "Company Rights Agent") or (ii) as set forth above, no Shares were issued, reserved for issuance or outstanding and there are not any phantom stock or other contractual rights the value of which is determined in whole or in part by the value of any capital stock of the Company ("Stock Equivalents"). There are no outstanding stock appreciation rights with respect to the capital stock of the Company. Each outstanding Share is, and each Share which may be issued pursuant to the Company Stock Plans will be, when issued, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. There are no outstanding bonds, debentures, notes or other indebtedness of the Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matter on which the Company's stockholders may vote. Except as set forth above or in Item 4.3 of the Company Letter, as of the date of this Agreement, there are no securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which the Company or any of its Significant Subsidiaries is a party or by which any of them is bound obligating the Company or any of its Significant Subsidiaries to issue, deliver or sell or create, or cause to be issued, delivered or sold or created, additional shares of capital stock or other voting securities or Stock Equivalents of the Company or of any of its Significant Subsidiaries or obligating the Company or any of its Significant Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. There are no outstanding rights, commitments, agreements, or undertakings of any kind obligating the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock or other voting securities of the Company or any of its Subsidiaries or any securities of the type described in the two immediately preceding sentences.

(b) The Company has delivered or made available to Parent complete and correct copies of the Company Stock Plans and all forms of Company Stock Options. Item 4.3 of the Company Letter sets forth a complete and accurate list of all Company Stock Options outstanding as of the date of this Agreement and the exercise price of each outstanding Company Stock Option.

Section 4.4 Authority. The Company has the requisite corporate power and authority to execute and deliver this Agreement and, subject to adoption by the Company's stockholders of this Agreement with respect to the Merger (if required by applicable law), to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company, subject to adoption by the Company's stockholders of this Agreement (if required by applicable law). This Agreement has been duly executed and delivered by the Company and (assuming the valid authorization, execution and delivery of this Agreement by Parent and Sub) constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except that such enforceability (i) may be limited by

bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity.

Section 4.5 Consents and Approvals; No Violations. Except as set forth in Item 4.5 of the Company Letter, (a) The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated by this Agreement and compliance with the provisions of this Agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any Lien upon any of the properties or assets of the Company or any of its Subsidiaries under, (i) the certificate of incorporation or bylaws of the Company or the comparable charter or organizational documents of any of its Subsidiaries, (ii) any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise or license applicable to the Company or any of its Subsidiaries or their respective properties or assets or (iii) subject to the governmental filings and other matters referred to in clause (b) of this Section 4.5, any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company or any of its Subsidiaries or their respective properties or assets, other than, in the case of clauses (ii) and (iii), any such conflicts, violations, defaults, rights, losses or Liens that individually or in the aggregate could not reasonably be expected to (x) have a Material Adverse Effect on the Company, (y) materially impair the Company's ability to perform its obligations under this Agreement or (z) prevent or materially delay the consummation of the transactions contemplated by this Agreement.

(b) No consent by a Governmental Entity is required by or with respect to the Company or any of its Subsidiaries in connection with the execution and delivery of this Agreement by the Company or the consummation by the Company of the transactions contemplated by this Agreement, except for (i) the filing of a premerger notification and report form by the Company under the HSR Act and any applicable filings under similar foreign antitrust or competition laws and regulations, (ii) the filing with the SEC of (A) the Schedule 14D-9, (B) a proxy statement relating to the Company Stockholders Meeting (as amended or supplemented from time to time, the "Proxy Statement"), and (C) such reports, schedules, forms and statements under the Exchange Act and the Securities Act, as may be required in connection with this Agreement and the transactions contemplated hereby, (iii) such filings as may be required under state securities or "blue sky" laws, (iv) the filing of the Certificate of Merger with the Delaware Secretary of State and appropriate documents with the relevant authorities of other states in which the Company is qualified to do business, and (v) such other consents, approvals, orders, authorizations, registrations, declarations and filings the failure of which to be made or obtained individually or in the aggregate could not reasonably be expected to (x) have a Material Adverse Effect on the Company, (y) impair the Company's ability to perform its obligations under this Agreement or (z) prevent or materially delay the consummation of the transactions contemplated by this Agreement.

(c) Except as otherwise disclosed in Item 4.5(c) of the Company Letter, neither the Company nor any of its Subsidiaries is a party to or subject to any material agreement, contract, policy, license, Permit, document, instrument, arrangement or commitment that provides for an express non-competition covenant with any Person or in any geographic area and

which limits in any material respect the ability of the Company to compete in its current business line.

Section 4.6 SEC Documents and Other Reports. The Company has filed with the SEC all required reports, schedules, forms, statements and other documents required to be filed by it since April 1, 1998 under the Securities Act or the Exchange Act (the "Company SEC Documents"). As of their respective filing dates, the Company SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, each as in effect on the date so filed, and at the time filed with the SEC none of the Company SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the Company SEC Documents comply as of their respective dates in all material respects with the then applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP (except in the case of the unaudited statements, as permitted by Form 10-Q under the Exchange Act) applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto) and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as at the dates thereof and the consolidated results of their operations and their consolidated cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments and to any other adjustments described therein not material in amount).

Section 4.7 Absence of Material Adverse Change. Except as disclosed in Item 4.7 of the Company Letter or in the documents filed by the Company with the SEC and publicly available prior to the date of this Agreement (the "Company Filed SEC Documents"), since December 31, 2000 the Company and its Subsidiaries have conducted their respective businesses in all material respects only in the ordinary course consistent with past practice and there has not been (i) any Material Adverse Change with respect to the Company, (ii) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to its capital stock or any redemption, purchase or other acquisition of any of its capital stock, (iii) any split, combination or reclassification of any of its capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, (iv) any change in accounting methods, principles or practices by the Company, except insofar as may have been required by a change in GAAP, (v) except in the ordinary course of business or as required under plans or agreements in effect prior to January 1, 2001, (A) any granting by the Company or any of its Subsidiaries to any current or former director, officer or employee of the Company or any of its Subsidiaries of any increase in compensation, (B) any granting by the Company or any of its Subsidiaries to any such director, officer or employee of any increase in severance or termination pay (including the acceleration in the exercisability of options to purchase, the re-pricing of options to purchase, or in the vesting of, Company Common Stock (or other property)), in excess of 10% of the potential amount payable under plans in effect as of December 31, 2000, or (C) any entry by the Company or any of its Subsidiaries into any material employment, deferred compensation, severance or termination agreement with any such current or former director, officer, or employee; (vi) any damage, destruction or loss, whether or not covered by insurance, that has had or could reasonably be expected to have a Material Adverse Effect on the Company, (vii) any amendment

of any material term of any outstanding security of the Company or any of its Subsidiaries, (viii) any incurrence, assumption or guarantee by the Company or any of its Subsidiaries of any indebtedness for borrowed money other than in the ordinary course of business consistent with past practice in the amount of more than $10 million in the aggregate through the date of this Agreement, (ix) any creation or assumption by the Company or any of its Subsidiaries of any material Lien on any asset other than in the ordinary course of business consistent with past practice, (x) any making of any loan, advance or capital contributions to or investment in any Person other than (A) loans, advances or capital contributions to or investments in wholly-owned Subsidiaries or entities that became wholly-owned Subsidiaries made in the ordinary course of business consistent with past practice, (B) loans or advances made to employees in the ordinary course of business consistent with past practice and (C) investments made in the ordinary course of business consistent with past practice, (xi) any material labor strike or dispute, other than routine individual grievances, or any material activity or proceeding by a labor union or representative thereof to organize any employees of the Company or any of its Subsidiaries, which employees were not subject to a collective bargaining agreement at December 31, 2000, or any lockouts, strikes, slowdowns, work stoppages or threats thereof by or with respect to such employees, or (xii) any agreement by the Company or any of its Subsidiaries to perform any action described in clauses (i) through (xi) above.

Section 4.8 Information Supplied. None of the information supplied or to be supplied by the Company specifically for inclusion or incorporation by reference in (i) the Offer Documents, (ii) the Schedule 14D-9, (iii) the information to be filed by the Company in connection with the Offer pursuant to Rule 14f-1 promulgated under the Exchange Act (the "Information Statement") or (iv) the Proxy Statement, will, in the case of the Offer Documents, the Schedule 14D-9 and the Information Statement, at the respective times the Offer Documents, the Schedule 14D-9 and the Information Statement are filed with the SEC or first published, sent or given to the Company's stockholders, or, in the case of the Proxy Statement, at the time the Proxy Statement is first mailed to the Company's stockholders or at the time of the Stockholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Stockholders Meeting which has become false or misleading. The Schedule 14D-9, the Information Statement and the Proxy Statement will comply as to form in all material respects with the requirements of the Exchange Act, except that no representation or warranty is made by the Company with respect to statements made or incorporated by reference therein based on information supplied by Parent or Sub specifically for inclusion or incorporation by reference therein.

Section 4.9 Compliance with Laws. The Company and its Subsidiaries have been, and are, in compliance in all material respects with all applicable statutes, laws, ordinances, regulations, rules, judgments, decrees or orders of any Governmental Entity, except for any non-compliance that could not reasonably be expected to have a Material Adverse Effect on the Company, and neither the Company nor any of its Subsidiaries has received any notice from any Governmental Entity or any other Person that either the Company or any of its Subsidiaries is in violation of, or has violated, any applicable statutes, laws, ordinances, regulations, rules, judgments, decrees or orders, except for violations that could not reasonably be expected to have a Material Adverse Effect on the Company. Each of the Company and its Subsidiaries has in

effect all Federal, state, local and foreign governmental Permits necessary for it to own, lease or operate its properties and assets and to carry on its business as now conducted, and there has occurred no default under any such Permit, except for the absence of Permits and for defaults under Permits which absence or defaults, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on the Company.

Section 4.10 Tax Matters. Except as set forth in Item 4.10 of the Company Letter, (i) the Company and each of its Subsidiaries has timely filed (after taking into account any extensions to file) all Tax Returns required to be filed by them either on a separate or combined or consolidated basis, except where the failure to timely file a Tax Return (other than a Federal or state income Tax Return) would not reasonably be expected to have a Material Adverse Effect on the Company; (ii) all such Tax Returns are complete and accurate, except where the failure to be complete or accurate would not reasonably be expected to have a Material Adverse Effect on the Company; (iii) each of the Company and its Subsidiaries has paid or caused to be paid all Taxes as shown as due on such Tax Returns and all material Taxes for which no return was filed, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect on the Company; (iv) no deficiencies for any Taxes have been asserted in writing, proposed in writing or assessed in writing against the Company or any of its Subsidiaries that have not been paid or otherwise settled or are not otherwise being challenged under appropriate procedures, except for deficiencies the assertion, proposing or assessment of which would not reasonably be expected to have a Material Adverse Effect on the Company; and (v) no written requests for waivers of the time to assess any material Taxes of the Company or its Subsidiaries are pending. Neither the Company nor any of its Subsidiaries has taken or agreed to take any action or knows of any fact, circumstance, plan or intention that is or would be reasonably likely to prevent the Transaction from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

Section 4.11 Liabilities. Except as set forth in the Company Filed SEC Documents, neither the Company nor any of its Subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) required by GAAP to be set forth on a consolidated balance sheet of the Company and its Subsidiaries or in the notes thereto, other than liabilities and obligations incurred in the ordinary course of business since December 31, 2000 and liabilities which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company.

Section 4.12 Litigation. Except as disclosed in Item 4.12 of the Company Letter or in the Company Filed SEC Documents, there is no suit, action, proceeding or investigation pending or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries that could reasonably be expected to (i) have a Material Adverse Effect on the Company, (ii) materially impair the ability of the Company to perform its obligations under this Agreement or (iii) prevent or materially delay the consummation of the Offer and/or the Merger; nor is there any outstanding judgment, order, writ, injunction, rule or decree of any Governmental Entity or arbitrator outstanding against the Company or any of its Subsidiaries having any such effect.

Section 4.13 Benefit Plans. (a) Except as disclosed in the Company Filed SEC Documents or Item 4.13(a) of the Company Letter or as required by law, neither the Company nor any of its Subsidiaries has adopted or amended in any material respect any Benefit Plan since

the date of the most recent audited financial statements included in the Company Filed SEC Documents. Except as disclosed in Item 4.13(a) of the Company Letter or in the Company Filed SEC Documents, there exist no material employment, consulting, severance or termination agreements between the Company or any of its Subsidiaries and any current or former officer, director, employee or consultant of the Company or any of its Subsidiaries. The Company has made available to Parent a copy of each Benefit Plan, including, without limitation, each Severance Protection Agreement.

(b) Except as would not, individually or in the aggregate, have a Material Adverse Effect on the Company, each ERISA Benefit Plan maintained by the Company or any of its Subsidiaries has been maintained and operated in compliance with its terms, the applicable requirements of applicable law, including the Code and ERISA, and each ERISA Benefit Plan intended to be "qualified" within the meaning of Section 401(a) of the Code has received a favorable determination letter from the IRS. Except as disclosed in Item 4.13(b) of the Company Letter, none of the Company, its Subsidiaries or any other person or entity that together with the Company is treated as a single employer under Section 414 of the Code (each, an "ERISA Affiliate") has at any time during the five-year period preceding the date hereof contributed to any ERISA Benefit Plan that is a "multiemployer plan" (as defined in Section 3(37) of ERISA) or maintained any ERISA Benefit Plan that is subject to Title IV of ERISA or Section 412 of the Code.

(c) Except as disclosed in Item 4.13(c) of the Company Letter, as of the date of this Agreement there is no pending dispute, arbitration, claim, suit or grievance involving a Benefit Plan (other than routine claims for benefits payable under any such Benefit Plan) that would reasonably be expected to have a Material Adverse Effect on the Company.

(d) No liability under Title IV or Section 302 of ERISA has been incurred by the Company or any ERISA Affiliate that has not been satisfied in full, and no condition exists that presents a material risk to the Company or any ERISA Affiliate of incurring any such liability, other than any such liability that would not have a Material Adverse Effect on the Company. Insofar as the representation made in this Section 4.13(d) applies to Sections 4064, 4069 or 4204 of Title IV of ERISA, it is made with respect to any employee benefit plan, program, agreement or arrangement subject to Title IV of ERISA to which the Company or any ERISA Affiliate made, or was required to make, contributions during the five-year period ending on the last day of the most recent plan year ending prior to the Closing Date.

(e) Except as disclosed in Item 4.13(e) of the Company Letter, no Benefit Plan provides medical, surgical, hospitalization or death benefits (whether or not insured) for employees or former employees of the Company or any of its Subsidiaries for periods extending beyond their retirement or other termination of service, other than (i) coverage mandated by applicable law, (ii) death benefits under any "pension plan," (iii) benefits the full cost of which is borne by the current or former employee (or his or her beneficiary) or (iv) exceptions which would not have a Material Adverse Effect on the Company.

(f) Item 4.13(f) of the Company Letter sets forth the Company's good faith estimate of the payments that may be made under the Benefit Plans that could constitute "excess parachute payments" within the meaning of Section 280G of the Code.

Section 4.14 State Takeover Statutes; Bylaws Provision; Rights Agreement. The action of the Board of Directors of the Company in approving the Offer (including the purchase of Shares pursuant to the Offer), the Merger, this Agreement and the transactions contemplated by this Agreement is sufficient to render inapplicable to the Offer, the Merger and this Agreement the provisions of (i) Section 203 of the DGCL and (ii) Article IV of the Bylaws. The Company has made available to Parent a complete and correct copy of the Company Rights Agreement, including all current and proposed amendments and exhibits thereto. The Board of Directors of the Company has taken all action necessary to amend the Company Rights Agreement (subject only to the execution of such amendment by the Company Rights Agent, which execution the Company shall cause to take place within 48 hours of the date hereof) to provide that: (i) a Distribution Date (as defined in the Company Rights Agreement) shall not occur, the Company Rights shall not separate (to the extent the Company Rights Agreement otherwise provides for such separation) or become exercisable and neither Parent nor Sub shall become an Acquiring Person (as defined in the Company Rights Agreement) as a result of the execution or delivery of this Agreement by Parent or Sub, the public announcement of such execution and delivery or, provided that this Agreement shall not have been terminated in accordance with Section 9.1 and subject to the terms of this Agreement, the public announcement or the commencement of the Offer or the consummation of the Offer and (ii) the Company Rights shall cease to be exercisable and the Company Rights Agreement shall terminate after the consummation of the Offer in accordance with the terms thereof and the terms and conditions hereof, including the acceptance for payment of, and the payment for all Shares tendered pursuant to the Offer. To the Knowledge of the Company, no other "fair price," "moratorium," "control share acquisition," or other anti-takeover statute or similar statute or regulation, applies or purports to apply this Agreement, or the Offer, the Merger or the other transactions contemplated by this Agreement.

Section 4.15 Brokers. No broker, investment banker, financial advisor or other person, other than Goldman, Sachs and Petrie Parkman, the fees and expenses of which will be paid by the Company (and are reflected in an agreement between Goldman, Sachs and the Company and an agreement between Petrie Parkman and the Company, complete copies of which have been furnished to Parent), is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company or any of its Subsidiaries. If the transactions contemplated by this Agreement are consummated, no such engagement letter obligates the Company to continue to use the services or pay fees or expenses in connection with any future transaction.

Section 4.16 Voting Requirements. Approval of the Merger requires the affirmative vote of a majority of the outstanding Shares (the "Company Stockholder Approval"). The Company Stockholder Approval is the only vote of the holders of the Company's capital stock necessary to approve and adopt this Agreement and the transactions contemplated hereby.

Section 4.17 Environmental Matters.

Except as disclosed in Item 4.17 of the Company Letter:

(a) The Company and each of its Subsidiaries has been and is in material compliance with all applicable Environmental Laws, including, but not limited to, possessing all

permits, authorizations, licenses, exemptions and other governmental authorizations required for its operations under applicable Environmental Laws, except for such non-compliance that could not reasonably be expected to have a Material Adverse Effect on the Company.

(b) There is no pending or, to the Knowledge of the Company, threatened written claim, lawsuit, or administrative proceeding against the Company or each of its Subsidiaries, under or pursuant to any Environmental Law, that could reasonably be expected to have a Material Adverse Effect on the Company. Neither the Company nor any of its Subsidiaries has received written notice from any Person, including, but not limited to, any Governmental Entity, alleging that the Company or any of its Subsidiaries has been or is in violation or potentially in violation of any applicable Environmental Law or otherwise may be liable under any applicable Environmental Law, which violation or liability is unresolved and could reasonably be expected to have a Material Adverse Effect on the Company. Neither the Company nor any of its Subsidiaries has received any written request for information from any Person, including but not limited to any Governmental Entity, related to liability under or compliance with any applicable Environmental Law, except for such matters as would not, if they matured into a claim against the Company or any of its Subsidiaries, have a Material Adverse Effect on the Company.

(c) With respect to the real property that is currently owned, leased or operated by the Company or any of its Subsidiaries, there have been no spills, discharges or releases (as such term is defined by the Comprehensive Environmental Response, Compensation and Liability Act, 42, U.S.C. 9601, et seq.) of Hazardous Substances or any other contaminant or pollutant on or underneath any of such real property that could reasonably be expected to have a Material Adverse Effect on the Company.

(d) With respect to real property that was formerly owned, leased or operated by the Company or any of its Subsidiaries or any of their predecessors in interest, to the Knowledge of the Company, there were no spills, discharges or releases (as such term is defined by the Comprehensive Environmental Response, Compensation and Liability Act, 42, U.S.C. 9601, et seq.) of Hazardous Substances or any other contaminant or pollutant on or underneath any of such real property during or prior to the Company's or any of its Subsidiaries' ownership or operation of such real property that could reasonably be expected to result in a Material Adverse Effect on the Company.

(e) Except as disclosed on Item 4.17(e) of the Company Letter, neither the Company nor any of its Subsidiaries has entered into any written agreement or incurred any material legal or monetary obligation that may require them to pay to, reimburse, guarantee, pledge, defend, indemnify or hold harmless any Person from or against any liabilities or costs arising out of or related to the generation, manufacture, use, transportation or disposal of Hazardous Substances, or otherwise arising in connection with or under Environmental Laws, other than in each case exceptions which would not reasonably be expected to have a Material Adverse Effect on the Company.

(f) To the Knowledge of the Company, neither the Company nor any of its Subsidiaries has disposed or arranged for the disposal of Hazardous Substances (or any waste or substance containing Hazardous Substances) at any location that is: (i) listed on the Federal National Priorities List ("NPL") or identified on the CERCLIS, each established pursuant to the

Comprehensive Environmental Response, Compensation and Liability Act, 42, U.S.C. 9601, et seq.; (ii) listed on any state list of hazardous waste sites that is analogous to the NPL or CERCLIS; or (iii) has been subject to environmental investigation or remediation, other than, in each case, exceptions which would not reasonably be expected to have a Material Adverse Effect on the Company.

Section 4.18 Contracts; Debt Instruments. (a) Item 4.18(a) of the Company Letter and the Company's Annual Report on Form 10-K for the year ended December 31, 2000 (the "2000 10-K") together set forth a true and complete list of (i) all material agreements to which the Company or any of its Subsidiaries is a party; (ii) all agreements relating to the incurring of indebtedness (including sale and leaseback and capitalized lease transactions and other similar financing transactions) providing for payment or repayment in excess of $10 million; (iii) the exhibits contained or incorporated by reference in the 2000 10-K contain or incorporate by reference all of the contracts required to be included therein; (iv) all agreements requiring capital expenditures in excess of $5 million individually (other than agreements relating to the drilling, completion and connection of wells in the ordinary course of business (including all related service contracts) and agreements relating to joint operation, development and exploration entered into in the ordinary course of business); and (v) any non-competition agreements or any other agreements or obligations which purport to limit in any material respect the manner in which, or the localities in which, all or any substantial portion of the business of the Company and its Subsidiaries, taken as a whole, is conducted (the agreements, contracts and obligations specified above, collectively the "Company Contracts"). All Company Contracts are valid and in full force and effect on the date hereof except to the extent they have previously expired in accordance with their terms or if the failure to be in full force and effect, individually and in the aggregate, would not have a Material Adverse Effect on the Company. Neither the Company nor any of its Subsidiaries has violated any provision of, or committed or failed to perform any act which with or without notice, lapse of time or both would constitute a default under the provisions of, any Company Contract that could reasonably be expected to have a Material Adverse Effect on the Company.

(b) Except as described in Item 4.18(b) of the Company Letter or in the Company SEC Documents, the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not (i) result in any material payment (including severance, unemployment compensation, tax gross-up, bonus or otherwise) becoming due to any current or former director, officer, employee or independent contractor of the Company or any of its Subsidiaries, from the Company or any of its Subsidiaries under any Company Stock Plan, Benefit Plan, agreement or otherwise, (ii) materially increase any benefits otherwise payable under any Company Stock Plan, Benefit Plan, agreement or otherwise or (iii) result in the acceleration of the time of payment, exercise or vesting of any such material benefits.

Section 4.19 Title to Properties. Except as set forth in Item 4.19 of the Company Letter:

(a) Each of the Company and its Subsidiaries has good and marketable title to, or valid leasehold interests in, all its properties and assets, free and clear of all Liens, except for defects in title, easements, restrictive covenants and similar encumbrances or impediments that, in the aggregate, do not and could not reasonably be expected to have a Material Adverse Effect on the Company.

(b) Each of the Company and its Subsidiaries has complied in all material respects with the terms of all material leases to which it is a party and under which it is in occupancy, and all such leases are in full force and effect, except for such non-compliance that could not reasonably be expected to have a Material Adverse Effect on the Company. To the Knowledge of the Company, each of the Company and each of its Subsidiaries enjoys peaceful and undisturbed possession under all such leases, except for such noncompliance that could not reasonably be expected to have a Material Adverse Effect on the Company.

Section 4.20 Intellectual Property. (a) As used in this Agreement, "Company Intellectual Property" means all of the following which are necessary to conduct the business of the Company and its Subsidiaries as presently conducted: (i) trademarks, trade dress, service marks, copyrights, logos, trade names, corporate names and all registrations and applications to register the same; (ii) patents and pending patent applications; (iii) all computer software programs, databases and compilations; and (iv) all material licenses and agreements to which the Company or any of its Subsidiaries is a party which relate to any of the foregoing.

(b) Except as disclosed in Item 4.20(b) of the Company Letter, the Company or its Subsidiaries owns or has the right to use all Company Intellectual Property necessary to conduct the Company's business as presently conducted, except as would not, individually or in the aggregate, be expected to have a Material Adverse Effect on the Company.

(c) Except as disclosed in Item 4.20(b) of the Company Letter, to the Knowledge of the Company, the conduct of the Company's and its Subsidiaries' business or the use of the Company Intellectual Property does not infringe, violate, misappropriate or misuse any intellectual property rights or any other proprietary right of any Person or give rise to any obligations to any Person as a result of co-authorship, except in each case for exceptions which would not, individually or in the aggregate, be expected to have a Material Adverse Effect on the Company.

Section 4.21 Condition of Assets. All of the material property, plant and equipment of the Company and its Subsidiaries, has in all material respects been maintained in reasonable operating condition and repair, ordinary wear and tear excepted, and is in all material respects, sufficient to permit the Company and its Subsidiaries to conduct their operations in the ordinary course of business in a manner consistent with their past practices.

Section 4.22 Derivative Transactions.

(a) Except as set forth in Section 4.22(a) of the Company Letter, neither the Company nor its Subsidiaries has entered into any material Derivative Transactions (as defined below) since December 31, 2000 that have a continuing financial liability or obligation. All Derivative Transactions entered into by the Company or any of its Subsidiaries that are currently open were entered into in material compliance with applicable rules, regulations and policies of all regulatory authorities.

(b) For purposes of this Section 4.22, "Derivative Transactions" means derivative transactions within the coverage of FAS 133, including any swap transaction, option, warrant, forward purchase or sale transaction, futures transaction, cap transaction, floor transaction or

collar transaction relating to one or more currencies, commodities, bonds, equity securities, loans, interest rates, credit-related events or conditions or any indexes, or any other similar transaction (including any option with respect to any of these transactions) or combination of any of these transactions, including collateralized mortgage obligations or other similar instruments or any debt or equity instruments evidencing or embedding any such types of transactions, and any related credit support, collateral, transportation or other similar arrangements or agreements related to such transactions.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF PARENT AND SUB

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

Section 5.1 Organization. Parent and each of its Significant Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has requisite power and authority to carry on its business as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not reasonably be expected to have a Material Adverse Effect on Parent. Parent and each of its Significant Subsidiaries is duly qualified or licensed to do business and in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not reasonably be expected to have a Material Adverse Effect on Parent or prevent or materially delay the consummation of the Offer and/or the Merger. Parent has delivered to the Company complete and correct copies of its Certificate of Incorporation and Bylaws and has made available to the Company the charter and bylaws (or similar organizational documents) of each of its Significant Subsidiaries.

Section 5.2 Capital Structure. Except as set forth in Item 5.2 of the Parent Letter, the authorized capital stock of Parent consists of 960,000,000 shares of common stock (the "Parent Shares") and 30,000,000 shares of preferred stock. At the close of business on March 23, 2001, (i) 484,040,320 Parent Shares were issued and outstanding, all of which were validly issued, fully paid and nonassessable and free of preemptive rights and (ii) 6,311,910 Parent Shares were held by Parent in its treasury. As of the close of business on April 24, 2001, there were 25,554,954 Parent Shares reserved for issuance pursuant to outstanding options to purchase Parent Shares (the "Parent Stock Options") granted under Parent's 1996 Stock Plan, its Stock Plan for Non-Officer Employees, its 1996 Stock Plan for Non-Employee Directors, and the Williams International Stock Plan (the "Parent Stock Incentive Plans"), and, as of the close of business on February 28, 2001, there were 15,122,521 Parent Shares reserved for the grant of additional awards under Parent Stock Incentive Plans. The numbers of shares of capital stock and options described in the immediately preceding sentences have not materially changed as of the date of this Agreement, except for adjustments made in connection with the April 23, 2001 spin-off of Williams Communications Group, Inc. from Parent. As of the date of this Agreement, except as set forth above, no Parent Shares were issued, reserved for issuance or outstanding and there are not any phantom stock or other contractual rights the value of which is determined in whole or in part by the value of any capital stock of Parent ("Parent Stock Equivalents"). There are no outstanding stock appreciation rights with respect to the capital

stock of Parent. Each outstanding Parent Share is, and each Parent Share which may be issued pursuant to Parent Stock Plans will be, when issued, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. There are no outstanding bonds, debentures, notes or other indebtedness of Parent having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matter on which Parent's stockholders may vote. Except as set forth above or in Item 5.3 of the Parent Letter, as of the date of this Agreement, there are no securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which Parent or any of its Significant Subsidiaries is a party or by which any of them is bound obligating Parent or any of its Significant Subsidiaries to issue, deliver or sell or create, or cause to be issued, delivered or sold or created, additional shares of capital stock or other voting securities or Parent Stock Equivalents of Parent or of any of its Significant Subsidiaries or obligating Parent or any of its Significant Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking.

As of the date of this Agreement, there are no outstanding contractual obligations of Parent or any of its Significant Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of Parent or any of its Significant Subsidiaries.

Section 5.3 Authority. Each of Parent and Sub has requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by each of Parent and Sub and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary corporate and stockholder action on the part of each of Parent and Sub. This Agreement has been duly executed and delivered by each of Parent and Sub and (assuming the valid authorization, execution and delivery of this Agreement by the Company) constitutes the valid and binding obligation of each of Parent and Sub enforceable against it in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity.

Section 5.4 Consents and Approvals; No Violations. Except for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Exchange Act, the Securities Act, the HSR Act, the DGCL, the laws of other states in which Parent is qualified to do or is doing business, state takeover laws and foreign and supranational laws relating to antitrust and anticompetition clearances, and except as may be required in connection with the Taxes described in Section 7.7, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated by this Agreement and compliance with the provisions of this Agreement will conflict with or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any Lien upon, any of the properties or assets of Parent or any of its Subsidiaries, (i) the certificate of incorporation or bylaws of Parent or the comparable charter or organizational documents of any of Parent's Significant Subsidiaries, (ii) require any filing with, or permit, authorization, consent or approval of, any Governmental Entity (except where the failure to obtain such permits, authorizations, consents or approvals or to make such filings would not reasonably be expected to have a Material Adverse Effect on

Parent or prevent or materially delay the consummation of the Offer and/or the Merger), (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which Parent or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Parent, Sub, any of its Significant Subsidiaries or any of their properties or assets, except in the case of clauses (iii) or (iv) for violations, breaches or defaults that would not reasonably be expected to have a Material Adverse Effect on Parent or prevent or materially delay the consummation of the Offer and/or the Merger.

Section 5.5 SEC Documents and Other Reports. Parent has filed with the SEC all documents required to be filed by it since April 1, 1998 under the Securities Act or the Exchange Act (the "Parent SEC Documents"). As of their respective filing dates, the Parent SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, each as in effect on the date so filed, and at the time filed with the SEC none of the Parent SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of Parent included in the Parent SEC Documents comply as of their respective dates in all material respects with the then applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP (except in the case of the unaudited statements, as permitted by Form 10-Q under the Exchange Act) applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto) and fairly present the consolidated financial position of Parent and its consolidated Subsidiaries as at the dates thereof and the consolidated results of their operations and their consolidated cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments and to any other adjustments described therein).

Section 5.6 Absence of Material Adverse Change. Except as disclosed in Item 5.7 of the Parent Letter or in the documents filed by Parent with SEC and publicly available prior to the date of the Agreement (the "Parent Filed SEC Documents"), since December 31, 2000 Parent and its Subsidiaries have conducted their respective businesses in all material respects only in the ordinary course consistent with past practice, and there has not been (i) any Material Adverse Change with respect to Parent, (ii) except for (a) ordinary quarterly dividends paid or payable to stockholders of Parent and (b) the distribution of shares of Williams Communications Group to holders of Parent Shares, any declaration, setting aside or payment of any dividend or other distribution with respect to its capital stock or any redemption, purchase or other acquisition of any of its capital stock, (iii) any split, combination or reclassification of any of its capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, or (iv) any change in accounting methods, principles or practices by Parent materially affecting its assets, liabilities or business, except insofar as may have been required by a change in generally accepted accounting principles.

Section 5.7 Information Supplied. None of the information supplied or to be supplied by Parent or Sub specifically for inclusion or incorporation by reference in (i) the Offer Documents, (ii) the Schedule 14D-9, (iii) the Information Statement, (iv) the Proxy Statement or (v) the Form S-4 will, in the case of the Offer Documents, the Schedule 14D-9 and the Information Statement, at the respective times the Offer Documents, the Schedule 14D-9 and the Information Statement are filed with the SEC or first published, sent or given to the Company's stockholders, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or, in the case of the Form S-4, at the time it becomes effective under the Securities Act, or, in the case of the Proxy Statement, if any, at the time the Proxy Statement is first mailed to the Company's stockholders or at the time of the Stockholders Meeting, be false or misleading with respect to any material fact, or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Stockholders Meeting which has become false or misleading, except that no representation or warranty is made by Parent or Sub in connection with any of the foregoing with respect to statements made or incorporated by reference therein based on information supplied by the Company or any of its representatives specifically for inclusion or incorporation by reference therein. The Offer Documents will comply as to form in all material respects with the requirements of the Exchange Act, except that no representation or warranty is made by Parent or Sub in connection with any of the foregoing with respect to statements made or incorporated by reference therein based on information supplied by the Company or any of its representatives specifically for inclusion or incorporation by reference therein.

Section 5.8 Compliance with Laws. Parent and its Subsidiaries have been and are, in compliance in all material respects with all applicable statutes, laws, ordinances, regulations, rules, judgments, decrees or orders of any Governmental Entity, except for any non-compliance that could not reasonably be expected to have a Material Adverse Effect on Parent, and neither Parent nor any of its Subsidiaries has received any notice from any Governmental Entity or any other Person that either Parent or any of its Subsidiaries is in violation of, or has violated, any applicable statutes, laws, ordinances, regulations, rules, judgments, decrees or orders, except for violation that could not reasonably be expected to have a Material Adverse Effect on Parent. Each of Parent and its Subsidiaries has in effect all Federal, state, local and foreign governmental Permits necessary for it to own, lease or operate properties and assets and to carry on its business as now conducted, and there has occurred no default under any such Permit, except for the absence of Permits and for defaults under Permits which absence or defaults, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on Parent.

Section 5.9 Parent Shares. All of the Parent Shares issuable in exchange for Shares in the Merger in accordance with this Agreement will be, when so issued, duly authorized, validly issued, fully paid and non-assessable and free of preemptive rights. The issuance of such Parent Shares will be registered under the Securities Act and registered or exempt from registration under applicable state securities laws.

Section 5.10 Reorganization. Neither Parent nor any of its Subsidiaries has taken or agreed to take any action or knows of any fact, circumstance, plan or intention that is or would

be reasonably likely to prevent the Transaction from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

Section 5.11 Liabilities. Except as set forth in the Parent Filed SEC Documents, neither Parent nor any of its Subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) required by GAAP to be set forth on a consolidated balance sheet of Parent and its Subsidiaries or in the notes thereto, other than liabilities and obligations incurred in the ordinary course of business since December 31, 2000 and liabilities which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Parent.

Section 5.12 Interim Operations of Sub. Sub was formed solely for the purpose of engaging in the transactions contemplated hereby, has engaged in no other business activities and has conducted its operations only as contemplated hereby.

Section 5.13 Litigation. Except as disclosed in Item 5.13 of the Parent Letter or in the Parent Filed SEC Documents, there is no suit, action, proceeding or investigation pending against Parent or any of its Subsidiaries that would reasonably be expected to have a Material Adverse Effect on Parent or prevent or materially delay the consummation of the Offer and/or the Merger. Except as disclosed in Item 5.13 of the Parent Letter or in the Parent Filed SEC Documents, neither Parent nor any of its Subsidiaries is subject to any outstanding judgment, order, writ, injunction or decree that would reasonably be expected to have a Material Adverse Effect on Parent or prevent or materially delay the consummation of the Offer and/or the Merger.

Section 5.14 California Exposure. Based on the facts and circumstances known to Parent on the date of this Agreement, Parent believes that the reserves reflected in its most recent financial statements are adequate in all material respects in relation to Parent's credit, regulatory or litigation exposure arising from the sale of natural gas or electricity in the State of California.

Section 5.15 Brokers. No broker, investment banker, financial advisor or other person, other than Merrill Lynch & Co., the fees and expenses of which will be paid by Parent, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Sub.

ARTICLE VI
COVENANTS RELATING TO CONDUCT OF BUSINESS

Section 6.1 Conduct of Business Pending the Merger.

(a) Conduct of Business by the Company Pending the Merger. During the period from the date of this Agreement until the earlier of the Effective Time or such time as Parent's designees shall constitute a majority of the Board of Directors of the Company, the Company shall, and shall cause each of its Subsidiaries to, in all material respects, except as contemplated by this Agreement, carry on its business in the ordinary course as currently conducted. Without limiting the generality of the foregoing, and except as otherwise contemplated by this Agreement (including, without limitation, as permitted or required by Section 7.9 or Section 7.11), during

such period, the Company shall not, and shall not permit any of its Subsidiaries to, without the prior written consent of Parent (which consent shall not be unreasonably withheld or delayed):

(i)(A) declare, set aside or pay any dividends on, or make any other distributions in respect of, any of its capital stock, except for dividends by a Subsidiary of the Company to its parent or (B) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock;

(ii) issue, deliver, sell, pledge or otherwise encumber any shares of its capital stock, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities or convertible securities, other than (i) the issuance of Shares upon exercise of Company Stock Options outstanding on the date hereof or (ii) purchase, redeem or otherwise acquire any shares of capital stock of the Company or any of its Subsidiaries or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities;

(iii) amend its Restated Certificate of Incorporation or Bylaws or other similar organizational documents;

(iv) except as disclosed in Item 6.1(a) of the Company Letter, acquire, or agree to acquire, in a single transaction or in a series of related transactions, any business or assets, other than transactions that are in the ordinary course of business, or which involve assets having a purchase price not in excess of $5 million individually or $10 million in the aggregate;

(v) make or agree to make any new capital expenditure other than expenditures approved by the Board of Directors of the Company and within the Company's capital budget for fiscal 2001, a true, complete and correct copy of which has been provided to Parent; provided, however, that no individual capital expenditure by the Company pursuant to a single authority for expenditure may exceed $2.5 million;

(vi) except as disclosed in Item 6.1(a) of the Company Letter, sell, lease, license, encumber or otherwise dispose of, or agree to sell, lease, license, encumber or otherwise dispose of, any of its assets, other than transactions that are in the ordinary course of business or which involve assets having a current value not in excess of $1 million individually or $5 million in the aggregate;

(vii) except as disclosed in Item 6.1(a) of the Company Letter: (i) increase the salary or wages payable or to become payable to its directors, officers or employees, except for increases required under employment agreements existing on the date hereof, and except for increases for officers and employees not in excess of 10% of such person's salary or wages as in effect at the date of this Agreement; or (ii) enter into, modify or amend any employment or severance agreement with, or establish, adopt, enter into or amend any bonus, profit sharing,

thrift, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination or severance plan or agreement or material policy or arrangement for the benefit of, any director, officer or employee, except as may be required by the terms of any such plan, agreement, policy or arrangement or to comply with applicable law or as contemplated by this Agreement;

(viii) except as may be required as a result of a change in law or in generally accepted accounting principles, make any material change in its method of accounting;

(ix) make any material Tax election (unless required by law) or enter into any settlement or compromise of any material Tax liability that, in either case, could reasonably be expected to have a Material Adverse Effect on the Company;

(x) (i) mortgage or otherwise encumber or subject to any Lien the Company's or its Subsidiaries', properties or assets, except in the ordinary course of business consistent with past practice or pursuant to existing contracts or commitments, or (ii) except in the ordinary course of business consistent with past practice or pursuant to existing contracts or commitments, license any of the Company's Intellectual Property;

(xi) pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice and in accordance with their terms, or (i) liabilities reflected or reserved against in, or contemplated by, the most recent consolidated financial statements (or the notes thereto) of the Company included in the Company SEC Documents, (ii) liabilities incurred in the ordinary course of business consistent with past practice, or (iii) other liabilities or obligations not to exceed in the aggregate $2,500,000;

(xii) (i) incur any Indebtedness or guarantee any such Indebtedness of another Person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of the Company or any of its Subsidiaries, guarantee any debt securities of another Person, enter into any "Keep Well" or other agreement to maintain any financial statement condition of another Person or enter into any arrangement having the economic effect of any of the foregoing, except for borrowings incurred in the ordinary course of business (or to refund existing or maturing indebtedness) consistent with past practice and except for intercompany indebtedness between the Company and any of its wholly-owned Subsidiaries or between such Subsidiaries and except for Indebtedness, guarantees and similar commitments which do not exceed $10 million in the aggregate, or (ii) make any loans, advances or capital contributions to, or investments in, any other Person, except in the ordinary course of business or pursuant to an agreement existing on the date hereof or loans, advances, capital contributions or investments which do not exceed $10 million in the aggregate; or

(xiii) enter into or authorize any contract, agreement or binding commitment to do any of the foregoing.

(b) Conduct of Business by the Parent Pending the Merger. During the period from the date of this Agreement until the Effective Time, Parent shall, and shall cause each of its Subsidiaries to, in all material respects, except as contemplated by this Agreement, carry on its business in the ordinary course as currently conducted. Without limiting the generality of the foregoing, and except as otherwise contemplated by this Agreement, during such period, Parent shall not, and shall not permit any of its Subsidiaries to, without the prior written consent of the Company (which consent shall not be unreasonably withheld or delayed):

(i) make any change in or amendment to Parent's Certificate of Incorporation that changes any material term or provision of the Parent Shares;

(ii) make any material change in or amendment to Sub's Certificate of Incorporation;

(iii) engage in any material repurchase at a premium, recapitalization, restructuring or reorganization with respect to Parent's capital stock, including, without limitation, by way of any extraordinary dividend on, or other extraordinary distributions with respect to, Parent's capital stock;

(iv) acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of or equity in, or by any other manner, any person or any business or division thereof, or otherwise acquire any assets, unless such acquisition or the entering into of a definitive agreement relating to or the consummation of such transaction would not (A) impose any material delay in the obtaining of, or materially increase the risk of not obtaining, any authorizations, consents, orders, declarations or approvals of any Governmental Entity necessary to consummate the Offer, the Merger or the expiration or termination of any applicable waiting period, (B) materially increase the risk of any Governmental Entity entering an order prohibiting the consummation of the Offer or the Merger or (C) increase the risk of not being able to remove any such order on appeal or otherwise; or

(v) enter into any contract or agreement to do any of the foregoing.

Section 6.2 No Solicitation; Acquisition Proposals. (a) From the date of this Agreement until the Effective Time or, if earlier, the termination of this Agreement in accordance with its terms, (1) the Company shall, and the Company shall cause its and its Subsidiaries' respective Representatives to, immediately cease and terminate any existing solicitation, initiation, knowing encouragement, discussion or negotiation with any Third Party conducted heretofore by the Company, its Subsidiaries or their respective Representatives with respect to any Acquisition Proposal and (2) the Company shall not, and the Company shall cause its and its Subsidiaries' respective Representatives not to, directly or indirectly, (i) solicit, initiate or knowingly encourage (including by way of furnishing non-public information), or knowingly take any other action to facilitate, any inquiries or the making or submission of any proposal that constitutes, or

may reasonably be expected to lead to, any Acquisition Proposal; (ii) enter into any agreement with respect to any Acquisition Proposal or enter into any agreement requiring the Company to abandon, terminate or fail to consummate the acquisition of Shares pursuant to the Offer or the Merger; (iii) participate or engage in any discussions or negotiations with, or disclose or provide any non-public information or data relating to the Company or its Subsidiaries to any Third Party relating to an Acquisition Proposal (except as required by legal process), or knowingly facilitate any effort or attempt to make or implement an Acquisition Proposal or accept an Acquisition Proposal; or (iv) enter into any letter of intent, agreement or similar document relating to any Acquisition Proposal.

(b) Notwithstanding the restrictions set forth in Section 6.2(a), if, at any time prior to the acquisition of Shares pursuant to the Offer, (1) the Company has received an unsolicited bona fide written proposal from a Third Party relating to an Acquisition Proposal (under circumstances in which the Company has complied in all material respects with its obligations under Section 6.2(a)) and (2) the Board of Directors of the Company concludes in good faith (after consultation with a financial advisor of nationally recognized reputation and after receiving the advice of its outside counsel) (i) that such Acquisition Proposal may reasonably constitute a Superior Proposal and (ii) that the failure to provide such information or participate in such negotiations or discussions would result in a breach by the Board of Directors of the Company of its fiduciary duties to the Company's stockholders under applicable law, the Company may, subject to its giving Parent 24 hours prior written notice of the identity of such Third Party and, to the extent known, the terms and conditions of such Acquisition Proposal and of the Company's intention to furnish nonpublic information to, or enter into discussions or negotiations with, such Third Party, (x) furnish information with respect to the Company and its Subsidiaries to any Third Party pursuant to a customary confidentiality agreement containing terms not materially less restrictive than the terms of the Confidentiality Agreement dated March 9, 2001, entered into between the Company and Parent, as the same may be amended, supplemented or modified (the "Confidentiality Agreement"), provided that a copy of all such information is delivered simultaneously to Parent if it has not previously been so furnished to Parent, and (y) participate in discussions or negotiations regarding such proposal or take any of the actions described in Section 6.2(a)(2)(i) through (iv),

(c) The Company shall within 24 hours notify and advise Parent orally and in writing of any Acquisition Proposal and the terms and conditions of such Acquisition Proposal. The Company shall inform Parent on a prompt and current basis of the status of any discussions regarding, or relating to, any Acquisition Proposal with a Third Party (including amendments and proposed amendments) and, as promptly as practicable, of any change in the price, structure or form of the consideration or material terms of and conditions regarding the Acquisition Proposal. In fulfilling its obligations under this paragraph (c) of this Section 6.2, the Company shall provide promptly to Parent copies of all material written correspondence or material written documents furnished to the Company or its Representatives by or on behalf of such Third Party.

(d) The Company agrees that it will promptly inform its and its Subsidiaries' respective Representatives of the obligations undertaken in this Section 6.2.

(e) Nothing contained in this Agreement shall prohibit the Company from taking and disclosing to its stockholders a position as required by Rule 14d-9 or Rule 14e-2(a) promulgated under the Exchange Act.

(f) For purposes of this Agreement,

"Acquisition Proposal" means any inquiry, offer, proposal, indication of interest, signed agreement or completed action, as the case may be, by any Third Party which relates to a transaction or series of transactions (including any merger, consolidation, recapitalization, liquidation or other direct or indirect business combination) involving the Company or the issuance or acquisition of 20% or more of the outstanding Shares or any tender or exchange offer that if consummated would result in any Person, together with all affiliates thereof, Beneficially Owning 20% or more of the outstanding Shares, or the acquisition, license, purchase or other disposition of a substantial portion of the business or assets of the Company outside the ordinary course of business; and

"Superior Proposal" means any bona fide written Acquisition Proposal (provided that for the purposes of this definition, the applicable percentages in the definition of Acquisition Proposal shall be fifty percent (50%) as opposed to twenty percent (20%)), on its most recently amended or modified terms, if amended or modified, which the Board of Directors of the Company determines in its good faith judgment (after receipt of the advice of a financial advisor of nationally recognized reputation and receiving advice of its outside counsel), taking into account, among other things, all legal, financial, regulatory and other aspects of the proposal and the Third Party making the proposal (i) would, if consummated, result in a transaction that is more favorable to the Company's stockholders (in their capacities as stockholders), from a financial point of view, than the transactions contemplated by this Agreement and (ii) is reasonably capable of being completed.

Section 6.3 Third Party Standstill Agreements. During the period from the date of this Agreement through the Effective Time, the Company shall enforce and shall not terminate, amend, modify or waive any standstill provision of any confidentiality or standstill agreement between the Company and other parties entered into prior to the date hereof in connection with the process conducted by the Company to solicit acquisition proposals for the Company.

Section 6.4 Disclosure of Certain Matters; Delivery of Certain Filings. (a) The Company shall give prompt notice to Parent, and Parent or Sub shall give prompt notice to the Company, of (i) any representation or warranty made by it contained in this Agreement becoming untrue or inaccurate in any material respect and (ii) the failure by it to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Agreement; provided, however, that no such notification shall affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this Agreement.

(b) The Company shall give prompt notice to Parent, and Parent or Sub shall give prompt notice to the Company, of: (i) any material notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement; (ii) any material notice or other communication from any Governmental Entity in connection with the transactions contemplated by this Agreement; and (iii) any actions, suits, claims, investigations or proceedings commenced or, to the best of its knowledge threatened against, relating to or involving or otherwise affecting it or any of its Subsidiaries which, if pending on the date of this Agreement would have been required to have been disclosed pursuant to Article IV or Article V or which relate to the consummation of the transactions contemplated by this Agreement.

(c) The Company shall promptly advise Parent orally and in writing if there occurs, to the Knowledge of the Company, any change or event which results in the executive officers of the Company having a good faith belief that such change or event has resulted in or is reasonably likely to result in a Material Adverse Effect on the Company. Parent shall promptly advise the Company orally and in writing if there occurs, to the Knowledge of Parent, any change or event which results in the executive officers of Parent having a good faith belief that such change or event has resulted in or is reasonably likely to result in a Material Adverse Effect on Parent. The Company shall provide to Parent, and Parent shall provide to the Company, copies of all filings made by the Company or Parent, as the case may be, with any Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

Section 6.5 Conduct of Business of Sub Pending the Merger. During the period from the date of this Agreement through the Effective Time, Sub shall not engage in any activity of any nature except as provided in or contemplated by this Agreement.

Section 6.6 Modifications to Recommendations. Except as expressly permitted by this Section 6.6, neither the Board of Directors of the Company nor any committee thereof shall (i) withdraw, qualify, modify or amend, in a manner adverse to Parent, the Recommendations or make any public statement, filing or release inconsistent with such Recommendations (provided, however, that following the Board of Directors' consideration and evaluation of an Acquisition Proposal, it is understood that for the purposes hereof, if the Company adopts a neutral position or no position with respect to the Acquisition Proposal, it shall be considered an adverse modification of the Recommendations), (ii) approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal or (iii) cause the Company to enter into any acquisition agreement or other similar agreement related to any Acquisition Proposal (each, a "Subsequent Determination"), provided that if prior to the consummation of the Offer the Board of Directors of the Company determines in good faith (after it has received a Superior Proposal and after receipt of advice from outside counsel) that the failure to make a Subsequent Determination would result in a breach by the Board of Directors of the Company of its fiduciary duties to the Company's stockholders under applicable law, the Board of Directors of the Company may (subject to this and the following sentences) inform the Company's stockholders that it no longer believes that the Offer and the Merger and the other transactions contemplated hereby are advisable, but only at a time that is 72 hours following delivery by the Company to Parent of a written notice (a "Subsequent Determination Notice") (i) advising Parent that the Board of Directors of the Company has received a Superior Proposal, (ii) specifying the terms and conditions of such Superior Proposal, including the amount per share the Company's

stockholders will receive per Share (valuing any non-cash consideration at what the Board of Directors of the Company determines in good faith, after consultation with its independent financial advisor, to be the fair value of the non-cash consideration) and including a copy thereof with all accompanying documentation, (iii) identifying the person making such Superior Proposal and (iv) stating that the Company intends to make a Subsequent Determination. After providing such notice, the Company shall provide a reasonable opportunity to Parent to make such adjustments in the terms and conditions of this Agreement as would enable the Company to proceed with its Recommendations to its stockholders without a Subsequent Determination; provided, however, that any such adjustment to this Agreement shall be at the discretion of Parent at the time.

ARTICLE VII
ADDITIONAL AGREEMENTS

Section 7.1 Employee Benefits. (a) Parent shall take all necessary action so that each person who is an employee of the Company or any of its Subsidiaries immediately prior to the consummation of the Merger (including each such person who is on vacation, temporary layoff, approved leave of absence, sick leave or short- or long-term disability) (a "Retained Employee") shall remain an employee of the Company or the Surviving Corporation or a Subsidiary of the Company or of the Surviving Corporation, as the case may be, immediately following the consummation of the Merger. Parent shall take all necessary action so that each Retained Employee shall after the consummation of the Offer continue to be credited with the unused vacation and sick leave credited to such employee through the consummation of the Offer under the applicable vacation and sick leave policies of the Company and its Subsidiaries, and Parent shall permit or cause the Company, the Surviving Corporation and their Subsidiaries to permit such employees to use such vacation and sick leave. Parent shall take all necessary action so that, for purposes of eligibility and vesting service under each employee benefit plan and determination of benefits under each paid time off, vacation, severance, short-term disability and service award plans maintained by Parent or any of its Subsidiaries in which employees or former employees of the Company and its Subsidiaries become eligible to participate upon or after the consummation of the Offer, each such person shall be given credit for all service with the Company and its Subsidiaries (or all service credited by the Company or its Subsidiaries) to the same extent as if rendered to Parent or any of its Subsidiaries.

(b) Except as otherwise provided in this Section, Section 7.2 or Section 7.12, nothing in this Agreement shall be interpreted as limiting the power of the Surviving Corporation to amend or terminate any particular Benefit Plan or any other particular employee benefit plan, program, agreement or policy or as requiring the Surviving Corporation to offer to continue (other than as required by its terms) any written employment contract, subject to the terms and conditions of the applicable plan, program, agreement or policies.

(c) Parent shall honor or cause to be honored by the Company, the Surviving Corporation and their Subsidiaries all employment agreements, bonus agreements, severance agreements, severance plans and non-competition agreements with the persons who are directors, officers and employees of the Company and its Subsidiaries (it being understood that nothing herein shall be deemed to mean that the Company, the Surviving Corporation and their Subsidiaries shall not be required to honor any of their obligations under any such agreement).

(d) Parent shall, or shall cause the Company and the Surviving Corporation to, (i) waive all limitations as to preexisting conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to the Retained Employees and former employees of the Company and its Subsidiaries under any welfare or fringe benefit plan in which such employees and former employees may be eligible to participate after the consummation of the Offer, other than limitations or waiting periods that are in effect with respect to such employees and that have not been satisfied under the corresponding welfare or fringe benefit plan maintained by the Company for the Retained Employees and former employees prior to the consummation of the Offer, and (ii) provide each Retained Employee and former employee with credit under any welfare plans in which such employee or former employee becomes eligible to participate after the consummation of the Offer for any co-payments and deductibles paid by such Retained Employee or former employee for the then current plan year under the corresponding welfare plans maintained by the Company prior to the consummation of the Offer.

Section 7.2 Options.

(a) Except as set forth in Section 7.2(f), each Company Stock Option that is outstanding immediately prior to the date the Offer is consummated (the "Offer Consummation Date") pursuant to any Company Stock Plan shall vest and become immediately exercisable at the time of the consummation of the Offer. On the Offer Consummation Date with respect to Company Stock Options held by persons who are not subject to the reporting requirements of Section 16(a) of the Exchange Act, and at the Effective Time with respect to Company Stock Options held by persons who are subject to the reporting requirements of Section 16(a) of the Exchange Act, each Company Stock Option shall be adjusted to represent an option to purchase the number of shares of Company Common Stock (a "Company Adjusted Option") (rounded down to the nearest full share) determined by multiplying (i) the number of shares of Company Common Stock subject to such Company Stock Option immediately prior to the Offer Consummation Date with respect to Company Stock Options held by persons who are not subject to the reporting requirements of Section 16(a) of the Exchange Act and immediately prior to the Effective Time with respect to Company Stock Options held by persons who are subject to the reporting requirements of Section 16(a) of the Exchange Act, by (ii) 0.5, at an exercise price per share of Company Common Stock equal to the exercise price per share of Company Common Stock immediately prior to the Offer Consummation Date. In addition, promptly following the Offer Consummation Date with respect to holders of Company Stock Options who are not subject to the reporting requirements of Section 16(a) of the Exchange Act, and promptly following the Effective Time with respect to holders of Company Stock Options who are subject to the reporting requirements of Section 16(a) of the Exchange Act, Parent shall pay to the holder of each Company Stock Option an amount of cash (rounded up to the nearest cent) equal to the product of (A) (x) $73.00 minus (y) the exercise price per share of Company Common Stock immediately prior to the Offer Consummation Date and (B) the number of shares of Company Common Stock subject to such option multiplied by 0.5 (rounded up to the nearest full share). Each Company Adjusted Option shall be exercisable upon the same terms and conditions as under the applicable Company Stock Plan and the applicable option agreement issued thereunder, except as otherwise provided in this Section 7.2.

(b) At the Effective Time, each Company Adjusted Option shall be assumed by Parent and become and represent an option to purchase the number of Parent Shares (a "Parent

Substitute Option") (rounded to the nearest full share, or if there shall not be a nearest share, the next greater full share) determined by multiplying (i) the number of shares of Company Common Stock subject to such Company Adjusted Option immediately prior to the Effective Time by (ii) 1.767, at an exercise price per Parent Share (rounded up to the nearest tenth of a cent) equal to (A) the exercise price per share of Company Common Stock immediately prior to the Effective Time divided by 1.767. Parent shall pay cash to holders of Parent Substitute Options in lieu of issuing fractional Parent Shares upon the exercise of Parent Substitute Options. Each Company Adjusted Option so converted shall be exercisable upon the same terms and conditions as under the applicable Company Stock Plan and the applicable option agreement issued thereunder, except as otherwise provided in this Section 7.2. Parent shall (i) on or prior to the Effective Time, reserve for issuance the number of Parent Shares that will become subject to Parent Substitute Options pursuant to this Section 7.2(b), (ii) from and after the Effective Time, upon exercise of the Parent Substitute Options in accordance with the terms thereof, make available for issuance all Parent Shares covered thereby, (iii) at the Effective Time, assume the Company Stock Plans, with the result that all obligations of the Company under the Company Stock Plans, including with respect to Company Adjusted Options outstanding at the Effective Time, shall be obligations of Parent following the Effective Time, and (iv) as promptly as practicable after the Effective Time, issue to each holder of an outstanding Company Adjusted Option a document evidencing the foregoing assumption by Parent.

(c) The parties shall take all actions so that the Company Adjusted Options converted by Parent qualify following the Effective Time as incentive stock options as defined in Section 422 of the Code to the extent permitted under Section 422 of the Code and to the extent the Company Adjusted Options qualified as incentive stock options prior to the Effective Time; provided, however, that nothing in this Section 7.2(c) shall prevent the acceleration of the vesting or exercisability of any Company Stock Option, as provided in Section 7.2(a).

(d) Parent shall, as promptly as practicable but in any event no later than three days after the Effective Time, file a registration statement on Form S-8 or other applicable form under the Securities Act, covering the Parent Shares issuable upon the exercise of Parent Substitute Options created upon the assumption by Parent of Company Adjusted Options under Section 7.2(b), and will maintain the effectiveness of such registration, and the current status of the prospectus contained therein, until the exercise or expiration of such Parent Substitute Options.

(e) The parties will cooperate to take all reasonable steps necessary to give effect to this Section 7.2.

(f) Notwithstanding the terms of Section 7.2(a), to the extent an option holder holds any unexercisable incentive stock options ("Unvested ISO") on the Offer Consummation Date that do not become exercisable upon the consummation of the Offer pursuant to the terms of the Company Stock Plan(s) under which such Unvested ISOs were granted, then, to the extent possible, each such Unvested ISO shall be converted into the right to receive cash in full and the other options held by such option holder shall be appropriately adjusted such that the aggregate amount of cash payable to such option holder pursuant to Section 7.2(a) and this Section 7.2(f) does not exceed the amount that would otherwise be payable pursuant to Section 7.2(a).

Section 7.3 Shareholder Approval; Preparation of Form S-4 and Proxy Statement/Prospectus. (a) Parent and the Company shall, as soon as practicable following the acceptance of Shares pursuant to the Offer, prepare and the Company shall file with the SEC the Proxy Statement and Parent and the Company shall prepare and Parent shall file with the SEC a registration statement on Form S-4 (the "Form S-4") for the offer and sale of the Parent Shares pursuant to the Merger and in which the Proxy Statement will be included as a prospectus. Each of the Company and Parent shall use all reasonable efforts to have the Form S-4 declared effective under the Securities Act as promptly as practicable after such filing. The Company will use all reasonable efforts to cause the Proxy Statement to be mailed to the Company's stockholders as promptly as practicable after the Form S-4 is declared effective under the Securities Act. Parent shall also take any action (other than qualifying to do business in any jurisdiction in which it is not now so qualified or to file a general consent to service of process) required to be taken under any applicable state securities laws in connection with the issuance of Parent Shares in the Merger and the Company shall furnish all information concerning the Company and the holders of capital stock of the Company as may be reasonably requested in connection with any such action and the preparation, filing and distribution of the Proxy Statement. No filing of, or amendment or supplement to, or correspondence to the SEC or its staff with respect to, the Form S-4 will be made by Parent, or the Proxy Statement will be made by the Company, without providing the other party a reasonable opportunity to review and comment thereon. Parent will advise the Company, promptly after it receives notice thereof, of the time when the Form S-4 has become effective or any supplement or amendment has been filed, the issuance of any stop order, the suspension of the qualification of the Parent Shares issuable in connection with the Merger for offering or sale in any jurisdiction, or any request by the SEC for amendment of the Form S-4 or comments thereon and responses thereto or requests by the SEC for additional information. The Company will advise Parent, promptly after it receives notice thereof, of any request by the SEC for the amendment of the Proxy Statement or comments thereon and responses thereto or requests by the SEC for additional information. If at any time prior to the Effective Time any information relating to the Company or Parent, or any of their respective affiliates, officers or directors, should be discovered by the Company or Parent which should be set forth in an amendment or supplement to either of the Form S-4 or the Proxy Statement, so that any of such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party which discovers such information shall promptly notify the other parties hereto and an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and, to the extent required by law, disseminated to the stockholders of the Company.

(b) The Company shall establish, prior to or as soon as practicable following the date upon which the Form S-4 becomes effective, a record date (which shall be prior to or as soon as practicable following the date upon which the Form S-4 becomes effective) for, duly call, give notice of, convene and hold a meeting of its stockholders (the "Company Stockholders Meeting") for the purpose of considering and taking action upon this Agreement and the Merger and (with the consent of Parent) such other matters as may in the reasonable judgment of the Company be appropriate for consideration at the Company Stockholders Meeting. Once the Company Stockholders Meeting has been called and noticed, the Company shall not postpone or

adjourn the Company Stockholders Meeting (other than for the absence of a quorum) without the consent of Parent. Subject to its fiduciary duties under applicable law, the Board of Directors of the Company shall include the Recommendations in the Form S-4 and the Proxy Statement as such Recommendations pertain to the Merger and this Agreement. The Company shall use its reasonable best efforts to solicit from stockholders of the Company proxies for use at the Company Stockholders Meeting and in favor of this Agreement and the Merger and shall take all other actions reasonably necessary or advisable to secure the vote or consent of stockholders required by the DGCL to effect the Merger.

(c) Parent agrees to cause all Shares owned by Parent or any Subsidiary of Parent to be voted in favor of the Merger.

Section 7.4 Access to Information. Upon reasonable notice and subject to the terms of the Confidentiality Agreement, each of Company and Parent shall, and shall cause each of its respective Subsidiaries to, afford to the other party, and its respective Representatives all reasonable access, during normal business hours during the period prior to the Effective Time, to all their respective properties, books, contracts, commitments, records and Representatives, during such period, each of Company and Parent shall (and shall cause each of its respective Subsidiaries to) make available to the other party (a) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of the Federal or state securities laws or the Federal tax laws and (b) all other information concerning its business, properties and personnel as the other party may reasonably request. In the event of a termination of this Agreement for any reason, each party shall promptly return or destroy, or cause to be returned or destroyed, all nonpublic information so obtained from the other party or any of its Subsidiaries.

Section 7.5 Fees and Expenses. (a) If the Offer has not been accepted, the Company agrees to pay Parent a fee equal to $75.5 million as a result of the occurrence of any of the events set forth below (a "Trigger Event"):

(i) the Company shall have received an Acquisition Proposal (other than the cash tender offer by SRM Acquisition Corp (an affiliate of Shell Oil Company), pursuant to its Offer to Purchase dated March 12, 2001, as amended to the date of this Agreement, at a purchase price of $60 per Share (the "Shell Tender Offer"), it being understood that the Company shall be deemed to have received an Acquisition Proposal (x) if SRM Acquisition Corp amends its tender offer by increasing its tender offer price above $60 per Share (including cash, securities or any combination thereof offered for Shares) after the date of the Agreement, or (y) if an Acquisition Proposal other than the Shell Tender Offer is made by any other affiliate of Shell Oil Company) after the date of this Agreement (but prior to the termination hereof), and at any time prior to, or within 12 months after, the termination of this Agreement (unless this Agreement is terminated pursuant to Section 9.1(a), Section 9.1(b)(iv) or Section 9.1(e)), the Company shall have entered into, or shall have publicly announced its intention to enter into, an agreement or an agreement in principle with respect to any Acquisition Proposal;

(ii) the Company has provided Parent with a Subsequent Determination Notice or the Board of Directors of the Company (or any committee thereof) (A) shall have made a Subsequent Determination, (B) shall include in the Schedule 14D-9 its Recommendations with modification or qualification in a manner adverse to Parent, or (C) shall have resolved to, or publicly announced an intention to, take any of the actions as specified in this Section 7.5(a)(ii); or

(iii) (A) as of the final expiration date of the Offer, all conditions to the consummation of the Offer shall have been met or waived except for satisfaction of the Minimum Condition, (B) there shall have been made subsequent to the date of this Agreement (but before such expiration date of the Offer) an Acquisition Proposal (other than the cash tender offer by SRM Acquisition Corp (an affiliate of Shell Oil Company), pursuant to the Shell Tender Offer, it being understood that the Company shall be deemed to have received an Acquisition Proposal (x) if SRM Acquisition Corp amends its tender offer by increasing its tender offer price above $60 per Share (including cash, securities or any combination thereof offered for Shares) after the date of the Agreement, or (y) if an Acquisition Proposal other than the Shell Tender Offer is made by any other affiliate of Shell Oil Company) and (C) at any time prior to, or within 12 months after, the expiration or termination of the Offer, the Company shall have entered into, or shall have publicly announced its intention to enter into, an agreement or agreements in principle with respect to any Acquisition Proposal.

Any fee due under Section 7.5(a) shall be payable by wire transfer of same day funds on (A) the date of termination of this Agreement if this Agreement is terminated by the Company pursuant to Section 9.1(d), (B) the date which is the third business date following the date of the termination of this Agreement if this Agreement is terminated by Parent pursuant to Section 9.1(c) and (C) any fee due under clause (i) or (iii) above shall not be payable until the Company shall have entered into, or shall have publicly announced its intention to enter into an agreement or agreement in principle with respect to any Acquisition Proposal.

(b) Except as set forth in this Section 7.5, all fees and expenses incurred in connection with the Offer and the Merger, this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such fees or expenses, whether or not the Offer or the Merger is consummated; provided, that if this Agreement is terminated as a result of the occurrence of a Trigger Event, in addition to any amounts paid or payable by the Company to Parent pursuant to Section 7.5(a), the Company shall assume and pay, or reimburse Parent for, all out-of-pocket fees payable and expenses reasonably incurred by Parent (including the fees and expenses of its counsel) in connection with this Agreement and the transactions contemplated hereby, up to a maximum of $15 million.

(c) If the Company shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (A) would give rise to the failure of a condition set forth in subclause (c) or (d) of clause (3) of Exhibit A, and (B) is incapable of being or has not been cured by the Company prior to or on the earlier of (x) the date which is 10 calendar days immediately following written notice by Parent to the Company of such breach or failure to

perform and (y) the expiration or termination of the Offer in accordance with the terms of this Agreement, the Company shall assume and pay, or reimburse Parent for, all out-of-pocket fees payable and expenses reasonably incurred by Parent (including the fees and expenses of its counsel) in connection with this Agreement and the transactions contemplated hereby, up to a maximum of $15 million.

(d) If the Company has terminated this Agreement pursuant to Section 9.1(e) and such breach of a representation, warranty, covenant or other agreement contained in this Agreement is incapable of being or has not been cured by Parent prior to or on the date which is 10 calendar days immediately following written notice by the Company to Parent of such breach or failure to perform, Parent shall reimburse the Company for all out-of-pocket fees payable and expenses reasonably incurred by the Company (including the fees and expenses of its counsel) in connection with this Agreement and the transactions contemplated hereby, up to a maximum of $15 million.

(e) Parent and the Company agree that the agreements contained in Sections 7.5(a) and 7.5(b) hereof are an integral part of the transactions contemplated by this Agreement and constitute liquidated damages and not a penalty.

Section 7.6 Public Announcements. Parent and the Company will consult with each other before issuing any press release or otherwise making any public statements with respect to the transactions contemplated by this Agreement and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by applicable law, or by obligations pursuant to any listing agreement with any national securities exchange.

Section 7.7 Transfer Taxes. The Company and Parent shall cooperate in the preparation, execution and filing of all returns, questionnaires, applications or other documents regarding any real property transfer or gains, sales, use, transfer, value added, stock transfer and stamp taxes, any transfer, recording, registration and other fees and any similar taxes which become payable in connection with the transactions contemplated by this Agreement (together with any related interest, penalties or additions to tax, "Transfer Taxes"). All Transfer Taxes shall be paid by the Company (without any reimbursement whatsoever by Parent, its Subsidiaries or other affiliates) and expressly shall not be a liability of any holder of Company Common Stock.

Section 7.8 State Takeover Laws. If any "fair price" or "control share acquisition" statute or other similar statute or regulation shall become applicable to the transactions contemplated hereby, Parent and the Company and their respective Boards of Directors shall use reasonable efforts to grant such approvals and take such actions as are necessary so that the transactions contemplated hereby may be consummated as promptly as practicable on the terms contemplated hereby and otherwise act to minimize the effects of any such statute or regulation on the transactions contemplated hereby.

Section 7.9 Indemnification; Directors and Officers Insurance. (a) Parent shall, or shall cause the Surviving Corporation to, honor for a period of not less than six years from the Effective Time (or, in the case of matters occurring at or prior to the Effective Time that have not

been resolved prior to the sixth anniversary of the Effective Time, until such matters are finally resolved), all rights to indemnification or exculpation, existing in favor of a director, officer, employee or agent (an "Indemnified Person") of the Company or any of its Subsidiaries (including, without limitation, rights relating to advancement of expenses and indemnification rights to which such persons are entitled because they are serving as a director, officer, agent or employee of another entity at the request of the Company or any of its Subsidiaries), as provided in the Restated Certificate of Incorporation of the Company, the Bylaws of the Company, in each case, as in effect on the date of this Agreement, and relating to actions or events through the Effective Time; provided, however, that the Surviving Corporation shall not be required to indemnify any Indemnified Person in connection with any proceeding (or portion thereof) to the extent involving any claim initiated by such Indemnified Person unless the initiation of such proceeding (or portion thereof) was authorized by the Board of Directors of the Company or unless such proceeding is brought by an Indemnified Person to enforce rights under this Section 7.9; provided further that any determination required to be made with respect to whether an Indemnified Person's conduct complies with the standards set forth under the DGCL, the Restated Certificate of Incorporation of the Company, the Bylaws of the Company, as the case may be, shall be made by independent legal counsel selected by such Indemnified Person and reasonably acceptable to Parent; and provided further that nothing in this Section 7.9 shall impair any rights of any Indemnified Person. Without limiting the generality of the preceding sentence, in the event that any Indemnified Person becomes involved in any actual or threatened action, suit, claim, proceeding or investigation after the Effective Time, Parent shall, or shall cause the Surviving Corporation to, promptly advance to such Indemnified Person his or her legal and other expenses (including the cost of any investigation and preparation incurred in connection therewith), subject to the providing by such Indemnified Person of an undertaking to reimburse all amounts so advanced in the event of a non-appealable determination of a court of competent jurisdiction that such Indemnified Person is not entitled thereto.

(b) Prior to the Effective Time and subject to the proviso in the following sentence relating to the cost thereof, the Company shall have the right to obtain and pay for in full a "tail" coverage directors' and officers' liability insurance policy ("D&O Insurance") covering a period of not less than six years after the Effective Time and providing coverage in amounts and on terms consistent with the Company's existing D&O Insurance. In the event the Company is unable to obtain such insurance, Parent shall cause the Surviving Corporation to maintain the Company's D&O Insurance for a period of not less than six years after the Effective Time; provided, that the Surviving Corporation may substitute therefor policies of substantially similar coverage and amounts containing terms no less advantageous to such former directors or officers; provided further that if the existing D&O Insurance expires or is cancelled during such period, Parent or the Surviving Corporation shall use its best efforts to obtain substantially similar D&O Insurance; and provided further that the Company shall not, without Parent's consent, expend an amount in excess of 300% of the last annual premium paid prior to the date hereof to procure the above described "tail" coverage and neither Parent nor the Surviving Corporation shall be required to expend, in order to maintain or procure an annual D&O Insurance policy, in lieu of a tail policy, an amount in excess of 300% of the last annual premium paid prior to the date hereof, but in such case shall purchase as much coverage as possible for such amount.

(c) The provisions of this Section 7.9 are intended to be for the benefit of, and shall be enforceable by, each Indemnified Person, his or her heirs and his or her personal representatives and shall be binding on all successors and assigns of Parent, the Company and the Surviving Corporation.

Section 7.10 Board of Directors. Promptly after such time as Sub purchases Shares pursuant to the Offer (but subject to the satisfaction of the Minimum Condition), Sub shall be entitled, to the fullest extent permitted by law, to designate at its option up to that number of directors, rounded to the nearest whole number, of the Company's Board of Directors, subject to compliance with Section 14(f) of the Exchange Act, as will make the percentage of the Company's directors designated by Sub equal to the aggregate voting power of the shares of Common Stock held by Parent or any of its Subsidiaries; provided, however, that in the event that Sub's designees are elected to the Board of Directors of the Company, until the Effective Time, such Board of Directors shall have at least two directors who are directors on the date of this Agreement and who are not officers of the Company (the "Independent Directors"); and provided, further that, in such event, if the number of Independent Directors shall be reduced below two for any reason whatsoever, the remaining Independent Directors shall, to the fullest extent permitted by law, designate a person to fill such vacancy who shall be deemed to be an Independent Director for purposes of this Agreement or, if no Independent Directors then remain, the other directors shall designate two persons to fill such vacancies who shall not be officers or affiliates of the Company or any of its Subsidiaries, or officers or affiliates of Parent or any of its Subsidiaries, and such persons shall be deemed to be Independent Directors for purposes of this Agreement. Following the election or appointment of Sub's designees pursuant to this Section 7.10 and prior to the Effective Time, (A) any amendment, or waiver of any term or condition, of this Agreement or the Restated Certificate of Incorporation or Bylaws of the Company and (B) any termination of this Agreement by the Company, any extension by the Company of the time for the performance of any of the obligations or other acts of Sub or waiver or assertion of any of the Company's rights hereunder, and any other consent or action by the Board of Directors with respect to this Agreement, will require the concurrence of a majority of the Independent Directors and no other action by the Company, including any action by any other director of the Company, shall be required for purposes of this Agreement. To the fullest extent permitted by applicable law, the Company shall take all actions requested by Parent which are reasonably necessary to effect the election of any such designee, including mailing to its stockholders the Information Statement containing the information required by Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder, and the Company agrees to make such mailing with the mailing of the Schedule 14D-9 (provided that Sub shall have provided to the Company on a timely basis all information required to be included in the Information Statement with respect to Sub's designees). Parent and Sub will be solely responsible for any information with respect to either of them and their nominees, officers, directors and affiliates required by Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder. In connection with the foregoing, the Company will promptly, at the option of Parent, to the fullest extent permitted by law, either increase the size of the Company's Board of Directors and/or obtain the resignation of such number of its current directors as is necessary to enable Sub's designees to be elected or appointed to the Company's Board of Directors as provided above.

Section 7.11 HSR Act Filings; Reasonable Best Efforts. (a) Each of Parent and the Company shall (i) promptly make or cause to be made the filings required of such party or any of

its Subsidiaries under the HSR Act and any other Antitrust Laws with respect to the Offer, the Merger and the other transactions contemplated by this Agreement, (ii) comply at the earliest practicable date with any request under the HSR Act or such other Antitrust Laws for additional information, documents, or other material received by such party or any of its Subsidiaries from the Federal Trade Commission or the Department of Justice or any other Governmental Entity in respect of such filings, the Offer, the Merger or such other transactions, and (iii) cooperate with the other party in connection with any such filing and in connection with resolving any investigation or other inquiry of any such agency or other Governmental Entity under any Antitrust Laws with respect to any such filing, the Offer, the Merger or such other transactions. Each of Parent and the Company shall promptly inform the other of any communication with, and any proposed understanding, undertaking, or agreement with, any Governmental Entity regarding any such filings, the Offer, the Merger or such other transactions.

(b) Each of Parent and the Company shall use all reasonable best efforts to resolve such objections, if any, as may be asserted by any Governmental Entity with respect to the Offer, the Merger or any other transactions provided for in this Agreement under the Antitrust Laws. In connection therewith, if any administrative or judicial action or proceeding is instituted (or threatened to be instituted) challenging the Offer, the Merger or any other transactions provided for in this Agreement as violative of any Antitrust Law, each of Parent and the Company shall cooperate and use all reasonable best efforts vigorously to contest and resist any such action or proceeding and to have vacated, lifted, reversed, or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents, or restricts consummation of the Offer, the Merger or any such other transactions. Each of Parent and the Company shall use all reasonable best efforts to take such action as may be required to cause the expiration of the notice periods under the HSR Act or other Antitrust Laws with respect to the Offer, the Merger and such other transactions as promptly as possible after the execution of this Agreement.

(c) Each of the parties agrees to use all reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Offer, the Merger, and the other transactions contemplated by this Agreement, including (i) the obtaining of all other necessary actions or nonactions, waivers, consents and approvals from Governmental Entities and the making of all other necessary registrations and filings (including other filings with Governmental Entities, if any), (ii) the obtaining of all necessary consents, approvals or waivers from third parties, (iii) the preparation of the Form S-4, the Offer Documents, the Schedule 14D-9 and the Proxy Statement, and (iv) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement, in each case subject to the Company Board of Directors' fiduciary duties under applicable law.

(d) Notwithstanding anything to the contrary in this Section 7.11, (i) neither Parent nor any of its Subsidiaries shall be required to divest any of their respective businesses, product lines or assets that could reasonably be expected to have a Material Adverse Effect on Parent, (ii) neither Parent nor any of its Subsidiaries shall be required to take or agree to take any other action or agree to any limitation that could reasonably be expected to have a Material Adverse Effect on Parent, (iii) neither the Company nor its Subsidiaries shall be required to

divest any of their respective businesses, product lines or assets, or to take or agree to take any other action or agree to any limitation that could reasonably be expected to have a Material Adverse Effect on the Company, and (iv) neither Parent nor Sub shall be required to waive any of the conditions to the Offer set forth in Exhibit A or any of the conditions of to the Merger set forth in Article VIII.

Section 7.12 Stay Bonuses; Severance. (a) Prior to the Effective Time, the Company shall be permitted to award bonuses to employees of the Company or any of its Subsidiaries in an aggregate amount not to exceed $2,000,000, with such bonuses to be allocated at the direction of its Chief Executive Officer with the consent of Parent, which consent shall not be unreasonably withheld or delayed. Such bonuses shall be paid upon the earlier of 90 days following the Effective Time and 30 days following the date of termination hereof as described in Article IX (the "Payment Date") to each employee to whom such a bonus has been awarded and who continues to be employed by the Company (or any successor or affiliate of the Company) on the Payment Date or whose employment terminates prior to the Payment Date due to death, Disability, termination by the Company (or any successor or affiliate of the Company) without Cause, or termination by the employee with Good Reason (as such capitalized terms are defined in the Company's Severance Protection Plan); provided, however, that no such bonus shall be paid to any employee who has entered into a Severance Protection Agreement with the Company and whose employment terminates prior to the Payment Date entitling such employee to a severance payment pursuant to Section 3.1(b) of such Severance Protection Agreement.

(b) Subject to Section 7.1(c), Parent shall maintain or cause the Company or Surviving Corporation to maintain each of the Company's severance policy as in effect on the date hereof as set forth in Item 7.12(b) of the Company Letter or shall replace such policy with a policy providing equal or more favorable compensation, for a period of at least two years from the Effective Time.

(c) Each employee of the Company or any of its Subsidiaries whose employment is terminated upon, or within 18 months following, the consummation of the Offer, other than an employee who has entered into a Severance Protection Agreement with the Company, shall receive a cash payment from the Company or Parent in the amount of $8,000 which may, in the sole discretion of such employee, be used to obtain outplacement services, to assist in the transition to subsequent employment or for any other purpose.

Section 7.13 Section 16 Matters. Prior to the Effective Time, Parent and the Company shall take all such steps as may reasonably be required to cause any dispositions of Shares (including derivative securities with respect to the Shares) or acquisition of Parent Shares (including derivative securities with respect to the Parent Shares) resulting from the transactions contemplated by this Agreement by each individual who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company to be exempt under Rule 16b-3 promulgated under the Exchange Act, such steps to be taken in accordance with the No-Action Letter, dated January 12, 1999, issued by the SEC regarding such matters.

Section 7.14 Tax Treatment. This Agreement is intended to constitute a "plan of reorganization" with respect to the Offer and the Forward Merger for United States Federal income tax purposes. From and after the date of this Agreement, each party hereto shall use its

reasonable best efforts to cause the Offer and the Forward Merger to qualify, and shall not, without the prior written consent of the other parties hereto, knowingly take any actions or cause any actions to be taken which could reasonably be expected to prevent the Offer and the Forward Merger from qualifying as a reorganization under the provisions of Section 368(a) of the Code. Following the Effective Time, neither the Surviving Corporation nor Parent nor any of their respective affiliates shall take any action or cause any action to be taken which could reasonably be expected to cause the Offer and the Forward Merger to fail to qualify as a reorganization under Section 368(a) of the Code. Parent shall use its reasonable best efforts to obtain an opinion of Skadden, Arps, Slate, Meagher & Flom LLP (which includes its affiliated law practice entities), or another nationally recognized United States Federal income tax counsel or "Big Five" accounting firm ("Tax Counsel") (based on the facts and customary representations and assumptions) that the Transaction will be treated as a "reorganization" within the meaning of Section 368(a) of the Code (the "Tax Opinion Standard"). Notwithstanding anything express or implied to the contrary in this Agreement, but subject to the provisions of this Section 7.14, if such opinion cannot be obtained, then, in Parent's reasonable discretion, the Reverse Merger shall be effected instead of the Forward Merger.

Section 7.15 Affiliate Letters. As promptly as practicable, the Company shall deliver to Parent a letter identifying all persons who are at the time this Agreement is submitted for adoption by the stockholders of the Company, "affiliates" of the Company for purposes of Rule 145 under the Securities Act. The Company shall use all reasonable efforts to deliver or cause to be delivered to Parent, prior to the expiration of the Offer, an Affiliate Letter in a customary form for transactions of this type.

Section 7.16 Litigation. The Company shall give Parent a reasonable opportunity to participate in the defense of any litigation against the Company and/or its directors relating to the transactions contemplated by this Agreement or any other Acquisition Proposal and will not settle or compromise any such action without the prior written consent of Parent, which consent shall not be unreasonably withheld or delayed.

Section 7.17 Rights Agreement. Except as expressly required by this Agreement, the Company shall not, without the prior written consent of Parent, amend the Rights Agreement or take any other action with respect to, or make any determination under, the Rights Agreement, including a redemption of the Rights or any action with respect to the Rights Agreement to facilitate an Acquisition Proposal; provided, however, that the Company may amend or take appropriate action under the Rights Agreement to delay the occurrence of a Distribution Date (as defined in the Rights Agreement) in response to the public announcement of an Acquisition Proposal.

Section 7.18 Bank Debt. The Company agrees to use its reasonable best efforts to seek the consent of its bank lenders and the issuers of letters of credit to the Company to permit the consummation of the transactions contemplated hereby, including, without limitation, the Offer and the Merger, without necessity to repay the indebtedness of the Company to such lenders or to replace such letters of credit.

ARTICLE VIII
CONDITIONS PRECEDENT

Section 8.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) Company Stockholder Approval. The Company Stockholder Approval shall have been obtained; provided, however, that Parent and Sub shall vote all of their shares of capital stock of the Company entitled to vote thereon in favor of the Merger.

(b) No Injunction or Restraint. No statute, rule, regulation, executive order, decree, temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other Governmental Entity preventing the consummation of the Merger shall be in effect; provided, however, that each of the parties shall have used their reasonable best efforts to prevent the entry of any such temporary restraining order, injunction or other order, including, without limitation, taking such action as is required to comply with Section 7.11, and to appeal as promptly as possible any injunction or other order that may be entered.

(c) Purchase of Shares. Sub shall have previously accepted for payment and paid for Shares pursuant to the Offer; provided, however, that this condition shall be deemed satisfied if Parent or Sub fails to accept for payment and pay for Shares pursuant to the Offer in violation of the terms of this Agreement and/or the Offer.

(d) Form S-4. The Form S-4 shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings seeking a stop order.

(e) Listing Parent Shares. The Parent Shares to be issued in the Merger shall have been approved for listing on the NYSE.

ARTICLE IX
TERMINATION AND AMENDMENT

Section 9.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of this Agreement and the Merger by the stockholders of the Company or Sub:

(a) by mutual written consent of Parent and the Company

(b) by either of Parent or the Company:

(i) if the Offer shall have expired or been terminated in accordance with the terms of this Agreement without Parent or Sub having accepted for payment any Shares pursuant to the Offer, unless the failure to consummate the Offer is the result of a willful and material breach of this Agreement by the party seeking to terminate this Agreement;

(ii) if the Offer shall not have been consummated on or before August 31, 2001 (the "Outside Date"), unless the failure to consummate the Offer is the result of a willful and material breach of this Agreement by the party seeking to terminate this Agreement;

(iii) if the Merger shall not have been consummated as a result of any condition thereto in Article VIII being incapable of being satisfied; or

(iv) if any statute, rule, regulation, injunction or decree having the effects set forth in subclause (a) or (b) of clause (3) of Exhibit A shall be in effect and shall have become final and nonappealable; or

(c) by Parent, upon the occurrence of the Trigger Event described in Section 7.5(a)(ii) hereof;

(d) by the Company, if the Company makes a Subsequent Determination in material compliance with Section 6.2 hereof and pursuant to the provisions of Section 6.6 hereof, provided the Company has paid or concurrently pays Parent the sums (including providing Parent with an undertaking confirming the Company's obligation to reimburse expenses as required by Section 7.5) required by Section 7.5(a) hereof; or

(e) by the Company (i) if Sub or Parent shall have breached in any material respect any of their respective covenants, obligations or other agreements under this Agreement, or (ii) if the representations and warranties of Parent and Sub set forth in this Agreement that are qualified as to materiality shall not be true and correct as of the date of the Agreement and as of the expiration of the date of termination of this Agreement (except to the extent expressly made as of an earlier date, in which case as of such date), or any of the representations and warranties set forth in the Agreement that are not so qualified by materiality shall not be true and correct in any material respect as of the date of this Agreement and as of the date of termination of this Agreement (except to the extent expressly made as of an earlier date, in which case as of such date); provided that this right of termination shall not be deemed to exist unless any such breaches of representation or warranty (without regard to any "Materiality" or "Material Adverse Effect" or similar qualifier or threshold), individually or in the aggregate, has had or could reasonably be expected to have, a Material Adverse Effect on the Parent; provided, further that the breach of the covenant, obligation, agreement, representation or warranty is incapable of being or has not been cured by Parent or Sub prior to or on the date which is 10 calendar days immediately following written notice by the Company to Parent of such breach or failure to perform.

(f) by Parent (i) if the Company shall have breached in any material respect any of its covenants, obligations or other agreements under this Agreement, or (ii) if the representations and warranties of the Company set forth in this Agreement that are qualified as to materiality shall not be true and correct as of the date of the Agreement and as of the expiration of the date of termination of this Agreement

(except to the extent expressly made as of an earlier date, in which case as of such date), or any of the representations and warranties set forth in the Agreement that are not so qualified by materiality shall not be true and correct in any material respect as of the date of this Agreement and as of the date of termination of this Agreement (except to the extent expressly made as of an earlier date, in which case as of such date); provided that this right of termination shall not be deemed to exist unless any such breaches of representation or warranty (without regard to any "Materiality" or "Material Adverse Effect" or similar qualifier or threshold), individually or in the aggregate, has had or could reasonably be expected to have, a Material Adverse Effect on the Company; provided, further that the breach of the covenant, obligation, agreement, representation or warranty is incapable of being or has not been cured by the Company prior to or on the date which is 10 calendar days immediately following written notice by Parent to the Company of such breach or failure to perform.

Section 9.2 Effect of Termination. In the event of a termination of this Agreement by either the Company or Parent as provided in Section 9.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Parent, Sub or the Company or their respective officers or directors, except with respect to Section 4.15, Section 5.16, Section 7.5, this Section 9.2 and Article X and the last sentences of each of Section 1.2(c) and Section 7.4; provided, however, that nothing herein shall relieve any party for liability for any willful or knowing breach hereof.

Section 9.3 Amendment. Subject to Section 1.1 and Section 7.10, this Agreement may be amended by the parties hereto at any time before or after obtaining the Company Stockholder Approval, but if the Company Stockholder Approval shall have been obtained, thereafter no amendment shall be made which by law requires further approval by the Company's stockholders without obtaining such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.4 Extension; Waiver. At any time prior to the Effective Time, the parties hereto, by action taken or authorized by their respective Board of Directors, may, to the extent legally allowed, (i) subject to the provisions of Section 7.10, extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) subject to the provisions of Section 7.10, waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto or (iii) subject to the provisions of Section 7.10, waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

ARTICLE X
GENERAL PROVISIONS

Section 10.1 Non-Survival of Representations and Warranties and Agreements. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time. This Section 10.1 shall not limit any covenant or agreement of the parties which by its terms contemplates performance after the Effective Time of the Merger.

Section 10.2 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (which is confirmed) or

sent by overnight courier (providing proof of delivery) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent or Sub, to:

The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172
Attn: William G. von Glahn and Rebecca H. Hilborne
Telecopy No.: (918) 573-5942

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036
Attn: Morris Kramer and Richard Grossman
Telecopy No.: 212-735-2000

(b) if to the Company, to:

Barrett Resources Corporation
1515 Arapahoe Street
Tower 3, Suite 1000
Denver, Colorado 80202
Attn: Eugene A. Lang, Jr.
Telecopy No.: (303) 629-8275

with copies to:

Sidley Austin Brown & Wood
Bank One Plaza
10 South Dearborn Street
Chicago, Illinois 60603
Attn: Thomas A. Cole and Paul L. Choi
Telecopy No.: (312) 853-7036

Section 10.3 Interpretation; Definitions. When a reference is made in this Agreement to an Article or a Section, such reference shall be to an Article or a Section of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

As used in this Agreement, the following terms have the meanings specified or referred to in this Section 10.3 and shall be equally applicable to both the singular and plural forms. Any agreement referred to below shall mean such agreement as amended, supplemented or modified

from time to time to the extent permitted by the applicable provisions thereof and by this Agreement.

"ACQUISITION PROPOSAL" shall have the meaning set forth in Section 6.2(f).

"AGREEMENT" means this Agreement and Plan of Merger, dated as of May 7, 2001, among Parent, Sub and the Company.

"ANTITRUST LAWS" means, collectively, the HSR Act, the Sherman Act, as amended, the Clayton Act, as amended, the Federal Trade Commission Act, as amended, and any other Federal, state or foreign statutes, rules, regulations, orders or decrees that are designed to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

"BENEFICIAL OWNER" or "BENEFICIALLY OWNING" shall have the meaning set forth in Rule 13d-3 promulgated under the Exchange Act.

"BENEFIT PLAN" means any collective bargaining agreement or any bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, retirement, vacation, severance, disability, death benefit, hospitalization, medical, employee stock purchase, stock appreciation, restricted stock or other employee benefit plan, agreement or arrangement, in each case that is maintained, sponsored, contributed to or required to be contributed to by the Company or any ERISA Affiliate for the benefit of providing benefits to any current or former employee, officer, director or consultant of the Company or any of its Subsidiaries.

"CERTIFICATE OF MERGER" shall have the meaning set forth in Section 2.3.

"CERTIFICATES" shall have the meaning set forth in Section 3.2(b).

"CLOSING DATE" shall have the meaning set forth in Section 2.2.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMPANY" shall have the meaning set forth in the introductory paragraph of this Agreement.

"COMPANY COMMON STOCK" shall have the meaning set forth in the second recital provision of this Agreement.

"COMPANY CONTRACTS" shall have the meaning set forth in Section 4.18(a).

"COMPANY FILED SEC DOCUMENTS" shall have the meaning set forth in Section 4.7.

"COMPANY INTELLECTUAL PROPERTY" shall have the meaning set forth in Section 4.20.

"COMPANY LETTER" shall have the meaning set forth in Section 4.2.

"COMPANY PREFERRED STOCK" shall have the meaning set forth in Section 4.3.

"COMPANY RIGHTS" shall have the meaning set forth in Section 4.3.

"COMPANY RIGHTS AGENT" shall have the meaning set forth in Section 4.3.

"COMPANY RIGHTS AGREEMENT" shall have the meaning set forth in Section 4.3.

"COMPANY SEC DOCUMENTS" shall have the meaning set forth in Section 4.6.

"COMPANY SERIES A PREFERRED SHARES" shall have the meaning set forth in Section 4.3.

"COMPANY STOCK OPTIONS" shall have the meaning set forth in Section 4.3.

"COMPANY STOCK PLANS" shall have the meaning set forth in Section 4.3.

"COMPANY STOCKHOLDER APPROVAL" shall have the meaning set forth in Section 4.16.

"COMPANY STOCKHOLDERS MEETING" shall have the meaning set forth in Section 6.2(b).

"CONFIDENTIALITY AGREEMENT" shall have the meaning set forth in Section 7.4.

"CONSENTS" means with respect to a Governmental Entity or Person, any consent, approval, order or authorization of, or registration, declaration or filing with or exemption by such Governmental Entity or Person, as the case may be.

"CONSTITUENT CORPORATIONS" shall have the meaning set forth in the introductory paragraph of this Agreement.

"CONSUMMATION OF THE OFFER" means the purchase of Shares pursuant to the Offer.

"DERIVATIVE TRANSACTIONS" shall have the meaning set forth in Section 4.22(b).

"D&O INSURANCE" shall have the meaning set forth in Section 7.9(b).

"DGCL" means the General Corporation Law of the State of Delaware.

"EFFECTIVE TIME" shall have the meaning set forth in Section 2.3.

"ENVIRONMENTAL LAWS" shall mean all foreign, Federal, state and local laws, regulations, rules and ordinances relating to pollution or protection of the environment or human health and safety, including, without limitation, laws relating to releases or threatened releases of Hazardous Substances into the indoor or outdoor environment (including, without limitation, ambient air, surface water, groundwater, land, surface and subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, Release, transport or handling of Hazardous Substances; all laws and regulations with regard to recordkeeping, notification, disclosure and reporting requirements respecting Hazardous Substances; all laws relating to endangered or threatened species of fish, wildlife and plants and the management or use of natural resources; and common law to the extent it relates to or applies to exposure to or impact of Hazardous Substances on persons or property.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, together with the rules and regulations promulgated thereunder.

"ERISA AFFILIATE" shall have the meaning set forth in Section 4.13(b).

"ERISA BENEFIT PLAN" means a U.S. Benefit Plan maintained as of the date of this Agreement which is also an "employee pension benefit plan" (as defined in Section 3(2) of ERISA) or which is also an "employee welfare benefit plan" (as defined in Section 3(1) of ERISA).

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

"EXCHANGE AGENT" shall have the meaning set forth in Section 3.2(a).

"EXCHANGE FUND" shall have the meaning set forth in Section 3.2(a).

"EXCHANGE RATIO" shall have the meaning set forth in the third recital provision of this Agreement (subject to adjustment as contemplated by Section 3.4).

"EXPENSES" means documented and reasonable out-of-pocket fees and expenses incurred or paid by or on behalf of Parent in connection with the Offer, the Merger or the consummation of any of the transactions contemplated by this Agreement, including all reasonable fees and expenses of law firms, commercial banks, investment banking firms, accountants, experts and consultants to Parent.

"FORM S-4" shall have the meaning set forth in Section 7.3.

"FORWARD MERGER" shall have the meaning set forth in the second recital provision of this Agreement.

"GAAP" means United States generally accepted accounting principles.

"GOLDMAN, SACHS" shall have the meaning set forth in Section 1.2(a).

"GOVERNMENTAL ENTITY" means any Federal, state, local or foreign government or any court, tribunal, administrative agency or commission or other governmental or other regulatory authority or agency, domestic, foreign or supranational.

"HAZARDOUS SUBSTANCES" shall mean (a) any petrochemical or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing polychlorinated biphenyls, and radon gas; (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "restricted hazardous materials," "extremely hazardous substances," "toxic substances," "contaminants" or "pollutants" or words of similar meaning and regulatory effect; or (c) any other chemical, material or substance, exposure to which is prohibited, limited, or regulated by any applicable Environmental Law.

"HSR ACT" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"INDEBTEDNESS" shall mean, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all letters of credit issued for the account of such Person (excluding letters of credit issued for the benefit of suppliers to support accounts payable to suppliers incurred in the ordinary course of business), (d) all capitalized lease obligations of such Person, (e) all obligations of such Person under interest rate or currency swap transactions (valued at the termination value thereof), and (f) all guarantees and arrangements having the economic effect of a guarantee of such Person of any indebtedness of any other Person.

"INDEMNIFIED PERSON" shall have the meaning set forth in Section 7.9(a).

"INDEPENDENT DIRECTORS" shall have the meaning set forth in Section 7.10.

"INFORMATION STATEMENT" shall have the meaning set forth in Section 4.8.

"KNOWLEDGE" shall mean the actual knowledge of the executive officers of the Company or the executive officers of Parent, as the case may be.

"LIENS" means any pledges, claims, liens, charges, encumbrances and security interests of any kind or nature whatsoever.

"MATERIAL ADVERSE CHANGE" or "MATERIAL ADVERSE EFFECT" means, when used in connection with the Company or Parent, as the case may be, any change or effect (or any development that, insofar as can reasonably be foreseen, is likely to result in any change or effect) that is materially adverse to the business, properties, assets, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries taken as a whole, or Parent and its Subsidiaries taken as a whole, as the case may be, provided, however, that (i) any adverse change, effect or development that is caused by or results from conditions affecting the United States economy generally or the economy of any nation or region in which the Company or Parent, as the case may be, or its Subsidiaries conducts business that is material to the business of the Company or Parent, as the case may be, and its Subsidiaries, taken as a whole, shall not be taken into account in determining whether there has been (or whether there could reasonably be foreseen) a "Material Adverse Change" or "Material Adverse Effect" with respect to the Company or Parent, as the case may be, (ii) any adverse change, effect or development that is caused by or results from conditions generally affecting the industries (including the oil and gas industry) in which the Company or Parent, as the case may be, conducts its business shall not be taken into account in determining whether there has been (or whether there could be reasonably be foreseen) a "Material Adverse Change" or "Material Adverse Effect" with respect to the Company or Parent, as the case may be, and (iii) any adverse change, effect or development that is caused by or results from the announcement or pendency of this Agreement, the Offer, the Merger or the transactions contemplated hereby shall not be taken into account in determining whether there has been (or whether there could reasonably be foreseen) a "Material

Adverse Change" or "Material Adverse Effect" with respect to the Company or Parent, as the case may be.

"MERGER" shall have the meaning set forth in Section 2.1.

"MERGER CONSIDERATION" shall have the meaning set forth in the third recital provision of this Agreement.

"MINIMUM CONDITION" shall have the meaning set forth in Exhibit A of this Agreement.

"NYSE" means the New York Stock Exchange, Inc.

"OFFER" shall have the meaning set forth in the second recital provision of this Agreement.

"OFFER CONDITIONS" shall have the meaning set forth in Section 1.1(a).

"OFFER CONSIDERATION" shall have the meaning set forth in the second recital provision of this Agreement.

"OFFER DOCUMENTS" shall have the meaning set forth in Section 1.1(c).

"OUTSIDE DATE" shall have the meaning set forth in Section 9.1(b).

"PARENT" shall have the meaning set forth in the introductory paragraph of this Agreement.

"PARENT COMMON STOCK" shall have the meaning set forth in the third recital provision of this Agreement.

"PARENT FILED SEC DOCUMENTS" shall have the meaning set forth in Section 5.7.

"PARENT LETTER" means the letter from Parent to the Company dated the date hereof, which letter relates to this Agreement and is designated therein as the Parent Letter.

"PARENT OPTIONS" shall have the meaning set forth in Section 7.2(b).

"PARENT RIGHTS" means the rights to purchase Series A Junior Participating Preferred Stock issued pursuant to the Parent Rights Agreement.

"PARENT RIGHTS AGREEMENT" means the Rights Agreement, dated as of February 6, 1996, between Parent and First Chicago Trust Company of New York, as rights agent, as amended.

"PARENT SEC DOCUMENTS" shall have the meaning set forth in Section 5.6.

"PARENT SHARES" shall have the meaning set forth in the second recital provision of this Agreement.

"PARENT STOCK EQUIVALENTS" shall have the meaning set forth in Section 5.3.

"PARENT STOCK OPTIONS" shall have the meaning set forth in Section 5.3.

"PERMITS" means approvals, authorizations, certificates, filings, franchises, licenses, notices, permits and rights.

"PERSON" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity (including any person as defined in Section 13(d)(3) of the Exchange Act).

"PETRIE PARKMAN" shall have the meaning set forth in Section 1.2(a).

"PROXY STATEMENT" shall have the meaning set forth in Section 4.5(b).

"RECOMMENDATIONS" shall have the meaning set forth Section 1.2.

"REPRESENTATIVE" means with respect to any Person, its officers, directors, investment bankers, attorneys, accountants, consultants or other agents, advisors or representatives.

"RETAINED EMPLOYEE" shall have the meaning set forth in Section 7.1(a).

"REVERSE MERGER" shall have the meaning set forth in the fourth recital provision of this Agreement.

"RIGHTS AGREEMENT" shall mean that certain Rights Agreement between the Company and BankBoston, N.A. dated August 5, 1997, as amended.

"SCHEDULE 14D-9" shall have the meaning set forth in Section 1.2(b).

"SCHEDULE TO" shall have the meaning set forth in Section 1.1(c).

"SEC" means the Securities and Exchange Commission.

"SECURITIES ACT" means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

"SHARES" shall have the meaning set forth in the second recital provision of this Agreement.

"SIGNIFICANT SUBSIDIARY" of any person means a Subsidiary of such person that would constitute a "significant subsidiary" of such person within the meaning of Rule 1.02(v) of Regulation S-X as promulgated by the SEC.

"STOCK EQUIVALENTS" shall have the meaning set forth in Section 4.3.

"SUB" shall have the meaning set forth in the introductory paragraph of this Agreement.

"SUBSEQUENT DETERMINATION" shall have the meaning set forth in Section 6.6.

"SUBSEQUENT DETERMINATION NOTICE" shall have the meaning set forth in Section 6.6.

"SUBSIDIARY" or "SUBSIDIARY" of any person means another person, an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its Board of Directors or other governing body (or, if there are no such voting interests, 50% or more of the equity interests of which) is owned directly or indirectly by such first person.

"SUPERIOR PROPOSAL" shall have the meaning set forth in Section 6.2(f).

"SURVIVING CORPORATION" shall have the meaning set forth in Section 2.1.

"TAX" and "TAXES" means any federal, state, local or foreign net income, gross income, gross receipts, windfall profit, severance, property, production, sales, use, license, excise, franchise, employment, payroll, withholding, alternative or add-on minimum or any other tax, custom, duty, levy, tariff, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, addition to tax or additional amount imposed by any Governmental Entity.

"TAX OPINION STANDARD" shall have the meaning set forth in Section 7.14.

"TAX RETURN" means any return, report or similar statement (including any related or supporting information) required to be filed with respect to any Tax including, without limitation, any information return, claim for refund, amended return or declaration of estimated Tax.

"TERMINATION FEE" shall have the meaning set forth in Section 7.5(b).

"THIRD PARTY" means any Person (or group of Persons) other than Parent and its affiliates.

"TRANSACTION" shall have the meaning set forth in the eighth recital provision of this Agreement.

"TRANSFER TAXES" shall have the meaning set forth in Section 7.7.

"TREASURY REGULATIONS" means the final and temporary (but not proposed) income tax regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"TRIGGER EVENT" shall have the meaning set forth in Section 7.5(a).

Section 10.4 Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 10.5 Entire Agreement; No Third-Party Beneficiaries. Except for the Confidentiality Agreement, this Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the

subject matter hereof. This Agreement, except for the provisions of Section 7.1, Section 7.2, Section 7.9, Section 7.12 and Section 7.13, is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

Section 10.6 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

Section 10.7 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns. Notwithstanding the foregoing, Sub shall have the right, effective upon written notice to the Company, to transfer or assign, in whole or from time to time in part, to Parent or to one or more other wholly-owned Subsidiaries of Parent, the right to purchase Shares tendered pursuant to the Offer, but any such transfer or assignment shall in no way prejudice the rights of tendering stockholders to receive payment for their Shares validly tendered and accepted for payment pursuant to the Offer, adversely affect the ability of the parties to complete the Transaction or relieve Sub of its obligations hereunder.

Section 10.8 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement may be consummated as originally contemplated to the fullest extent possible.

Section 10.9 Enforcement of this Agreement. The parties hereto agree that irreparable damage would occur in the event that 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 in any court of the United States or any state having jurisdiction, such remedy being in addition to any other remedy to which any party is entitled at law or in equity.

Section 10.10 Obligations of Subsidiaries. Whenever this Agreement requires any Subsidiary of Parent (including Sub) or of the Company to take any action, such requirement shall be deemed to include an undertaking on the part of Parent or the Company, as the case may be, to cause such Subsidiary to take such action.

IN WITNESS WHEREOF, Parent, Sub and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized all as of the date first written above.

THE WILLIAMS COMPANIES, INC.

By: /s/ Keith E. Bailey

Name: Keith E. Bailey
Title: Chairman, President and Chief Executive Officer

RESOURCES ACQUISITION CORP.

By: /s/ Steven J. Malcolm

Name: Steven J. Malcolm
Title: President

BARRETT RESOURCES CORPORATION

By: /s/ Peter A. Dea

Name: Peter A. Dea
Title: Chairman and Chief Executive Officer

EXHIBIT A

CONDITIONS OF THE OFFER

Notwithstanding any other provision of the Offer, subject to the terms of the Agreement, Sub shall not be required to accept for payment or pay for, (subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Sub's obligation to pay for or return tendered Shares after the termination or withdrawal of the Offer)) any Shares tendered, if by the expiration of the Offer (as it may be extended in accordance with the requirements of Section 1.1), (1) there shall not have been validly tendered and not withdrawn prior to the expiration of the Offer 16,730,502 shares of Company Common Stock (the "Minimum Condition"), (2) the applicable waiting period under the HSR Act and any other applicable Antitrust Laws shall not have expired or been terminated, or (3) at any time on or after the date of the Agreement and prior to the acceptance for payment of Shares pursuant to the Offer, any of the following conditions exist:

(a) there shall be instituted or pending any action or proceeding by any Governmental Entity:

(i) challenging or seeking to make illegal, to delay materially or otherwise directly or indirectly to restrain or prohibit the making of the Offer or the Merger, the acceptance for payment of, or the payment for, some of or all the Shares by Parent or Sub or the consummation by Parent or Sub of the Merger or seeking to obtain material damages,

(ii) seeking to restrain or prohibit Parent's or Sub's ownership or operation (or that of their respective Subsidiaries or affiliates) of all or any material portion of the business or assets of the Company and its Subsidiaries, taken as a whole, or of Parent and its Subsidiaries, taken as a whole, or to compel Parent or any of its Subsidiaries or affiliates to dispose of or hold separate all or any material portion of the business or assets of the Company and its Subsidiaries, taken as a whole, or of Parent and its Subsidiaries, taken as a whole,

(iii) seeking to impose material limitations on the ability of Parent or any of its Subsidiaries effectively to exercise full rights of ownership of the Shares, including, without limitation, the right to vote any Shares acquired or owned by Parent or any of its Subsidiaries or affiliates on all matters properly presented to the Company's stockholders, or

(iv) seeking to require divestiture by Parent or any of its Subsidiaries of any Shares; or

(b) there shall be any action taken, or any statute, rule, regulation, injunction, order or decree enacted, enforced, promulgated, issued or deemed applicable to the Agreement, the Offer or the Merger, by any Governmental Entity that is reasonably likely, directly or indirectly, to result in any of the consequences referred to in clauses (i) through (iv) of paragraph (a) above, subject as aforesaid; or

(c) the Company shall have breached or failed to perform in any material respect any of its covenants, obligations or agreements under the Agreement; or

(d) the representations and warranties of the Company set forth in the Agreement that are qualified as to materiality shall not be true and correct as of the date of the Agreement and as of the expiration of the Offer (including any extension thereof) (except to the extent expressly made as of an earlier date, in which case as of such earlier date), or any of the representations and warranties set forth in the Agreement that are not so qualified as to materiality shall not be true and correct in any material respect as of the date of the Agreement and as of the expiration of the Offer (except to the extent expressly made as of an earlier date, in which case as of such earlier date); provided that this condition shall not be deemed to exist unless any such breaches of representation or warranty (without regard to any "Materiality" or "Material Adverse Effect" or similar qualifier or threshold), individually or in the aggregate, has had or could reasonably be expected to have, a Material Adverse Effect on the Company; or

(e) this Agreement shall have been terminated in accordance with its terms; or

(f) the Board of Directors of the Company (or any committee thereof) shall have made a Subsequent Determination;

which, in the good faith judgment of Parent in any such case makes it inadvisable to proceed with such acceptance for payment or payment.

The foregoing conditions are for the sole benefit of Parent and Sub and may, subject to the terms of this Agreement, be waived by Parent and Sub in their reasonable discretion in whole at any time or in part from time to time. The failure by Parent or Sub at any time to exercise its rights under any of the foregoing conditions shall not be deemed a waiver of any such right; the waiver of any such right with respect to particular facts and circumstances shall not be deemed a waiver with respect to any other facts and circumstances, and each such right shall be deemed an ongoing right which may be asserted at any time or from time to time. Terms used but not defined herein shall have the meaning assigned to such terms in the Agreement to which this Exhibit A is a part.

EXHIBIT 3(I)(a)

Execution Version

CERTIFICATE OF DESIGNATION

OF THE

MARCH 2001 MANDATORILY CONVERTIBLE SINGLE RESET PREFERRED STOCK
($1.00 Par Value)

OF

THE WILLIAMS COMPANIES, INC.

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on March 22, 2001, by a duly appointed Special Committee of the Board of Directors of The Williams Companies, Inc., a Delaware corporation (hereinafter called the "Corporation"), acting pursuant to the provisions of Section 141(c) of the General Corporation Law of the State of Delaware and pursuant to authority granted to such Committee in a resolution of such Board of Directors duly adopted on March 14, 2001:

RESOLVED that pursuant to authority expressly granted to and vested in the Board of Directors by provisions of the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the issuance of a series of Preferred Stock, par value $1.00 per share (the "Preferred Stock"), which initially shall consist of 14,000 of the 30,000,000 shares of Preferred Stock which the Corporation now has authority to issue, be, and the same hereby is, authorized, and the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the shares (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which may be applicable to the Preferred Stock) are fixed as follows:

1. Designation. The designation of such series of the Preferred Stock authorized by this resolution shall be the March 2001 Mandatorily Convertible Single Reset Preferred Stock (the "March 2001 Preferred Stock"). The total number of shares of the March 2001 Preferred Stock initially shall be 14,000. Such number of shares may be increased by resolution of the Board of Directors to the extent necessary to fulfill the Corporation's

obligations to issue additional shares of March 2001 Preferred Stock pursuant to the Remarketing Agreement (as defined in Section 2 hereof). Such number of shares may be decreased by resolution of the Board of Directors, provided that no decrease shall reduce the number of shares of March 2001 Preferred Stock to a number less than that of the number of shares then outstanding.

2. Definitions. The following terms shall have the following meanings when used herein:

"Anti-Dilution Adjustment Ratio" shall have the meaning specified in Subsection 6(3) hereof.

"Average Trading Price" for a security for any given period means an amount equal to (i) the sum of the Closing Price for such security on each Trading Day in such period divided by (ii) the total number of Trading Days in such period.

"Board of Directors" shall mean the Board of Directors of the Corporation or any duly authorized committee thereof.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which commercial banking institutions in the State of New York or the State of Oklahoma are authorized or obligated by law or executive order to close.

"Closing Price" for a security means the closing price for such security on the Trading Day in question (or if such day is not a Trading Day then as of the Trading Day next preceding such day) as reported by Bloomberg L.P., or if not so reported by Bloomberg L.P., as reported by another recognized source selected by the Board of Directors.

"Common Stock" shall have the meaning specified in Subsection 6(9) hereof.

"Conversion Price" shall have the meaning specified in Subsection 6(1) hereof.

"Distribution Adjustment Ratio" shall have the meaning specified in Subsection 6(3) hereof.

"Dividend Payment Date" shall have the meaning specified in Subsection 3(1) hereof.

"Failed Remarketing" shall have the meaning ascribed to such term in Annex A of the Participation Agreement.

"Final Sale Date" shall have the meaning ascribed to such term in the Remarketing Agreement.

"Indenture" shall mean the Indenture, dated as of March 28, 2001, among WCG Note Trust, WCG Note Corp., Inc. and United States Trust Company of New York, as indenture trustee.

"Junior Stock" shall mean (and references to shares ranking "junior to" the March 2001 Preferred Stock shall refer to), with respect to Sections 3 and 7 hereof, the Common Stock and any other class or series of stock of the Corporation which by its terms is not entitled to receive any dividends unless all dividends required to have been paid or declared and set apart for payment on the March 2001 Preferred Stock shall have been so paid or declared and, with respect to Sections 4 and 7 hereof, the Common Stock and any other class or series of stock of the Corporation which by its terms is not entitled to receive any assets upon the liquidation, dissolution or winding up of the affairs of the Corporation until holders of the March 2001 Preferred Stock shall have received the entire amount to which such holders are entitled upon liquidation, dissolution or winding up.

"Mandatory Conversion" shall have the meaning specified in Subsection 6(1) hereof.

"Mandatory Conversion Date" shall have the meaning specified in Subsection 6(1) hereof.

"Mandatory Conversion Rate" shall have the meaning specified in Subsection 6(1) hereof.

"Maximum Reserved Shares" shall have the meaning specified in Subsection 6(7) hereof.

"Optional Conversion" shall have the meaning specified in Subsection 6(2) hereof.

"Optional Conversion Rate" shall have the meaning specified in Subsection 6(2) hereof.

"Ordinary Cash Dividends" shall have the meaning specified in Subsection 6(3) hereof.

"Parity Stock" shall mean (and references to shares ranking "on a parity with" the March 2001 Preferred Stock shall refer to), with respect to Sections 3 and 7 hereof, any class or series of stock of the Corporation which by its terms is entitled to receive payment of dividends on a parity with the March 2001 Preferred Stock and, with respect to Sections 4 and 7 hereof, any class or series of stock of the Corporation the holders of which by its terms are entitled to receive assets upon the liquidation, dissolution or winding up of the affairs of the Corporation on a parity with the holders of March 2001 Preferred Stock.

"Participation Agreement" shall mean the Participation Agreement, dated as of March 22, 2001, among the Corporation, Williams Communications Group, Inc.,Williams Communications, LLC, WCG Note Trust, WCG Note Corp., Inc., Williams Share Trust, United States Trust Company of New York and Wilmington Trust Company.

"Permitted Senior Stock" shall mean, with respect to Section 7 hereof, any class or series of Senior Stock which is issued during any Trigger Period and until such time as Williams Share Trust has sold (i) all of the March 2001 Preferred Stock issued by the Corporation to Williams Shares Trust on March 28, 2001, and (ii) any additional shares of March 2001 Preferred Stock or Common Stock issued by the Corporation to Williams Share Trust pursuant to the Remarketing Agreement; provided that the proceeds of the issuance and sale of such Senior Stock are applied in accordance with the terms of the Indenture and the Remarketing Agreement.

"Principal Market" shall have the meaning ascribed to such term in Annex A of the Participation Agreement.

"Publicly Traded Security" shall have the meaning specified in Subsection 6(4) hereof.

"Recapitalization Adjustment Ratio" shall have the meaning specified in Subsection 6(3) hereof.

"Redemption Event" shall mean the occurrence of any of the following: (i) any consolidation or merger of the Corporation with or into another corporation or entity, unless in connection with such consolidation or merger the outstanding shares of Common Stock immediately preceding the consummation of such consolidation or merger are converted into, exchanged for or otherwise represent a majority of the outstanding shares of common stock of the surviving or resulting corporation or entity immediately succeeding the consummation of such consolidation or merger or (ii) the Corporation sells or conveys to another entity (other than a Subsidiary) all or substantially all of the assets of the Corporation; provided, that the foregoing shall not include a sale, exchange, distribution to stockholders or other disposition of Williams Communications Group, Inc. capital stock owned by the Corporation.

"Redemption Price" shall have the meaning specified in Section 5 hereof.

"Remarketing Agent" shall have the meaning ascribed to such term in the Remarketing Agreement.

"Remarketing Agreement" shall mean the Williams Preferred Stock Remarketing, Registration Rights and Support Agreement, dated as of March 28, 2001, among the Corporation, Williams Share Trust, WCG Note Trust, United States Trust Company of New York, as indenture trustee, and Credit Suisse First Boston Corporation, as initial remarketing agent.

"Reserved Shares" shall have the meaning specified in Subsection 6(7) hereof.

"Reset Common Yield" shall mean the quotient of (i) the product of (x) four and (y) the amount of the ordinary quarterly cash dividend on one share of Common Stock most recently declared prior to the Trigger Date (as appropriately adjusted for the events referred to in Subsection 6(3)(a)), unless subsequent to such declaration and prior to the Trigger Date, the Corporation has publicly announced a change to, or elimination of, its ordinary quarterly cash dividend, in which case clause (y) above shall be the amount of such proposed ordinary quarterly cash dividend (or $0.00 if such dividend has been or is to be eliminated), divided by (ii) the Reset Price (provided, however, that if as of the Trigger Date there is more than one class of Common Stock, then the Reset Common Yield shall be calculated with respect to each then outstanding class of Common Stock, and the Reset Common Yield (as used herein) shall be the amount calculated with respect to the class of Common Stock resulting in the greatest Reset Common Yield).

"Reset Date" means the earlier to occur of (A) the consummation of the remarketing of the Initial Shares (as such term is defined in the Remarketing Agreement), which is expected to be on or about the third Trading Day following the Successful Repricing Date, and (B) the date of a Failed Remarketing.

"Reset Dividend Rate" shall mean an amount per annum per share equal to the product of (i) the sum of (x) the Reset Common Yield (expressed as a percentage), plus (y) 7% and (ii) $100,000.00 (rounded to the nearest cent).

"Reset Price" shall mean the higher of (i) the Closing Price of a share of Common Stock on the Trigger Date or (ii) the quotient (rounded up to the nearest cent) of the Share Trust Amount divided by the number, as of the Trigger Date, of the authorized but unissued shares of Common Stock that have not been reserved as of the Trigger Date by the Board of Directors for other purposes, subject to adjustment as provided in Subsection 6(3)(a) hereof.

"Rights" means rights or warrants distributed by the Corporation under a shareholder rights plan or agreement to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the Corporation's capital stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events ("Rights Events"), (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.

"Rights Events" shall have the meaning ascribed to such term in the definition of Rights.

"Senior Stock" shall mean (and references to shares ranking "senior to" or "prior to" the March 2001 Preferred Stock shall refer to), with respect to Sections 3 and 7 hereof, any class or series of stock of the Corporation by its terms ranking senior to the March 2001

Preferred Stock in respect of the right to receive dividends and, with respect to Sections 4 and 7 hereof, any class or series of stock of the Corporation by its terms ranking senior to the March 2001 Preferred Stock with respect to the right of the holders thereof to receive assets upon the liquidation, dissolution or winding up of the affairs of the Corporation.

"Share Trust Agreement" shall mean the Amended and Restated Trust Agreement, dated as of March 28, 2001, among the Corporation, Williams Share Trust and Wilmington Trust Company, as share trustee.

"Share Trust Amount" shall have the meaning ascribed to such term in Annex A of the Participation Agreement.

"Subsidiary" means any corporation or other entity of which the Corporation owns, directly or indirectly sufficient securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other individuals performing similar functions.

"Successful Repricing Date" shall have the meaning ascribed to such term in the Remarketing Agreement.

"Threshold Appreciation Price" means the product of (i) the Reset Price as of the time in question and (ii) 1.10.

"Trading Day" shall have the meaning ascribed to such term in Annex A of the Participation Agreement.

"Transaction" shall have the meaning specified in Subsection 6(5) hereof.

"Trigger Date" shall mean the earlier to occur of (A) the Successful Repricing Date and (B) the date of a Failed Remarketing.

"Trigger Event" shall have the meaning ascribed to such term in Annex A of the Participation Agreement.

"Trigger Period" shall have the meaning ascribed to such term in the Share Trust Agreement.

3. Dividends.

(1) The holders of the March 2001 Preferred Stock shall not be entitled to receive any dividends (nor shall dividends commence to accrue) prior to, or with respect to any period ending prior to, the Reset Date. The holders of the March 2001 Preferred Stock, in preference to the rights of holders of any Junior Stock but subject to the rights of holders of any Senior Stock and Parity Stock, shall be entitled to receive, when, as and if declared by the Board

of Directors out of the assets of the Corporation legally available therefor, cumulative cash dividends from the Reset Date at the Reset Dividend Rate, and no more, payable on the dates as set forth in this Section 3. Dividends shall accrue on the March 2001 Preferred Stock from the Reset Date. Dividends shall be payable quarterly in arrears on each January 1, April 1, July 1 and October 1 commencing on the first such date following the Reset Date and on the Mandatory Conversion Date (each such date being hereinafter referred to as a "Dividend Payment Date"); provided, that if any such Dividend Payment Date is not a Business Day, then any payment with respect to such Dividend Payment Date shall be payable on the next succeeding Business Day. Each such dividend shall be payable to holders of record as they appear on the books of the Corporation or any transfer agent for the March 2001 Preferred Stock on such record dates as shall be fixed by the Board of Directors subject to applicable law (which record date shall be no more than 60 days prior to the date fixed for the payment thereof). Dividends on the March 2001 Preferred Stock shall accrue on a daily basis commencing on and including the Reset Date, and accrued dividends for each dividend period or portion thereof shall cumulate, to the extent not paid, as of the date on which such dividends were to have been paid. A dividend period shall commence on a Dividend Payment Date or the Reset Date, as the case may be, and continue to the day next preceding the next succeeding Dividend Payment Date. Accumulated unpaid dividends shall not accrue interest. Dividends (or cash amounts equal to accrued and unpaid dividends) payable on the March 2001 Preferred Stock for any period less than or more than a full quarterly period shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in any period less than one month. Dividends on the March 2001 Preferred Stock shall accrue whether or not the Corporation has earnings, whether or not there are assets legally available for the payment of such dividends and whether or not such dividends are declared. Dividends in arrears for any past dividend periods or portions thereof may be declared and paid at any time without reference to any regular Dividend Payment Date to holders of record on such date as shall be fixed by the Board of Directors subject to applicable law. As provided in Subsection 6(1), dividends on the March 2001 Preferred Stock shall cease to accrue on the day immediately preceding the Mandatory Conversion Date and, in the case of an Optional Conversion of the March 2001 Preferred Stock, dividends shall accrue only to the extent provided in Subsection 6(2).

(2) As long as any March 2001 Preferred Stock is outstanding, dividends or other distributions for any dividend period may not be paid on any outstanding shares of Parity Stock unless any such dividends are declared and paid pro rata so that the amounts of any dividends declared and paid per share on outstanding March 2001 Preferred Stock and each share of such Parity Stock will in all cases bear to each other the same ratio that accrued and unpaid dividends (including any accumulation with respect to unpaid dividends for prior dividend periods, if such dividends are cumulative) per share of outstanding March 2001 Preferred Stock and such outstanding shares of Parity Stock bear to each other.

In addition, as long as any March 2001 Preferred Stock is outstanding, no shares of any Parity Stock may be purchased, redeemed or otherwise acquired by the Corporation or any Subsidiary (except with any Parity Stock, Junior Stock and cash in lieu of fractional shares of such Parity Stock or Junior Stock in connection therewith and except for the acquisition of

shares of any Parity Stock pursuant to contractual obligations binding against the Corporation or any Subsidiary that were entered into prior to the date of the first issuance of shares of March 2001 Preferred Stock or pursuant to contractual obligations that are entered into at a time subsequent thereto when such acquisitions of shares could be made pursuant to this Subsection 3(2)) unless: (i) full dividends, if any, on all outstanding shares of Senior Stock, Parity Stock and March 2001 Preferred Stock have been paid, or declared and set aside for payment, for all dividend periods terminating on or prior to the date of such purchase, redemption or other acquisition, to the extent dividends on such Senior Stock, Parity Stock or March 2001 Preferred Stock are cumulative; (ii) the Corporation has paid or set aside all amounts, if any, then or theretofore required to be paid or set aside for all purchase, retirement and sinking funds, if any, for any outstanding shares of Senior Stock or Parity Stock; and (iii) the Corporation is not in default on any of its obligations to redeem any outstanding shares of Senior Stock or Parity Stock.

(3) Any dividend payment made on the March 2001 Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to the March 2001 Preferred Stock.

(4) All dividends paid with respect to the March 2001 Preferred Stock shall be paid pro rata to the holders entitled thereto.

4. Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, then, before any distribution or payments shall be made to the holders of any Junior Stock, but subject to the rights of any Senior Stock and Parity Stock, the holders of the March 2001 Preferred Stock shall be entitled to be paid in full in cash the amount of $100,000.00 per share, together with, to the extent of assets legally available therefor, accrued dividends to the date of such distribution or payment, whether or not earned or declared. If such payment shall have been made in full to the holders of the March 2001 Preferred Stock and all preferential payments or distributions to be made with respect to Senior Stock and Parity Stock have been made in full, the remaining assets and funds of the Corporation shall be distributed among the holders of the Junior Stock, according to their respective rights and preferences and in each case according to their respective shares. If, upon any liquidation, dissolution or winding up of the affairs of the Corporation, the amounts so payable are not paid in full to the holders of all shares of the March 2001 Preferred Stock and Parity Stock, the holders of the March 2001 Preferred Stock, together with holders of Parity Stock, shall share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled. Neither the consolidation or merger of the Corporation with another entity, nor the sale, lease, transfer, exchange or conveyance of all or a part of its assets, shall be deemed a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of the foregoing provisions of this Section 4.

5. Redemption. The Corporation shall have the right to redeem all, but not less than all, of the outstanding March 2001 Preferred Stock (x) at any time following a Redemption Event and prior to a Trigger Date and (y) at any time prior to a Trigger Event, in

each case in cash at the redemption price of $100,000.00 per share (the "Redemption Price"). Except as set forth in the preceding sentence and to the extent contemplated by Section 6(1)(y), the Corporation shall not have the right to redeem any or all of the March 2001 Preferred Stock at any other time. Notice of a redemption of the March 2001 Preferred Stock shall be provided in writing to the holders of record of such shares at their respective addresses as they shall appear on the books of the Corporation at least two Business Days and not more than 60 calendar days prior to the date fixed for redemption. Each such notice of redemption shall specify the date fixed for redemption and the Redemption Price. On or after the date fixed for redemption as stated in such notice, each holder of the shares called for redemption shall surrender the certificate evidencing such shares to the Corporation and shall thereupon be entitled to receive payment of the Redemption Price. If, on the date fixed for redemption, funds necessary for the redemption shall be available therefor and shall have been irrevocably deposited or set aside, then, notwithstanding that the certificates evidencing any shares so called for redemption shall not have been surrendered, the shares shall no longer be deemed outstanding, and all rights whatsoever with respect to the shares so called for redemption (except the right of the holders to receive the Redemption Price without interest upon surrender of their certificates therefor) shall terminate.

6. Conversion.

(1) Unless previously converted at the option of the holder in accordance with the provisions hereof, on the third anniversary of the Reset Date, or if such date is not a Business Day, the next succeeding day that is a Business Day (the "Mandatory Conversion Date"), each outstanding share of March 2001 Preferred Stock shall, without additional notice to holders thereof, convert automatically (the "Mandatory Conversion") into (x) a number of fully paid and non-assessable shares of Common Stock at the Mandatory Conversion Rate (as defined herein) in effect on the Mandatory Conversion Date; and (y) the right to receive an amount in cash equal to all accrued and unpaid dividends on such share of March 2001 Preferred Stock (other than previously declared dividends payable to a holder of record as of a prior date) to and including the day immediately prior to the Mandatory Conversion Date, whether or not earned or declared, out of assets legally available therefor (and if sufficient assets are not then legally available therefor, the Corporation shall pay such amount, if any, pro rata (based on the amounts so owing) to the holders of the March 2001 Preferred Stock and any Parity Stock then entitled to similar payment as is then legally available therefor and shall pay any deficiency thereafter as soon as assets are legally available therefor). The "Mandatory Conversion Rate" is equal to the following number of shares of Common Stock per share of March 2001 Preferred Stock: (a) if the Conversion Price is greater than or equal to the Threshold Appreciation Price, the quotient of (i) $100,000.00 divided by (ii) the Threshold Appreciation Price, (b) if the Conversion Price is less than the Threshold Appreciation Price but is greater than the Reset Price, the quotient of $100,000.00 divided by the Conversion Price and (c) if the Conversion Price is less than or equal to the Reset Price, the quotient of $100,000.00 divided by the Reset Price, subject to adjustment as provided in this Section 6. "Conversion Price" shall mean the Average Trading Price per share of Common Stock for the 20 consecutive Trading Days immediately prior to, but not including, the Mandatory Conversion Date; provided, however, that if an event occurs during

such 20 consecutive Trading Days that would require an adjustment to the Mandatory Conversion Rate pursuant to Subsections 6(3) or 6(5), the Board of Directors may make such adjustments to the Average Trading Price for shares of Common Stock for such 20 Trading Day period as it reasonably deems appropriate to effectuate the intent of the adjustments in Subsections 6(3) and 6(5), in which case any such determination by the Board of Directors shall be set forth in a resolution of the Board of Directors and shall be conclusive absent manifest error.

Dividends on the March 2001 Preferred Stock shall cease to accrue on the day immediately preceding, and the March 2001 Preferred Stock shall cease to be outstanding on, the Mandatory Conversion Date. The Corporation shall make arrangements as it deems appropriate for the issuance of certificates representing Common Stock and for the payment of cash in respect of such accrued and unpaid dividends, if any, or cash in lieu of fractional shares, if any, in exchange for and contingent upon surrender of certificates representing the March 2001 Preferred Stock, and the Corporation may defer the payment of dividends on such Common Stock and the voting thereof until, and make such payment and voting contingent upon, the surrender of such certificates representing the March 2001 Preferred Stock, provided that the Corporation shall give the holders of the March 2001 Preferred Stock such notice of any such actions as the Corporation deems appropriate and upon such surrender such holders shall be entitled to receive such dividends declared and paid on such Common Stock subsequent to the Mandatory Conversion Date. Amounts payable in cash in respect of the March 2001 Preferred Stock or in respect of such Common Stock shall not bear interest.

(2) Shares of March 2001 Preferred Stock shall be convertible, at the option of the holders thereof ("Optional Conversion") at any time on or after the Reset Date and before the Mandatory Conversion Date, into Common Stock at a rate equal to the number of shares of Common Stock per share of March 2001 Preferred Stock (the "Optional Conversion Rate") equal to the quotient of (i) $100,000.00 divided by (ii) the Threshold Appreciation Price, subject to adjustment as set forth in this Section 6. Prior to the Reset Date, the Optional Conversion Rate shall be 2,316.10 shares of Common Stock for each share of March 2001 Preferred Stock, subject to adjustment as set forth in this Section 6. Optional Conversion of shares of March 2001 Preferred Stock may be effected by delivering certificates evidencing such shares of March 2001 Preferred Stock, together with written notice of conversion and, if required by the Corporation, a proper assignment of such certificates to the Corporation or in blank (and, if applicable as provided in the following paragraph, cash payment of an amount equal to the dividends attributable to the current dividend period payable on such shares), to the office of the transfer agent for the shares of March 2001 Preferred Stock or to any other office or agency maintained by the Corporation for that purpose and otherwise in accordance with Optional Conversion procedures established by the Corporation. Each Optional Conversion shall be deemed to have been effected immediately before the close of business on the date on which the foregoing requirements shall have been satisfied. Such Optional Conversion shall be at the Optional Conversion Rate in effect at such time and on such date.

Holders of shares of March 2001 Preferred Stock at the close of business on a record date for any payment of declared dividends shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date or other date fixed for payment of dividends notwithstanding the Optional Conversion of such shares following such record date and on or prior to such Dividend Payment Date or other date fixed for payment of dividends. However, shares of March 2001 Preferred Stock surrendered for Optional Conversion after the close of business on a record date for any payment of declared dividends and before the opening of business on the next succeeding Dividend Payment Date or other date fixed for payment of dividends must be accompanied by payment in cash of an amount equal to the dividends attributable to the current dividend period payable on such shares on such next succeeding Dividend Payment Date or other date fixed for payment of dividends. Except as provided in this Subsection 6(2), upon any Optional Conversion, the Corporation shall make no payment of or allowance for unpaid dividends, whether or not in arrears, on such converted shares of March 2001 Preferred Stock as to which Optional Conversion has been effected or for previously declared dividends or distributions on the shares of Common Stock issued upon such Optional Conversion.

(3) The Optional Conversion Rate shall be adjusted from time to time and the Mandatory Conversion Rate shall be adjusted from time to time after the Reset Date in respect of events occurring after the Reset Date, as follows:

(a) In case the Corporation shall (i) pay a dividend on its Common Stock in other Common Stock, (ii) subdivide or split its outstanding Common Stock into a greater number of shares, (iii) combine its outstanding Common Stock into a smaller number of shares or (iv) issue by reclassification of its Common Stock any other Common Stock (including in connection with a merger in which the Corporation is a surviving corporation), then, in any such event, (1) the Mandatory Conversion Rate in effect immediately prior to such event shall be adjusted such that the Reset Price shall be adjusted by multiplying it by a fraction (which fraction and all other fractions referred to herein may be improper fractions), the numerator of which is one and the denominator of which is the number of shares of Common Stock that a holder of one share of Common Stock prior to any event described above would hold after such event (assuming the issuance of fractional shares) (the "Recapitalization Adjustment Ratio"), and (2) the Optional Conversion Rate in effect immediately prior to such event shall be adjusted by multiplying it by a fraction, the numerator of which is one and the denominator of which is the Recapitalization Adjustment Ratio. Such adjustment shall become effective immediately after the effective date of any such event (or the earlier record date in the case of any such dividend) whenever any of the events listed above shall occur.

(b) In case the Corporation shall issue rights or warrants to all holders of its Common Stock entitling them (for a period, except in the case of Rights, expiring within 45 days after the record date for determination of the shareholders entitled to receive such rights or warrants) to subscribe for or purchase Common Stock at a price per share of Common Stock less than the current market price per share of Common Stock (as defined in Subsection 6(4)) on such record date, then in each such case the Mandatory Conversion Rate on the date of such

issuance shall be adjusted such that the Reset Price shall be adjusted by multiplying it by a fraction the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to such issuance, plus (y) the number of additional shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at the Average Trading Price for a share of Common Stock on the record date for such issuance, and the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to such issuance, plus (y) the number of additional shares of Common Stock offered for subscription or purchase pursuant to such rights or warrants (the "Anti-Dilution Adjustment Ratio"); and the Optional Conversion Rate in effect on the record date described below shall be adjusted by multiplying it by a fraction, the numerator of which is one and the denominator of which is the Anti-Dilution Adjustment Ratio. For purposes of this Subsection 6(3)(b), the issuance of rights or warrants to subscribe for or purchase securities exercisable for, convertible into, or exchangeable for, shares of Common Stock shall be deemed to be the issuance of rights or warrants to purchase the shares of Common Stock into which such securities are exercisable, convertible or exchangeable at an aggregate offering price equal to the aggregate offering price of such securities plus the minimum aggregate amount (if any) payable upon the exercise, conversion or exchange of such securities. Such adjustment shall become effective at the opening of business on the Business Day next following the record date for such rights or warrants. To the extent that any shares of Common Stock, or securities exercisable for, convertible into, or exchangeable for, shares of Common Stock so offered for subscription or purchase are not so subscribed or purchased by the expiration of such rights or warrants, the Mandatory Conversion Rate and the Optional Conversion Rate shall each be readjusted to the rates or amounts, respectively, which would then be in effect, had the adjustment made upon the issuance of such rights or warrants been made upon the basis of the issuance of rights or warrants in respect of only the number of shares of Common Stock and securities exercisable for, convertible into, or exchangeable for, shares of Common Stock actually issued upon exercise of such rights or warrants.

(c) If the Corporation shall pay a dividend or make a distribution to all holders of its Common Stock consisting of evidences of its indebtedness or other assets (including capital shares of the Corporation other than Common Stock and capital shares of any Subsidiary but excluding any Ordinary Cash Dividends (as defined below)), or shall issue to all holders of its Common Stock rights or warrants to subscribe for or purchase any of its securities (other than those referred to in Subsection 6(3)(b)), then in each such case the Mandatory Conversion Rate in effect immediately prior to such event shall be adjusted such that the Reset Price shall be adjusted by multiplying it by a fraction (determined pursuant to Subsection 6(4)), the numerator of which shall be the Average Trading Price for a share of Common Stock on such record date, minus the fair market value as of such record date of the portion of evidences of indebtedness or other assets so distributed, or of such subscription rights or warrants, applicable to one share of Common Stock (provided that such numerator shall never be less than $1.00) and the denominator of which shall be the Average Trading Price for a share of Common Stock on such record date (the "Distribution Adjustment Ratio"); and the Optional Conversion Rate in effect immediately prior to such event shall be adjusted by multiplying it by a fraction, the

numerator of which is one and the denominator of which is the Distribution Adjustment Ratio. Such adjustment shall become effective on the opening of business on the Business Day next following the record date for such dividend or distribution or the determination of shareholders entitled to receive such dividend or distribution or rights or warrants, as the case may be. "Ordinary Cash Dividends" shall mean (i) any regular cash dividend on the Common Stock that does not exceed the per share amount of the immediately preceding regular cash dividend on the Common Stock (as adjusted to appropriately reflect any of the events referred to in Subsection 6(3)(a)) by 10% and (ii) any other cash dividend or distribution which, when combined on a per share basis with the per share amount of all other cash dividends and distributions paid on the Common Stock during the 365-day period ending on the date of declaration of such dividend or distribution (as adjusted to appropriately reflect any of the events referred to in Subsection 6(3)(a) and excluding cash dividends or distributions that resulted in an adjustment to the Mandatory Conversion Rate or the Optional Conversion Rate), does not exceed 10% of the current market price per share of Common Stock (determined pursuant to Subsection 6(4)) on the Trading Day immediately preceding the date of declaration of such dividend or distribution.

(4) For the purpose of any computation under Subsection 6(3), the "current market price per share of Common Stock" on any date in question shall mean the Average Trading Price for shares of Common Stock for the 15 consecutive Trading Days ending on the earlier of the day in question and, if applicable, the day before the "ex" date with respect to the issuance or distribution requiring such computation; provided, however, that if another event occurs that would require an adjustment pursuant to Subsection 6(3), the Board of Directors may make such adjustments to the Average Trading Price for shares of Common Stock during such 15 Trading Day period as it reasonably deems appropriate to effectuate the intent of the adjustments in Subsection 6(3), in which case any such determination by the Board of Directors shall be set forth in a resolution of the Board of Directors and shall be conclusive absent manifest error. For purposes of this Subsection, the term "ex" date, when used with respect to any issuance or distribution, means the first date on which the shares of Common Stock trade regular way on the relevant exchange or in the relevant market from which the Average Trading Price was obtained without the right to receive such issuance or distribution. For the purpose of any computation under Subsection 6(3), the "fair market value" of any assets, evidences of indebtedness, subscription rights or warrants on any date in question: (i) in the event any such item is a publicly traded security ("Publicly Traded Security"), shall be determined for such date pursuant to the provisions of this Subsection 6(4) for determination of the "current market price per share of Common Stock", except that (x) each reference therein to "Common Stock" shall be deemed to mean such Publicly Traded Security, and (y) if such Publicly Traded Security does not trade on a "when issued" basis for the 15 consecutive Trading Days preceding the "ex" date, such determination shall be made for the period of 15 consecutive Trading Days commencing on the "ex" date; and (ii) in the event any such item is not a Publicly Traded Security, shall be reasonably determined in good faith for such date by the Board of Directors, as evidenced by a resolution of the Board of Directors, whose determination shall be conclusive absent manifest error. For the purpose of any computation under Subsection 6(3) specifically with respect to a distribution to all holders of the Corporation's Common Stock of any capital shares of Williams Communications Group, Inc., the "Average Trading Price for a share of Common Stock on such

record date" in both the numerator and the denominator shall be determined for such date pursuant to the provisions of this Subsection 6(4) for determination of the "current market price per share of Common Stock", except that if there are less than 15 consecutive Trading Days between the public announcement of such distribution and such record date, the "current market price per share of Common Stock" shall be determined based on such number of Trading Days between such public announcement and such record date.

(5) In any case of any reclassification of Common Stock (other than a reclassification of the Common Stock referred to in Subsection 6(3)(a)); any consolidation or merger of the Corporation with or into another company or other entity (other than a merger resulting in a reclassification of the Common Stock referred to in Subsection 6(3)(a)); or any sale or conveyance to another entity (other than a Subsidiary) of all or substantially all of the assets of the Corporation (any such event referred to herein as a "Transaction"), then the Optional Conversion Rate and Mandatory Conversion Rate shall be adjusted so that after consummation of such a Transaction the holders of shares of March 2001 Preferred Stock will receive, in lieu of the number of shares of Common Stock which such holder would have received upon conversion but for such Transaction, the kind and amount of securities, cash and other property receivable upon consummation of such Transaction by a holder of such number of shares of Common Stock, subject to further adjustment as provided in this Section 6, including without limitation, an adjustment to the Optional Conversion Rate on the Reset Date if such Transaction occurs prior to the Reset Date. On and after the consummation of any such Transaction, the Conversion Price, which shall be used for purposes of the determination as to which of clauses (a), (b) or (c) of the definition of Mandatory Conversion Rate applies, shall mean the sum of (i) the product of the Average Trading Price of any Publicly Traded Security received upon consummation of such Transaction for the 20 consecutive Trading Days immediately prior to, but not including, the Mandatory Conversion Date multiplied by the fraction of such security received in such Transaction per share of Common Stock (assuming the issuance of fractional shares) plus (ii) the fair market value of the cash and other property received upon consummation of such Transaction per share of Common Stock as of the day preceding the Mandatory Conversion Date as determined in accordance with Subsection 6(4). In determining the kind and amount of securities, cash or other property receivable upon consummation of such Transaction by a holder of shares of Common Stock, it shall be assumed that such holder is not a person or entity with which the Corporation consolidated or into which the Corporation was merged or which merged into the Corporation, as the case may be, or an affiliate of any such person or entity and that such holder of Common Stock failed to exercise rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon consummation of such transaction (provided that, if the kind or amount of securities, cash or other property receivable upon consummation of such Transaction is not the same for each non-electing share, then the kind and amount of securities, cash or other property receivable upon consummation of such transaction for each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares). In the event of such a reclassification, consolidation, merger, sale or conveyance, effective provisions shall be made in the certificate of incorporation or similar document of the resulting or surviving company or entity so that the conversion rate applicable to any securities or property into which the shares of the March 2001 Preferred Stock

shall then be convertible shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Subsections 6(3)(a), 6(3)(b) and 6(3)(c) inclusive, and the other provisions of this Section 6 with respect to the Common Stock shall apply on terms as nearly equivalent as practicable to any such other securities and property deliverable upon conversion of shares of March 2001 Preferred Stock.

(6) Whenever any adjustments are required in the shares of Common Stock into which each share of March 2001 Preferred Stock is convertible, the Corporation shall forthwith (a) compute the adjusted Mandatory Conversion Rate and Optional Conversion Rate in accordance herewith and prepare a certificate signed by an officer of the Corporation setting forth the adjusted Mandatory Conversion Rate and the Optional Conversion Rate, describing in reasonable detail the method of calculation used and the facts requiring such adjustment and upon which such adjustment is based, which certificate shall be conclusive, final and binding evidence of the correctness of the adjustment and file with the transfer agent of the March 2001 Preferred Stock such certificate and (b) cause a copy of such certificate to be mailed to each holder of record of the March 2001 Preferred Stock as of or promptly after the effective date of such adjustment and, with respect to adjustments applicable after the Reset Date, make a prompt public announcement of such adjustment.

(7) The Corporation shall at all times reserve and keep available, free from preemptive rights out of its authorized but unissued shares of Common Stock for the purpose of issuance upon conversion of the March 2001 Preferred Stock a number of shares of Common Stock (the "Reserved Shares") equal to the product of (i) the number of shares of Common Stock then deliverable at such time upon an Optional Conversion of all shares of the March 2001 Preferred Stock multiplied by (ii) 1.10. Notwithstanding the foregoing, the Corporation shall not be obligated to reserve, at any time, a number of shares of Common Stock (the "Maximum Reserve Shares") greater than the difference between the number of authorized shares of Common Stock, less the number of shares of Common Stock then issued and outstanding; provided, however, that, so long as the March 2001 Preferred Stock is issued and outstanding, in the event that the number of Reserved Shares exceeds the number of Maximum Reserve Shares, the Corporation shall use its best efforts to take all actions required to increase the number of authorized shares of Common Stock so that there shall be sufficient authorized shares of Common Stock to reserve the entire amount of Reserved Shares, including, without limitation, calling a special meeting of the Corporation's stockholders for the purpose of seeking approval of an amendment to the Corporation's Certificate of Incorporation increasing the number of authorized shares of Common Stock.

(8) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes that may be payable in respect of the issuance or delivery of shares of Common Stock on conversion of shares of the March 2001 Preferred Stock pursuant to this Section 6. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involving the issue and delivery of shares of Common Stock in the name other than that in which the shares of March 2001 Preferred Stock so converted were registered and no such

issue and delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax, or has established to the satisfaction of the Corporation, that such tax has been paid.

(9) For the purpose of this Section 6, the term "Common Stock" shall include any shares of the Corporation of any class or series which has no preference or priority in the payment of dividends or in the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and which is not subject to redemption by the Corporation. However, Common Stock issuable upon conversion of the March 2001 Preferred Stock shall include only shares of the class designated as Common Stock as of the original date of issuance of the March 2001 Preferred Stock, or shares of the Corporation of any classes or series resulting from any reclassification or reclassifications thereof (including reclassifications referred to in clause (iv) of Subsection 6(3)(a)) and which have no preference or priority in the payment of dividends or in the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and which are not subject to redemption by the Corporation, provided that, if at any time, there shall be more than one such resulting class or series, the shares of such class and series then so issuable shall be in the same proportion, if possible, or if not possible, in substantially the same proportion which the total number of shares of such class and series resulting from all such reclassifications bears to the total number of shares of all classes and series resulting from all such reclassifications.

(10) No fractional shares or scrip representing fractional shares shall be issued upon the conversion of the March 2001 Preferred Stock. If any such conversion would otherwise require the issuance of a fractional share, an amount equal to such fraction multiplied by the current market price per share of Common Stock (determined as provided in Subsection 6(4)) of the Common Stock on the date of conversion shall be paid to the holder in cash by the Corporation. If on such date there is no current market price per share of Common Stock, the fair market value of a share of Common Stock (determined as provided in Subsection 6(4)) on such date, shall be used. If more than one share of March 2001 Preferred Stock shall be surrendered for conversion at one time or for the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of March 2001 Preferred Stock so surrendered.

(11) All shares of the March 2001 Preferred Stock purchased or otherwise acquired by the Corporation (including shares surrendered for conversion) shall be canceled and thereupon restored to the status of authorized but unissued shares of Preferred Stock undesignated as to series.

(12) No adjustment in the Mandatory Conversion Rate and the Optional Conversion Rate shall be required unless such adjustment (plus any adjustments not previously made by reason of this Subsection 6(12)) would require an increase or decrease of at least 1% in the number of shares of Common Stock into which each share of the March 2001 Preferred Stock is then convertible; provided, however, that any adjustments which by reason of this Subsection 6(12) are not required to be made shall be carried forward and taken into account in

any subsequent adjustment and provided further that any adjustment shall be required and made in accordance with the provisions of Subsection 6(3) not later than such time as may be required in order to preserve the tax free nature of a distribution to the holders of shares of Common Stock. If any action or transaction would require adjustment to the Mandatory Conversion Rate or the Optional Conversion Rate pursuant to this Section 6, only one adjustment shall be made and such adjustment shall be the amount of the adjustment that has the highest absolute value. All calculations under this Section 6 shall be made to the nearest one-hundredth of a share of Common Stock.

(13) The Board of Directors may make such upward adjustments in the Mandatory Conversion Rate and the Optional Conversion Rate, in addition to those required by this Section 6, as shall be determined by the Board of Directors, as evidenced by a resolution of the Board of Directors, to be advisable in order that any stock dividends, subdivisions of shares, distribution of rights to purchase stock or securities, or distribution of securities convertible into or exchangeable for stock (or any transaction that could be treated as any of the foregoing transactions pursuant to Section 305 of the Internal Revenue Code of 1986, as amended) made by the Corporation to its stockholders after the Reset Date shall not be taxable. The determination of the Board of Directors as to whether an adjustment should be made pursuant to the provisions of this Subsection 6(13), and if so, as to what adjustment should be made and when, shall be conclusive, final and binding on the Corporation and all stockholders of the Corporation.

(14) In any case in which this Section 6 shall require that an adjustment as a result of any event become effective at the opening of business on the Business Day next following a record date and the date fixed for conversion occurs after such record date, but before the occurrence of such event, the Corporation may, in its sole discretion, elect to defer (A) issuing to the holder of any converted March 2001 Preferred Stock the additional shares of Common Stock issuable upon such conversion over the shares of Common Stock issuable before giving effect to such adjustments and (B) paying to such holder any amount in cash in lieu of a fractional share of Common Stock pursuant to Subsection 6(10), in each case until after the occurrence of such event.

(15) Notwithstanding the foregoing provisions of this Section 6, no adjustment of the Optional Conversion Rate or the Mandatory Conversion Rate shall be required to be made upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of the Corporation and the investment of optional amounts in shares of Common Stock under any such plan or upon the issuance of shares of Common Stock (or securities, rights, warrants, options or similar rights, which are convertible or exercisable for shares of Common Stock) pursuant to any compensatory plan of the Corporation or its Subsidiaries.

(16) Notwithstanding any other provision of this Section 6, the issuance or distribution of Rights shall not be deemed to constitute an issuance or a distribution or dividend

of rights, warrants or other securities to which any of the adjustment provisions described above applies until the occurrence of the earliest Rights Event.

(17) For purposes of this Section 6, shares of Common Stock owned by, or held for the account of, the Corporation, a Subsidiary or another entity of which a majority of the common stock or common equity interests are owned, directly or indirectly, by the Corporation shall be deemed to be not outstanding.

7. Voting Rights. The holders of March 2001 Preferred Stock shall have no right to vote except as otherwise specifically provided herein, in the Certificate of Incorporation or as required by statute.

(1) So long as any shares of March 2001 Preferred Stock are outstanding, in addition to any other vote or consent of shareholders required in the Certificate of Incorporation by law, the affirmative vote of the holders of at least a majority of the shares of March 2001 Preferred Stock entitled to vote, given in person or by proxy, either pursuant to a consent in writing without a meeting (if permitted by law and the Certificate of Incorporation) or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(a) any amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation which alters or changes the powers, rights or preferences of the shares of March 2001 Preferred Stock so as to affect them adversely or reduces the minimum time required for any notice to which holders of March 2001 Preferred Stock then outstanding may be entitled. Without limiting the foregoing, the amendment of the provisions of the Certificate of Incorporation so as to authorize or create, or to increase the authorized amount of any Permitted Senior Stock, Junior Stock or Parity Stock (including additional shares of March 2001 Preferred Stock) shall not require approval by the holders of the March 2001 Preferred Stock and such holders shall not be entitled to vote thereon to the fullest extent permitted by law;

(b) the authorization, creation or issuance of, or the increase in the authorized amount of, any stock of any class or series, or any security convertible into stock of any class or series, ranking senior to the March 2001 Preferred Stock (other than the authorization, creation or issuance of, or the increase in the authorized amount of, any Permitted Senior Stock, or any security convertible into Permitted Senior Stock); or

(c) the merger or consolidation of the Corporation with or into any other corporation or other entity, unless in connection with such merger or consolidation each holder of shares of March 2001 Preferred Stock immediately preceding such merger or consolidation shall either (I) with respect to a merger or consolidation consummated prior to, on or after the Reset Date, receive or continue to hold in the surviving or resulting corporation or other entity the same number of shares, with substantially the same rights and preferences (except as contemplated by Subsection 6(5) and except for those rights and preferences that could be affected without the vote of the holders of the March 2001 Preferred Stock, such as the authorization and issuance of Parity Stock or Junior Stock), as correspond to the shares of March

2001 Preferred Stock held immediately prior to such merger or consolidation or (II) with respect to a merger or consolidation consummated after the Reset Date, receive the kind and amount of securities, cash and other property that would have been receivable upon consummation of such merger or consolidation by such holder (subject to the assumptions set forth in Subsection 6(5)) if the Mandatory Conversion Date had occurred immediately prior to the consummation of such merger or consolidation and the Mandatory Conversion Rate was determined as of such time (and if clause (I) or (II) is applicable, then such merger or consolidation shall not be subject to approval by the holders of the March 2001 Preferred Stock and such holders shall not be entitled to vote thereon).

(d) In the event that (i) full cumulative dividends on the March 2001 Preferred Stock are not paid and are in arrears for six consecutive quarterly dividend periods following the Reset Date or (ii) the holders of shares of any other series of Parity Stock of the Corporation have the then present right to elect one or more directors for any reason, the number of directors of the Corporation constituting the entire Board of Directors shall be increased by two persons and the holders of shares of the March 2001 Preferred Stock, voting together as a single class with the holders of shares of all other series of Parity Stock of the Corporation having the then present right to elect one or more directors (herein referred to as "Class Voting Stock"), shall have the right to elect such additional two directors to fill such positions at any regular meeting of shareholders or special meeting held in place thereof, or at a special meeting called as provided in Subsection 7(2)(c). Whenever (i) all arrearages of dividends on the March 2001 Preferred Stock then outstanding shall have been paid or declared and irrevocably set apart for payment and (ii) the holders of shares of any other series of Parity Stock of the Corporation no longer have the present right to elect one or more directors for any reason, then the right of the holders of shares of the March 2001 Preferred Stock to elect such additional two directors shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any similar future arrearages in dividends or in the case of the vesting of voting rights in the holders of shares of any other series of Parity Stock of the Corporation), and the terms of office of all persons previously elected as directors by the holders of shares of the March 2001 Preferred Stock and such other Class Voting Stock shall forthwith terminate and the number of the Board of Directors shall be reduced accordingly.

(e) At any time after the voting power referred to in Subsection 7(2)(a) shall have been so vested in the holders of shares of the March 2001 Preferred Stock, the Secretary of the Corporation may, and upon the written request of any holder or the holders of at least 10% of the number of shares of March 2001 Preferred Stock then outstanding (addressed to the Secretary at the principal executive office of the Corporation) shall, call a special meeting of the holders of shares of the March 2001 Preferred Stock and all other Class Voting Stock for the election of the directors to be elected by them pursuant to Subsection 7(2)(a); provided that the Secretary shall not be required to call such special meeting if the request for such meeting is received less than 45 calendar days before the date fixed for the next ensuing annual meeting of shareholders. Such call shall be made by notice similar to that provided in the bylaws of the Corporation for a special meeting of the shareholders or as required by law. Subject to the foregoing provisions, if any such special meeting required to be called as above provided shall

not be called by the Secretary within 20 calendar days after receipt of an appropriate request, then any holder of shares of March 2001 Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books and records of the Corporation. Except as otherwise provided by law, at any such meeting, the holders of a majority of the number of shares of March 2001 Preferred Stock and such other Class Voting Stock then outstanding shall constitute a quorum for the purpose of electing directors as contemplated in Subsection 7(2)(a). If at any such meeting or adjournment thereof, a quorum of such holders of March 2001 Preferred Stock and, if applicable, such other Class Voting Stock shall not be present, no election of directors by the March 2001 Preferred Stock and, if applicable, such other Class Voting Stock shall take place, and any such meeting may be adjourned from time to time for periods not exceeding 30 calendar days until a quorum of the March 2001 Preferred Stock and, if applicable, the Class Voting Stock is present at such adjourned meeting. Unless otherwise provided by law or the Certificate of Incorporation, directors to be elected by the holders of shares of March 2001 Preferred Stock and, if applicable, such other Class Voting Stock shall be elected by a plurality of the votes cast by such holders at a meeting at which a quorum is present. Notwithstanding the foregoing, the absence of a quorum of the March 2001 Preferred Stock and, if applicable, such other Class Voting Stock shall not prevent the voting of, including the election of, directors by the holders of Common Stock and other classes of capital stock at such meeting.

(f) Any director who shall have been elected by holders of shares of March 2001 Preferred Stock voting together, if applicable, as a single class with the holders of one or more other series of Class Voting Stock, or any director so elected as provided below, may be removed at any time during a class voting period, either for or without cause, by, and only by, the affirmative vote of the holders of a majority of the number of shares of March 2001 Preferred Stock then outstanding, voting together, if applicable, as a single class with the holders of all other series of Class Voting Stock then outstanding, given at a special meeting of such shareholders called for such purpose, and any vacancy thereby created may be filled during such class voting period only by the holder of shares of March 2001 Preferred Stock and, if applicable the other series, if any, of Class Voting Stock. In case any vacancy (other than as provided in the preceding sentence) shall occur among the directors elected by the holders of shares of the March 2001 Preferred Stock (and, if applicable, such other Class Voting Stock), a successor shall be elected by the Board of Directors to serve until the next annual meeting of the shareholders or special meeting held in place thereof upon the nomination of the then remaining director elected by the holders of the March 2001 Preferred Stock (and, if applicable, such other Class Voting Stock) or the successor of such remaining director.

(2) Holders of March 2001 Preferred Stock shall not be entitled to receive notice of any meeting of shareholders at which they are not entitled to vote or consent except as otherwise provided by applicable law.

8. Other Rights. Shares of March 2001 Preferred Stock shall not have any relative, participating, optional or other special rights or powers other than as set forth herein, in the Certificate of Incorporation or as required by law.

9. Notices. Subsequent to the Reset Date, at any time while any shares of March 2001 Preferred Stock are outstanding, (i) the Corporation shall declare a dividend (or any other distribution) on its Common Stock, excluding any cash dividends, (ii) the Corporation shall authorize the issuance to all holders of its Common Stock of rights or warrants to subscribe for or purchase shares of Common Stock or of securities exercisable for, convertible into, or exchangeable for, shares of Common Stock or (iii) the Corporation shall authorize any reclassification of its Common Stock (other than a subdivision or combination thereof) or any consolidation or merger to which the Corporation is a party and for which approval of any stockholders of the Corporation is required, or the sale or transfer to another corporation of the property of the Corporation as an entirety or substantially as an entirety, then the Corporation shall cause to be filed at each office or agency maintained for the purpose of conversion of the March 2001 Preferred Stock, and shall cause to be mailed to the holders of March 2001 Preferred Stock at their last addresses as they shall appear on the stock register, at least 10 days before the date hereinafter specified (or the earlier of the dates hereinafter specified, in the event that more than one date is specified), a notice stating (A) the date on which a record is to be taken for the purpose of such dividend or distribution of 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 or distribution of rights or warrants are to be determined, or (B) the date on which any such reclassification, consolidation, merger, sale or transfer is expected to become effective, 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 (including cash), if any, deliverable upon such reclassification, consolidation, merger, sale or transfer. The failure to give or receive the notice required hereby or any defect therein shall not affect the legality or validity of such dividend or distribution of rights or warrants or other action.

IN WITNESS WHEREOF, The Williams Companies, Inc. has caused this Certificate to be signed by Deborah S. Fleming, an Assistant Treasurer, this 28th day of March, 2001.

THE WILLIAMS COMPANIES, INC.

By: /s/ Deborah S. Fleming

Name: Deborah S. Fleming
Title: Assistant Treasurer

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 02:00 PM 12/28/2000
001655107 -- 2116534

CERTIFICATE OF DESIGNATION

OF THE

DECEMBER 2000 CUMULATIVE CONVERTIBLE PREFERRED STOCK
($1.00 Par Value)

OF

THE WILLIAMS COMPANIES, INC.

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on December 28, 2000, by a duly appointed Special Committee of the Board of Directors of The Williams Companies, Inc., a Delaware Corporation (hereinafter called the "Corporation"), acting pursuant to the provisions of Section 141(c) of the General Corporation Law of the State of Delaware and pursuant to authority granted to such Committee in a resolution of such Board of Directors (the "Board") duly adopted on November 16, 2000 (capitalized terms used herein but not otherwise defined shall have the meanings set forth in Exhibit A to the Amended and Restated Company Agreement of Snow Goose Associates, L.L.C., dated as of December 28, 2000, among Arctic Fox Assets, L.L.C., and Prairie Wolf Investors, L.L.C., the "Joint Venture Company Agreement"):

RESOLVED that pursuant to authority expressly granted to and vested in the Board by provisions of the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the issuance of a series of Preferred Stock, par value $1.00 per share (the "Preferred Stock"), which shall consist of up to 400,000 of the 30,000,000 shares of Preferred Stock which the Corporation now has authority to issue, be, and the same hereby is, authorized, and the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the shares (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which may be applicable to the Preferred Stock) are fixed as follows:

1. Designation. The designation of such series of the Preferred Stock authorized by this resolution shall be the December 2000 Cumulative Convertible Preferred Stock (the "December 2000 Preferred Stock"). The total number of shares of the December 2000 Preferred Stock shall be 400,000.

2. Preferred Dividends. Holders of shares of December 2000 Preferred Stock will be entitled to receive, when, as and if declared by the Board out of assets of the Corporation legally available for payment, an annual cash dividend, payable with respect to each Fiscal Quarter in arrears on the fifth Business Day of each of January, April, July and October, commencing on April 6, 2001 (each a "dividend payment date" and each period in respect to which such dividend payment date relates, a "Dividend Period"), equal to the yield for the most recently issued U.S. Treasury Bill with a maturity at issue of three months (as quoted at the close of business on Bloomberg Page PX2 (or such other page as may replace that page on that service) two Business Days before the first day of such Dividend Period) plus three percent (3%) on the Liquidation Preference of each share of December 2000 Preferred Stock; provided that, upon a Liquidating Event (such date, the "Rate Reset Date"), the dividend rate (or the formula therefor) on the December 2000 Preferred Stock shall be reset so as to enable such holders to sell the December 2000 Preferred Stock to a third party at the Liquidation Preference (as defined herein) plus accrued and unpaid dividends. The rate or formula shall be reset by the Board based on the opinion of an investment banking firm of recognized national standing selected by the holders of December 2000 Preferred Stock subject to the approval of the Board, not to be unreasonably withheld. Accumulated but unpaid dividends will not bear interest.

Dividends will accrue on the December 2000 Preferred Stock whether or not declared and will be cumulative from the date of initial issuance of shares of December 2000 Preferred Stock, but holders of December 2000 Preferred Stock shall not be entitled to any dividends in excess of the cumulative dividends provided herein. Dividends will be payable to holders of record as they appear on the stock books of the Corporation on the record date established by the Corporation for each dividend declared, which record date shall not be more than 60 days nor less than 10 days preceding the payment dates thereof, as shall be fixed by the Board. When dividends are not paid in full upon the December 2000 Preferred Stock and any other Parity Preferred Stock (as defined in Section 10 below), all dividends declared upon shares of Parity Preferred Stock will be declared pro rata so that in all cases the amount of dividends declared per share on the December 2000 Preferred Stock and such other Parity Preferred Stock shall bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of December 2000 Preferred Stock and such other Parity Preferred Stock bear to each other. Except as set forth in the preceding sentence, unless full cumulative dividends on the December 2000 Preferred Stock have been paid (or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment) for all dividend periods terminating on or prior to the date of determination, no dividends (other than dividends paid in shares of (or options, warrants or rights to subscribe for or purchase shares of) Junior Stock (as defined herein)) may be paid or declared, nor may a sum sufficient for the payment thereof be set apart for such payment made upon the Common Stock or on any other stock of the Corporation ranking junior to or on a

parity with the December 2000 Preferred Stock as to dividends, nor may any Common Stock or any other stock of the Corporation ranking junior to the December 2000 Preferred Stock as to the payment of dividends (collectively, "Junior Dividend Stock") be redeemed, purchased or otherwise acquired by the Corporation for any consideration other than in exchange for Junior Stock and cash in lieu of fractional shares, if any, upon such an exchange (or any payment made to or available for a sinking fund for the redemption of any shares of such stock) by the Corporation (except by conversion into or exchange for Junior Stock). Dividends shall be calculated on the basis of a 360-day year of 12 30-day months.

3. Liquidation Preference. The shares of December 2000 Preferred Stock shall rank prior to shares of Common Stock (such junior stock is referred to herein collectively as "Junior Liquidation Stock", and collectively with the Junior Dividend Stock, the "Junior Stock"), so that in the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of the December 2000 Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, before any distribution is made to holders of shares of Junior Liquidation Stock, an amount equal to $1,000.00 per share (the "Liquidation Preference" of a share of December 2000 Preferred Stock) plus an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid on the shares of December 2000 Preferred Stock to the date of final distribution. After payment of the full amount of the Liquidation Preference and such dividends, the holders of shares of December 2000 Preferred Stock will not be entitled to any further participation in any distribution of assets by the Corporation. If, upon any liquidation, dissolution or winding up of the affairs of the Corporation, the assets of the Corporation, or proceeds thereof, available for distribution among the holders of shares of Parity Preferred Stock shall be insufficient to pay in full the amount payable on all such Parity Preferred Stock upon such liquidation, dissolution or winding up, then such assets, or the proceeds thereof, shall be distributed among such holders of Parity Preferred Stock equally and ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were payable in full. For the purposes hereof, neither a consolidation nor merger of the Corporation with or into any other corporation, nor a merger of any other corporation with or into the Corporation, nor a sale, exchange or transfer of all or any part of the Corporation's assets for cash, shares of stock, securities or other consideration shall be considered a liquidation, dissolution or winding up of the affairs of the Corporation.

4. Voting Rights. (a) The holders of shares of December 2000 Preferred Stock shall have the voting rights set forth in the Certificate of Incorporation, as otherwise permitted under the laws of the State of Delaware, or as set forth in this Section 4. The holders of shares of December 2000 Preferred Stock shall have no voting rights permitting them to vote as a class except as

required by law and as set forth in clauses (d), (e) and (f) below and the second paragraph of Section 8.

(b) On any matter for which the holders of December 2000 Preferred Stock shall have the right to vote as a separate class, together with other shares of Preferred Stock then entitled to vote on such matter with the December 2000 Preferred Stock, if any, each share of December 2000 Preferred Stock shall be entitled to one vote.

(c) So long as shares of the December 2000 Preferred Stock are outstanding, upon the proposal of a merger or consolidation of the Corporation with or into any Person where the Corporation would not be the surviving entity (a "Proposed Merger") and with respect to which holders of December 2000 Preferred Stock do not have the right under applicable law or the Certificate of Incorporation including this Certificate of Designation, to vote as a separate class (together with any other shares of Preferred Stock so entitled to vote thereon as a class with the December 2000 Preferred Stock) on such merger or consolidation, the holders of December 2000 Preferred Stock shall have full voting power on all matters with respect to such Proposed Merger upon which holders of Common Stock are entitled to vote with respect to such Proposed Merger, voting together as a class with the Common Stock and any other class or series of stock entitled to vote together with the Common Stock with respect to such Proposed Merger, with each holder of December 2000 Preferred Stock having the same number of votes per share of December 2000 Preferred Stock as represents the number of shares of Common Stock into which one share of December 2000 Preferred Stock would be convertible at the time of the vote with respect to the Proposed Merger.

(d) Upon the accumulation of accrued and unpaid dividends on the outstanding December 2000 Preferred Stock in an amount equal to six full quarterly dividends (whether or not consecutive) (a "Voting Rights Triggering Event"), the number of members of the Board will be immediately and automatically increased by two, and the holders of a majority of the outstanding shares of December 2000 Preferred Stock, will be entitled to elect two members to the Board. Voting rights of the December 2000 Preferred Stock arising as a result of a Voting Rights Triggering Event will continue until such time as all dividends in arrears on the December 2000 Preferred Stock are paid in full. If the right of the holders of December 2000 Preferred Stock to elect directors pursuant to this Section 4(d) become exercisable, the Board shall take all actions as may be necessary or appropriate (including increasing the size of the Board or, if the number of members of the Board is at its maximum, seeking the resignation of then current members) to permit the holders to exercise their rights in full as contemplated pursuant to this Section 4(d). In accordance with Section D of Article FIFTH of the Certificate of Incorporation, any persons elected as directors of the Corporation pursuant to this Section 4(d) shall not be a member of any class of the Board and such persons or their duly elected successors shall serve until the

first annual meeting after all arrears on the December 2000 Preferred Stock are paid in full or until their earlier resignation or removal.

(e) So long as shares of the December 2000 Preferred Stock are outstanding, the Corporation shall not, without the affirmative vote or written consent of the holders of at least a majority of the outstanding shares of December 2000 Preferred Stock, voting as a class, authorize, create or issue to any Person (other than the holders of the December 2000 Preferred Stock) any Preferred Stock (the "Additional Preferred Stock") or authorize, create or issue any obligation or security convertible into shares of Preferred Stock, provided that the Corporation may authorize, create and issue any Preferred Stock to a Person other than the holders of the December 2000 Preferred Stock without such consent if the following conditions are satisfied: (a) prior to the completion of the sale or other transfer of all or substantially all of the direct or indirect equity interests in, or all or substantially all of the assets of Williams Communications Group, Inc. and its Subsidiaries, in each case as in existence on the date hereof (the "WCG Spin-Off"), following the issuance of the Additional Preferred Stock the total Preferred Stock issued by the Corporation shall not represent more than 37.5% of the total shareholders' equity of the Corporation as of its most recently filed balance sheet prepared in accordance with GAAP and (b) upon the completion of the WCG Spin-Off, following the issuance of the Additional Preferred Stock the total Preferred Stock issued by the Corporation shall not represent more than 50% of the total shareholders' equity of the Corporation as of its most recently filed balance sheet prepared in accordance with GAAP.

(f) So long as shares of the December 2000 Preferred Stock are outstanding, the Corporation shall not, without the affirmative vote or written consent of the holders of at least a majority (or, in the case of Section 4(f)(ii), (iii), (iv) and (v), 95%) of the outstanding shares of December 2000 Preferred Stock, voting as a class, take any of the following actions:

(i) Merge or consolidate with or into any Person, or sell, lease or otherwise transfer all or substantially all of its assets, or permit any of its material Subsidiaries to merge or consolidate with or into any Person, or sell, lease or otherwise transfer all or substantially all of its assets (except any merger or sale associated with the WCG Spin-Off), in any case where such merger, sale, lease or transfer would affect adversely the preferences, special rights or powers of the December 2000 Preferred Stock;

(ii) Authorize any reclassification of the December 2000 Preferred Stock.

(iii) Alter or change the rights, powers or preferences of the December 2000 Preferred Stock so as to affect them adversely;

(iv) Authorize, create or issue any other shares of December 2000 Preferred Stock;

(v) Authorize, create, increase the number of shares of or issue (A) any class or series of capital stock which expressly provides that such class or series of capital stock ranks senior to the December 2000 Preferred Stock as to dividends or distributions upon the liquidation, winding up or dissolution of the Corporation (such class or series of capital stock being referred to hereafter as "Senior Stock"); or (B) any obligation or security convertible into, or any rights or options entitling the holder thereof to purchase, shares of Senior Stock;

(vi) Authorize, create, increase the number of shares of or issue (A) any class or series of capital stock (other than Common Stock) with voting rights (other than as required by the laws of the State of Delaware or the Certificate of Incorporation or similar to any one or more of those set forth in Sections 4(a), 4(b), 4(c), 4(d), 4(e), 4(f) and Section 8 hereof or any provision thereof) (such class or series of capital stock being referred to hereafter as "Additional Voting Stock") or (B) any obligation or security convertible into, or any rights or options entitling the holder thereof to purchase, shares of Additional Voting Stock; or

(vii) Amend Section I(5)(b) of Article FOURTH or Section H of Article FIFTH of the Certificate of Incorporation (other than any amendment that does not limit or restrict the right of holders of December 2000 Preferred Stock to act by written consent to the extent permitted by Section I(5)(b) of Article FOURTH and Section H of Article FIFTH of the Certificate of Incorporation.

5. Optional Redemption. At any time prior to the Rate Reset Date, the Corporation shall have the right, exercisable at any time at the option of the Board of Directors on any date fixed by the Board of Directors (or any authorized committee of the Board of Directors), to redeem, out of funds legally available therefor, shares of the December 2000 Preferred Stock, in whole or in part, upon not less than 10 nor more than 60 days' prior notice, at a redemption price in cash equal to $1,000 per share of the December 2000 Preferred Stock to be redeemed, plus an amount equal to dividends accrued and accumulated but unpaid to the redemption date with respect to the shares to be so redeemed.

If less than all of the outstanding shares of December 2000 Preferred Stock are to be redeemed, the Corporation will select those to be redeemed by lot or a substantially equivalent method.

If a notice of redemption has been given pursuant to this Section 5 and if, on or before the date fixed for redemption, the funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from

its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificates for such shares have not been surrendered for cancellation, on the redemption date dividends shall cease to accrue on the shares of December 2000 Preferred Stock to be redeemed, and at the close of business on the redemption date the holders of such shares shall cease to be stockholders with respect to such shares and shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect to such shares, except the right to receive the moneys payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of two years from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the amounts payable upon such redemption. Any interest that may accrue on funds so deposited shall be paid to the Corporation from time to time.

6. Optional Conversion. (a) Subject to and upon compliance with the provisions of this Certificate of Designation, the holder of any December 2000 Preferred Stock shall have the right, exercisable at its option, at any time after the original issuance of the December 2000 Preferred Stock hereunder, to convert such December 2000 Preferred Stock into that number of fully paid and non-assessable shares of Common Stock (as such shares shall then be constituted) obtained by dividing $1,000 by the Conversion Price in effect at such time, in the manner provided in Section 6(b). As used herein, the term "Conversion Price" means on the date hereof, the "Initial Conversion Price" as defined in Section 6(f), and subsequently the Conversion Price as adjusted from time to time in accordance with Section 7.

(b) In order to exercise the conversion privilege with respect to any December 2000 Preferred Stock in certificated form, the holder of any such December 2000 Preferred Stock to be converted shall surrender such December 2000 Preferred Stock, duly endorsed, to the Corporation and shall give written notice of conversion and, if fewer than all the shares of December 2000 Preferred Stock evidenced by the certificate so surrendered are to be converted, the holder shall specify the number of shares to be so converted.

(c) As promptly as practicable after satisfaction of the requirements for conversion set forth above, the Corporation shall issue and shall deliver, a certificate or certificates for the number of full shares of Common Stock issuable upon conversion as determined by the Corporation in accordance with the provisions of this Section 6 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 Corporation, as provided in this Section 6.

(d) Each conversion shall be deemed to have been effected on the date on which the requirements set forth above in this Section 6 have been satisfied, 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, however, that any such surrender on any date when the stock transfer books of the Corporation 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 Price in effect on the date of conversion.

(e) No fractional shares of Common Stock or scrip representing fractional shares shall be issued upon conversion of December 2000 Preferred Stock. If any fractional share of stock would be issuable upon the conversion of any December 2000 Preferred Stock, the Corporation shall make an adjustment and payment therefor in cash at the current market price thereof to the holder of December 2000 Preferred Stock. The current market price of a share of Common Stock shall be the Closing Price on the last Business Day immediately preceding the day on which the conversion shall have occurred.

(f) The "Initial Conversion Price" shall be $31.8125 per share.

7. Adjustment of Conversion Price. The Conversion Price shall be adjusted from time to time by the Corporation as follows:

(a) In case the Corporation shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price 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, the numerator of which shall be the number of shares of the Common Stock outstanding at the close of business on the date fixed for such determination, and the denominator of which shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the 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 Corporation. The Corporation will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Corporation. If any dividend or distribution of the type described in this Section 7(a) is declared but not so paid or made, the Conversion Price shall again be adjusted to the Conversion Price that would then be in effect if such dividend or distribution had not been declared.

(b) In case the Corporation shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period expiring within 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 Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date fixed for determination of stockholders entitled to receive such rights or warrants by a fraction, the numerator of which shall be 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 for subscription or purchase (pursuant to such rights or warrants) would purchase at such Current Market Price, and the denominator 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 pursuant to such rights or warrants. 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 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 Price shall be readjusted to the Conversion Price 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 Price shall again be adjusted to be the Conversion Price 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 Corporation 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.

(c) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be

proportionately reduced, and conversely, in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, 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 Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Corporation (other than any dividends or distributions to which Section 7(a) applies) or evidence of its indebtedness or assets (excluding cash) (including securities, but excluding any rights or warrants referred to in Section 7(b), and excluding any dividend or distribution (x) paid exclusively in cash or (y) referred to in Section 7(a) (any of the foregoing hereinafter in this Section 7(d) called the "Securities")), then, in each such case (unless the Corporation elects to reserve such Securities for distribution to the holders of December 2000 Preferred Stock upon conversion so that any holder converting 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 December 2000 Preferred Stock into Common Stock immediately prior to the Record Date (as defined in Section 7(h)(4)) for such distribution of the Securities), the Conversion Price shall be reduced so that the same shall be equal to the price determined by multiplying the Conversion Price in effect on the Record Date with respect to such distribution by a fraction, the numerator of which shall be the Current Market Price per share of the Common Stock on such Record Date less the fair market value (as determined by the Board, whose determination shall be conclusive, and described in a resolution of the Board) on the Record Date of the portion of the Securities so distributed applicable to one share of Common Stock and the denominator of which shall be the Current Market Price per share of the Common Stock on such Record Date, such reduction to become effective immediately prior to the opening of business on the day following such Record Date; provided, however, that in the event 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 of the Common Stock on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each holder of December 2000 Preferred Stock shall have the right to receive upon conversion the amount of Securities such holder would have received had such holder converted its December 2000 Preferred Stock into Common Stock immediately prior to the Record Date. If such dividend or

distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price that would then be in effect if such dividend or distribution had not been declared. If the Board determines the fair market value of any distribution for purposes of this Section 7(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 of the Common Stock.

Rights or warrants distributed by the Corporation 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 immediately 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 7 (and no adjustment to the Conversion Price under this Section 7 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 Price shall be made under this Section 7(d). If any such right or warrant, including any such existing rights or warrants distributed prior to the date of this Certificate of Designation, 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 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 Price under this Section 7 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 Price 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 Price shall be readjusted as if such rights and warrants had not been issued.

No adjustment of the Conversion Price shall be made pursuant to this Section 7(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 Corporation for distribution, to holders of December 2000 Preferred Stock upon conversion by such holders of December 2000 Preferred Stock to Common Stock. For purposes of this Section 7(d) and Sections 7(a) and (b), any dividend or distribution to which this Section 7(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 Price reduction required by this Section 7(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 Price reduction required by Sections 7(a) and (b) with respect to such dividend or distribution shall then be made), except (A) the 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 Sections 7(a) and (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 7(a).

(e) In case the Corporation 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 annualized rate of such cash dividend together with any other cash dividend paid or payable during such quarter does not exceed the greater of (A) the annualized cash dividend rate per share of Common Stock in effect during the next preceding quarter to the extent that such preceding quarterly dividend did not require any adjustment of the Conversion Price pursuant to this Section 7(e) (as adjusted to reflect subdivisions, or combinations of the Common Stock), and (B) 3.75% of the Current Market Price determined 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 Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on

such record date by a fraction, the numerator of which shall be the Current Market Price of the Common Stock on the record date less the amount of cash so distributed (and not excluded as provided above or as set forth in the last two sentences of this Section 7(e)) applicable to one share of Common Stock, and the denominator of which shall be such Current Market Price of the Common Stock, such reduction to be effective immediately prior to the opening of business on the day following the record date; provided, however, 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 of the Common Stock on the record date, in lieu of the foregoing adjustment, adequate provision shall be made so that each holder of December 2000 Preferred Stock shall have the right to receive upon conversion, out of funds legally available therefor, the amount of cash such holder would have received had such holder converted such December 2000 Preferred Stock on the record date. If such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price 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 7(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 7(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 Corporation 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, whose determination shall be conclusive and described in a resolution of the Board) 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 Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the Expiration Time by a fraction, the numerator 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 Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time and the denominator 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 Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time, such reduction to become effective immediately prior to the opening of business on the Trading Day following the Expiration Time. If the Corporation is obligated to purchase shares pursuant to any such tender or exchange offer, but the Corporation is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price that would then be in effect if such tender or exchange offer had not been made.

(g) For purposes of this Section 7, the following terms shall have the meaning indicated:

(1) "Closing Price" with respect to any security on any day shall mean the closing sale price, regular way, on such day or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in each case as quoted on the New York Stock Exchange or, if such security is not quoted or listed or admitted to trading on such New York Stock Exchange, on the principal national securities exchange or quotation system on which such security is quoted or listed or admitted to trading or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the average of the closing bid and asked prices of such security on the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similar generally accepted reporting service, or if not so available, in such manner as furnished by any New York Stock Exchange member firm selected from time to time by the Board for that purpose, or a price determined in good faith by the Board.

(2) "Current Market Price" shall mean the arithmetic average of the daily Closing Prices per share of Common Stock for the 10 consecutive Trading Days immediately prior to the date in question.

(3) "Fair Market Value" shall mean the amount which a willing buyer would pay a willing seller in an arm's-length transaction.

(4) "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 or by statute, contract or otherwise).

(5) "Trading Day" shall mean (x) 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 (y) 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.

(h) The Corporation may (but is not obligated to) make such reductions in the Conversion Price, in addition to those required by Sections 7(a), (b), (c), (d), (e) or (f) as the Board 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 Corporation from time to time may (but is not obligated to) reduce the Conversion Price by any amount for any period of time if the period is at least 20 days, the reduction is irrevocable during the period and the Board shall have made a determination that such reduction would be in the best interests of the Company, which determination shall be conclusive. Whenever the Conversion Price is reduced pursuant to the preceding sentence, the Corporation shall mail to holders of record of the December 2000 Preferred Stock a notice of the reduction at least 15 days prior to the date the reduced Conversion Price takes effect, and such notice shall state the reduced Conversion Price and the period during which it will be in effect.

(i) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in such price; provided, however, that any adjustments that by reason of this Section 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 7 shall be made by the Corporation and

shall be made to the nearest cent or to the nearest one-hundredth (1/100) of a share, as the case may be. No adjustment need be made pursuant to any provision of this Section 7 for rights to purchase Common Stock pursuant to a Corporation plan for reinvestment of dividends or interest. To the extent the December 2000 Preferred Stock becomes 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 the cash into which shares of December 2000 Preferred Stock may be convertible.

(j) Whenever the Conversion Price is adjusted as herein provided, the Corporation shall promptly prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which each adjustment becomes effective and shall promptly mail such notice of such adjustment of the Conversion Price to each holder of a share of December 2000 Preferred Stock. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(k) In any case in which this Section 7 provides that an adjustment shall become effective immediately after (1) a record date for an event, (2) the date fixed for the determination of stockholders entitled to receive a dividend or distribution pursuant to Section 7(a), (3) a date fixed for the determination of stockholders entitled to receive rights or warrants pursuant to Section 7(b) or (4) the Expiration Time for any tender or exchange offer pursuant to Section 7(f), (each a "Determination Date"), the Corporation may elect to defer until the occurrence of the relevant Adjustment Event (as hereinafter defined) (x) issuing to the holder of any share of December 2000 Preferred Stock converted after such Determination Date and before the occurrence of such Adjustment Event, the additional shares of Common Stock or other securities or assets 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 6(e). For purposes of this Section 7(k), the term "Adjustment Event" shall mean:

(1) in any case referred to in clause (1) hereof, the occurrence of such event,

(2) in any case referred to in clause (2) hereof, the date any such dividend or distribution is paid or made,

(3) in any case referred to in clause (3) hereof, the date of expiration of such rights or warrants, and

(4) 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.

(l) For purposes of this Section 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation but shall include shares issuable in respect of outstanding scrip certificates, if any, issued by the Corporation in lieu of fractions of shares of Common Stock. The Corporation will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

8. Reclassifications, 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 7(c) applies), (ii) any consolidation, merger or combination of the Corporation 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 Corporation 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 December 2000 Preferred Stock shall be convertible into the kind and amount of shares of stock, other securities or other property or assets (including cash) that the holder of a share of December 2000 Preferred Stock would have received upon such reclassification, change, consolidation, merger, combination, sale or conveyance had such holder converted such share of December 2000 Preferred Stock into the number of shares of Common Stock issuable upon such conversion (assuming, for such purposes, a sufficient number of authorized shares of Common Stock are available for such conversion) 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 8 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).

The Corporation shall not enter into any transaction governed by this Section 8 unless (I) if the Corporation is not the entity surviving any such merger, consolidation or

combination, (A) such merger, consolidation or combination has been approved by the affirmative vote or written consent of the holders of 95% of the outstanding shares of December 2000 Preferred Stock or (B) the December 2000 Preferred Stock is converted into shares of preferred stock or equivalent equity securities of the entity surviving or resulting from such merger or consolidation having terms and conditions substantially similar to the terms and conditions of the December 2000 Preferred Stock in effect immediately prior to such merger or consolidation, but giving effect to the conversion adjustments contemplated in this Section 8 or (II) if the Corporation survives such consolidation, merger or sale, the entity into whose securities or assets the December 2000 Preferred Stock becomes convertible pursuant to this Section 8, if other than the Corporation, shall agree to honor the conversion rights provided in this Section 8.

The above provisions of this Section 8 shall similarly apply to successive reclassifications, changes, consolidations, mergers, combinations, sales and conveyances.

If this Section 8 applies to any event or occurrence, Section 7 shall not apply.

9. Actions Not Requiring Consent. No consent of the holders of the December 2000 Preferred Stock shall be required for (a) the creation of any indebtedness of any kind of the Corporation, (b) subject to Section 4(e), the creation, or increase or decrease in the amount, of any class or series of stock of the Corporation not ranking prior upon liquidation or as to the payment of dividends to the December 2000 Preferred Stock, (c) any increase or decrease in the amount of authorized shares of Common Stock or blank check Preferred Stock or any increase, decrease or change in the par value thereof or in any other terms thereof or (d) the issuance of Preferred Stock for which consent is not required pursuant to Section 4(e).

10. Ranking. Subject to the second sentence of this Section 10, the December 2000 Preferred Stock shall rank senior, with respect to dividends, as to all shares of Junior Dividend Stock and shall rank senior, with respect to distributions upon the liquidation, winding up or dissolution of the Corporation, as to all shares of Junior Liquidation Stock. All series of preferred stock of the Corporation with which the December 2000 Preferred Stock ranks on a parity, with respect to dividends or distributions upon the liquidation, winding up or dissolution of the Corporation shall constitute "Parity Preferred Stock" and the December 2000 Preferred Stock shall rank, as to dividends or distributions upon the liquidation, winding up or dissolution of the Corporation, on a parity with such Parity Preferred Stock. The term "Parity Preferred Stock" as used in (a) Section 2 shall be deemed to refer to preferred stock of the Corporation that constitutes Parity Preferred Stock in respect of the payment of dividends and (b) Section 3 shall be deemed to refer to preferred stock of the Corporation that constitutes Parity Preferred Stock in respect of the right to distributions upon the liquidation, winding up or dissolution of the Corporation.

IN WITNESS WHEREOF, The Williams Companies, Inc. has caused this Certificate to be signed by William G. von Glahn, a Senior Vice President, this 28th day of December, 2000.

THE WILLIAMS COMPANIES, INC.

By: /s/ WILLIAM G. VON GLAHN

Name: William G. von Glahn
Title: Senior Vice President

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF MERGER, WHICH MERGES:

"WILLIAMS HOLDINGS OF DELAWARE, INC.", A DELAWARE CORPORATION,

WITH AND INTO "THE WILLIAMS COMPANIES, INC." UNDER THE NAME OF "THE WILLIAMS COMPANIES, INC.", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, AS RECEIVED AND FILED IN THIS OFFICE THE THIRTIETH DAY OF JULY, A.D. 1999, AT 10:30 O'CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF MERGER IS THE THIRTY-FIRST DAY OF JULY, A.D. 1999.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100M AUTHENTICATION: 9896079

991315590 DATE: 07-30-99

CERTIFICATE OF MERGER

OF

WILLIAMS HOLDINGS OF DELAWARE, INC.

INTO

THE WILLIAMS COMPANIES, INC.

The Williams Companies, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of Delaware with its principal office at One Williams Center, Tulsa, Oklahoma 74172, does hereby certify as follows:

FIRST: The name and state of incorporation of each of the constituent entities to the merger are as follows:

Name	State of Organization
Williams Holdings of Delaware, Inc.	Delaware
The Williams Companies, Inc.	Delaware

SECOND: An Agreement of Merger between the parties to the merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with the requirements of Section 251 of the General Corporation Law of Delaware.

THIRD: The name of the surviving corporation of the merger is The Williams Companies, Inc.

FOURTH: The Certificate of Incorporation of The Williams Companies, Inc., a Delaware corporation, which will survive the merger, shall be the Certificate of Incorporation of the surviving corporation.

FIFTH: The executed Agreement of Merger is on file at the office of the surviving corporation, the address of which is One Williams Center, Tulsa, Oklahoma 74172.

SIXTH: A copy of the Agreement of Merger will be furnished by the Surviving Corporation, on request and without cost, to any stockholder of Williams Holdings of Delaware, Inc. or any stockholder of The Williams Companies, Inc.

SEVENTH: The merger of the constituent entities shall become effective on July 31, 1999.

IN WITNESS WHEREOF, this Certificate of Merger has been duly executed as of the 29th day of July, 1999 and is being filed in accordance with Section 103 of the General Corporation Law of the State of Delaware.

THE WILLIAMS COMPANIES, INC.

By: /s/ SHAWNA L. GEHRES

Name: Shawna L. Gehres
Title: Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE TWENTY-SIXTH DAY OF FEBRUARY, A.D. 1998, AT 12 O'CLOCK P.M.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100

AUTHENTICATION: 8943311

981075195

DATE: 02-26-98

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED

* * * * * * * *

THE WILLIAMS COMPANIES, INC., a corporation organized and existing under and by virtue of the General Corporation Law of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of The Williams Companies, Inc., at a meeting of the Board of Directors duly called and held on November 23, 1997, adopted a resolution proposing and declaring advisable the following amendment to the Restated Certificate of Incorporation, as amended, of said Company:

RESOLVED that the Board of Directors of the Company hereby declares it advisable to amend Article FOURTH of the Company's Restated Certificate of Incorporation, as amended, to increase the authorized Common Stock, $1.00 par value, so that, as amended, the first paragraph of Article FOURTH shall be, and read, as follows:

"FOURTH: The total number of shares of capital stock which the Company shall have authority to issue is 990,000,000 shares, consisting of 960,000,000 shares of Common Stock, par value $1.00 per share (the "Common

Stock") and 30,000,000 shares of Preferred Stock, par value $1.00 per share (the "Preferred Stock")

SECOND: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of Delaware.

IN WITNESS WHEREOF, The Williams Companies, Inc. has caused this Certificate to be signed by William G. von Glahn, its Senior Vice President and General Counsel, and attested by David M. Higbee, its Secretary, this 26th day of February, 1998.

THE WILLIAMS COMPANIES, INC.

By: /s/ WILLIAM G. VON GLAHN

William G. von Glahn
Senior Vice President and
General Counsel

ATTEST:

By: /s/ DAVID M. HIGBEE

David M. Higbee
Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE SIXTH DAY OF JANUARY, A.D. 1998, AT 2:30 O'CLOCK P.M.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100 AUTHENTICATION: 8852182

981005956 DATE: 01-07-98

THE WILLIAMS COMPANIES, INC.

CERTIFICATE OF INCREASE
OF AUTHORIZED NUMBER OF SHARES
OF SERIES A JUNIOR
PARTICIPATING PREFERRED STOCK
PURSUANT TO SECTION 151 OF THE
GENERAL CORPORATION LAW OF THE
STATE OF DELAWARE

The Williams Companies, Inc., a corporation organized and existing under the General Corporation Law of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Restated Certificate of Incorporation of said Corporation was filed in the office of the Secretary of State of Delaware on April 27, 1987, and was filed for recording in the office of the Recorder of Deeds of New Castle County, Delaware, on April 27, 1987, and the Certificate of the Designations, Preferences and Rights of the Series A Junior Participating Preferred Stock was included in said Restated Certificate of Incorporation.

SECOND: That Certificates of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock were filed in the office of the Secretary of State of Delaware on February 7, 1989, and February 6, 1996, respectively, and were filed for recording in the office of the Recorder of Deeds of New Castle County, Delaware, on February 7, 1989, and February 6, 1996, respectively.

THIRD: That the Board of Directors of said Corporation at a meeting held on November 23, 1997, duly adopted a resolution authorizing and directing an increase in the authorized number of shares of Series A Participating Preferred Stock of the Corporation, from 1,200,000 shares to 1,600,000 shares.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by Gary R. Belitz, its Controller and Chief Accounting Officer, and attested by David M. Higbee, its Secretary, this 30th day of December, 1997.

THE WILLIAMS COMPANIES, INC.

CORPORATE SEAL

By: /s/ GARY R. BELITZ

Name: Gary R. Belitz
Title: Controller and
Chief Accounting
Officer

ATTEST:

/s/ DAVID M. HIGBEE
- ---
NAME: David M. Higbee
TITLE: Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE FIRST DAY OF OCTOBER, A.D. 1997, AT 4:30 O'CLOCK P.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100 AUTHENTICATION: 8697688

971332869 DATE: 10-10-97

Certificate of Elimination

OF

$2.21 CUMULATIVE PREFERRED STOCK
$1.00 PAR VALUE

(PURSUANT TO SECTION 151(g)

OF THE GENERAL CORPORATION LAW OF DELAWARE)

The Williams Companies, Inc., a corporation organized and existing under the General Corporation Law of Delaware,

DOES HEREBY CERTIFY:

That the Restated Certificate of Incorporation of said Company, as subsequently amended, was filed in the office of the Secretary of State of Delaware on April 27, 1987, and was filed for recording in the office of the Recorder of Deeds for New Castle County, Delaware on April 27, 1987, and that the Certificate of Designation for the $2.21 Cumulative Preferred Stock, $1.00 par value (the "Preferred Stock"), was filed in the office of the Secretary of State of Delaware on August 31, 1992;

That the Preferred Stock was called for redemption by the Company under the terms and provisions of said Certificate of Designation on August 1, 1997, and that all outstanding shares of the Preferred Stock were, in fact, redeemed as of September 1, 1997;

That the Board of Directors of said Company at a meeting duly called and convened on September 18, 1997, adopted a resolution to the effect that none of the authorized shares of the Preferred Stock remain outstanding, and that no additional stock of such series will be issued subject to the Certificate of Designation filed with respect to such series of Preferred Stock; and

That when this Certificate is executed, acknowledged, filed and recorded in accordance with Section 103 of the General Corporation Law of Delaware and, when the certificate becomes effective, it shall have the effect of eliminating from the Company's Restated Certificate of Incorporation all matters set forth in the Certificate of Designation with respect to such series of Preferred Stock.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by William G. von Glahn, a Senior Vice President, and attested by David N. Higbee, its Secretary, this 30th day of September, 1997.

THE WILLIAMS COMPANIES, INC.

By: /s/ WILLIAM G. VON GLAHN

William G. von Glahn
Senior Vice President

ATTEST:

By: /s/ DAVID M. HIGBEE

David N. Higbee
Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE SIXTEENTH DAY OF MAY, A.D. 1997, AT 2:30 O'CLOCK P.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100 AUTHENTICATION: 8471092

971161920 DATE: 05-19-97

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION

* * * * * * * *

THE WILLIAMS COMPANIES, INC., a corporation organized and existing under and by virtue of the General Corporation Law of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of The Williams Companies, Inc., at a meeting of the Board of Directors duly called and held on January 26, 1997, adopted a resolution proposing and declaring advisable the following amendment to the Restated Certificate of Incorporation, as amended, of said Company;

RESOLVED that the Board of Directors of the Company hereby declares it advisable to amend Article FOURTH of the Company's Restated Certificate of Incorporation, as amended, to increase the authorized Common Stock, $1.00 par value, so that, as amended, the first paragraph of Article FOURTH shall be, and read, as follows:

"FOURTH: The total number of shares of capital stock which the Company shall have authority to issue is 510,000,000 shares, consisting of 480,000,000 shares of Common Stock, par value $1.00 per share (the "Common

Stock") and 30,000,000 shares of Preferred Stock, par value $1.00 per share (the "Preferred Stock")."

SECOND: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of Delaware.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this Certificate to be signed by William G. von Glahn, its Senior Vice President and General Counsel, and attested by David M. Higbee, its Secretary, this 15th day of May, 1997.

THE WILLIAMS COMPANIES, INC.

By: /s/ WILLIAM G. VON GLAHN

William G. von Glahn
Senior Vice President and
General Counsel

ATTEST:

By: /s/ DAVID M. HIGBEE

David M. Higbee
Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE SIXTH DAY OF FEBRUARY, A.D. 1996, AT 10 O'CLOCK A.M.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100 AUTHENTICATION: 7844820

960057403 DATE: 02-28-96

SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 10:00 AM 02/06/1996
960034476 - 2116534

THE WILLIAMS COMPANIES, INC.

CERTIFICATE OF INCREASE
OF AUTHORIZED NUMBER OF SHARES
OF SERIES A JUNIOR
PARTICIPATING PREFERRED STOCK
PURSUANT TO SECTION 151 OF THE
GENERAL CORPORATION LAW OF THE
STATE OF DELAWARE

The Williams Companies, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Restated Certificate of Incorporation of said Corporation was filed in the office of the Secretary of State of Delaware on April 27, 1987, and was filed for recording in the office of the Recorder of Deeds of New Castle County, Delaware on April 27, 1987, and the Certificate of the Designations, Preferences and Rights of the Series A Junior Participating Preferred Stock was included in said Restated Certificate of Incorporation.

SECOND: That a Certificate of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock was filed in the office of the Secretary of State of Delaware on February 7, 1989, and was filed for recording in the office of the Recorder of Deeds of New Castle County, Delaware on February 7, 1989.

THIRD: That the Board of Directors of said Corporation at a meeting held on January 21, 1996, duly adopted a resolution authorizing and directing an increase in the authorized number of shares of Series A Participating Preferred Stock of the Corporation, from 400,000 shares to 1,200,000 shares.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by Gary R. Belitz, its Controller and Chief Accounting Officer, and attested by David M. Higbee, its Secretary, this 5th day of February, 1996.

THE WILLIAMS COMPANIES, INC.

CORPORATE SEAL

By: /s/ GARY R. BELITZ

Name: Gary R. Belitz
Title: Controller and
Chief Accounting Officer

ATTEST:

/s/ DAVID M. HIGBEE
- ---
Name: David M. Higbee
Title: Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE TWENTY-FIRST DAY OF APRIL, A.D. 1995, AT 10 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100

AUTHENTICATION: 7481187

950088208

DATE: 04-21-95

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 10:00 AM 04/21/1995
950088208 - 2116534

CERTIFICATE OF DESIGNATION,
PREFERENCES AND RIGHTS

OF THE

CUMULATIVE CONVERTIBLE
PREFERRED STOCK, $3.50 SERIES
($1 Par Value)

OF

THE WILLIAMS COMPANIES, INC.

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on December 11, 1994, by the Board of Directors (the "Board") of The Williams Companies, Inc., a Delaware corporation (hereinafter called the "Corporation"), in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware:

RESOLVED that pursuant to authority expressly granted to and vested in the Board by provisions of the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the issuance of a series of Preferred Stock, par value $1 per share (the "Preferred Stock"), which shall consist of up to 2,500,000 of the 30,000,000 shares of Preferred Stock which the Corporation now has authority to issue, be, and the same hereby is, authorized, and the powers, designations, preferences and relative,

participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the shares of such series (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which may be applicable to the Preferred Stock) are fixed as follows:

(i) The designation of such series of the Preferred Stock authorized by this resolution shall be the Cumulative Convertible Preferred Stock, $3.50 Series (the "$3.50 Preferred Stock"). The total number of shares of the $3.50 Preferred Stock shall be 2,500,000.

(ii) Holders of shares of $3.50 Preferred Stock will be entitled to receive, when and as declared by the Board out of assets of the Corporation legally available for payment, an annual cash dividend of $3.50 per share, payable in quarterly installments on February 1, May 1, August 1 and November 1, commencing August 1, 1995 (each a "dividend payment date"). Dividends on the $3.50 Preferred Stock will be cumulative from the date of initial issuance of shares of $3.50 Preferred Stock. Dividends will be payable to holders of record as they appear on the stock books of the Corporation on such record dates, not more than 60 days nor less than 10 days preceding the payment dates thereof, as shall be fixed by the Board. When dividends are not paid in full upon the $3.50 Preferred Stock and any other Parity Preferred Stock (as defined in paragraph (ix)), all dividends declared upon shares of Parity Preferred Stock will be declared pro rata so that in all cases the amount of dividends declared per share on the $3.50 Preferred Stock and such other Parity Preferred Stock shall bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of $3.50 Preferred Stock and such other Parity Preferred Stock bear to each other. Except as set forth in the preceding sentence, unless full cumulative dividends on the $3.50 Preferred Stock have been paid, no dividends (other than in Common Stock of the Corporation) may be paid or declared and set aside for payment or other distribution made upon the Common Stock or on any other stock of the Corporation

ranking junior to or on a parity with the $3.50 Preferred Stock as to dividends, nor may any Common Stock or any other stock of the Corporation ranking junior to or on a parity with the $3.50 Preferred Stock as to dividends be redeemed, purchased or otherwise acquired for any consideration (or any payment made to or available for a sinking fund for the redemption of any shares of such stock; provided, however, that any moneys theretofore deposited in any sinking fund with respect to any Preferred Stock of the Corporation in compliance with the provisions of such sinking fund may thereafter be applied to the purchase or redemption of such Preferred Stock in accordance with the terms of such sinking fund regardless of whether at the time of such application full cumulative dividends upon shares of the $3.50 Preferred Stock outstanding to the last dividend payment date shall have been paid or declared and set apart for payment) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the $3.50 Preferred Stock as to dividends). Dividends payable on the $3.50 Preferred Stock for any period less than the full dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

(iii) The shares of $3.50 Preferred Stock shall rank prior to the shares of Common Stock and of any other class of stock of the Corporation ranking junior to the $3.50 Preferred Stock upon liquidation, so that in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the $3.50 Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, before any distribution is made to holders of shares of Common Stock or any other such junior stock, an amount equal to $50 per share (the "Liquidation Preference" of a share of $3.50 Preferred Stock) plus an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid on the shares of $3.50 Preferred Stock to the date of final distribution. After payment of the full amount of the Liquidation Preference and such dividends, the holders of shares of $3.50 Preferred Stock will not be entitled to any further participation in any distribution of assets by the Corporation. It, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable

among the holders of shares of Parity Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributable among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were payable in full. For the purposes hereof, neither a consolidation or merger of the Corporation with or into any other corporation, nor a merger of any other corporation with or into the Corporation, nor a sale or transfer of all or any part of the corporation's assets for cash or securities shall be considered a liquidation, dissolution or winding up of the Corporation.

(iv) The shares of the $3.50 Preferred Stock will not be redeemable prior to November 1, 1999. On and after November 1, 1999, the $3.50 Preferred Stock will be redeemable, in whole at any time or from time to time in part at the option of the Corporation, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (the "Redemption Prices") per share if redeemed during the twelve-month period beginning November 1 of the year indicated below; plus, in each case, all dividends accrued and unpaid on the $3.50 Preferred Stock up to the date fixed for redemption:

Year	Redemption Price Per Share
1999	$ 51.40
2000	51.05
2001	50.70
2002	50.35
2003 and thereafter	50.00

In the event that the Corporation determines to redeem fewer than all of the outstanding shares of the $3.50 Preferred Stock, the shares to be redeemed shall be determined by lot or a substantially equivalent method.

If a notice of redemption has been given pursuant to this paragraph (iv) and if, on or before the date fixed for redemption, the funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the

pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificates for such shares have not been surrendered for cancellation, on the redemption date dividends shall cease to accrue on the shares of $3.50 Preferred Stock to be redeemed, and at the close of business on the redemption date the holders of such shares shall cease to be stockholders with respect to such shares and shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect to such shares, except the right to receive the moneys payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of two years from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the amounts payable upon such redemption. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time.

(v) The holders of shares of $3.50 Preferred Stock shall have no voting rights whatsoever, except for any voting rights to which they may be entitled under the laws of the State of Delaware, and except as follows:

(I) If and whenever at any time or times dividends payable on the $3.50 Preferred Stock or on any other Preferred Stock shall have been in arrears and unpaid in an aggregate amount equal to or exceeding the amount of dividends payable thereon for six quarterly periods, then the holders of the Preferred Stock shall have, in addition to the other voting rights set forth herein, the exclusive right, voting separately as a class, to elect two directors of the Corporation, such directors to be in addition to the number of directors constituting the Board immediately prior to the accrual of such right, the remaining directors to be elected by the other class or classes of stock entitled to vote therefor at each meeting of stockholders held for the purpose of

electing directors. Such voting right shall continue until such time as all cumulative dividends accumulated on all the Preferred Stock having cumulative dividends shall have been paid in full and until any noncumulative dividends payable on all the Preferred Stock having noncumulative dividends shall have been paid regularly for at least one year, at which time such voting right of the holders of the Preferred Stock shall terminate, subject to revesting at such time as there shall occur each and every subsequent event of default of the character indicated above.

Whenever such voting right shall have vested, such right may be exercised initially either at a special meeting of the holders of the Preferred Stock, called as hereinafter provided, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at each successive annual meeting.

At such time when such voting right shall have vested in the holders of the Preferred Stock, and if such right shall not already have been initially exercised, a proper officer of the Corporation shall, upon the written request of the holders of record of 10 percent in number of shares of the Preferred Stock then outstanding, addressed to the Secretary of the Corporation, call a special meeting of the holders of the Preferred Stock and of any other class or classes of stock having voting power with respect thereto for the purpose of electing directors. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for holding of annual meetings of stockholders of the Corporation, or, if none, at a place designated by the Secretary of the Corporation. If such meeting shall not be called by the proper officers of the Corporation within 30 days after the personal service of such written request upon the Secretary of the Corporation, or within 30 days after mailing the same within the United

States of America, by registered mail, addressed to the Secretary of the Corporation at its principal office (such mailing to be evidenced by the registry receipt issued by the postal authorities), then the holders of record of 10 percent in number of shares of the Preferred Stock then outstanding may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by such person so designated upon the notice required for annual meetings of stockholders and shall be held at the same place as is elsewhere provided for in this subparagraph (I). Any holder of the Preferred Stock shall have access to the stock books of the Corporation for the purpose of causing a meeting of stockholders to be called pursuant to the provisions of this paragraph. Notwithstanding the provisions of this paragraph, however, no such special meeting shall be called during a period within 90 days immediately preceding the date fixed for the next annual meeting of stockholders.

At any meeting held for the purpose of electing directors at which the holders of the Preferred Stock shall have the right to elect directors as provided herein, the presence in person or by proxy of the holders of 33-1/3 percent of the then outstanding shares of the Preferred Stock shall be required and be sufficient to constitute a quorum of the Preferred Stock for the election of directors by the Preferred Stock. At any such meeting or adjournment thereof (A) the absence of a quorum of the holders of the Preferred Stock shall not prevent the election of directors other than those to be elected by the holders of the Preferred Stock and the absence of a quorum or quorums of the holders of other classes of capital stock entitled to elect such other directors shall not prevent the election of directors to be elected by the holders of the Preferred Stock and (B) in the absence of a quorum of the holders of any class of stock entitled to vote for the election of directors, a majority of the holders present in person or

by proxy of such class shall have the power to adjourn the meeting for the election of directors which the holders of such class are entitled to elect, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

The directors elected pursuant to this subparagraph (I) shall serve until the next annual meeting or until their respective successors shall be elected and shall qualify; provided, however, that when the right of the holders of the Preferred Stock to elect directors as herein provided shall terminate, the terms of office of all persons so elected by the holders of the Preferred Stock shall terminate, and the number of directors of the Corporation shall thereupon be such number as may be provided in the By-laws of the Corporation irrespective of any increase made pursuant to this subparagraph (I).

So long as any shares of $3.50 Preferred Stock are outstanding, the By-laws of the Corporation shall contain provisions ensuring that the number of directors of the Corporation shall at all times be such that the exercise, by the holders of shares of $3.50 Preferred Stock and the holders of other Preferred Stock, of the right to elect directors under the circumstances provided in this subparagraph (I) will not contravene any provisions of the Corporation's Certificate of Incorporation or By-laws.

(II) So long as any shares of the $3.50 Preferred Stock remain outstanding, the Corporation will not, either directly or indirectly or through merger or consolidation with any other corporation, without the affirmative vote at a meeting or the written consent with or without a meeting of the holders of at least 66-2/3 percent in number of shares of the $3.50 Preferred Stock then outstanding, (A) create any class or classes of stock ranking prior to or on a parity with the $3.50 Preferred Stock either as to dividends or

upon liquidation or increase the authorized number of shares of any class or classes of stock ranking prior to or on a parity with the $3.50 Preferred Stock either as to dividends or upon liquidation, or create or authorize any obligation or security convertible into shares of stock of any class ranking prior to or on a parity with the Preferred Stock either as to dividends or upon liquidation, but may, without such consent, create or authorize obligations or securities convertible into shares of Preferred Stock, or (B) amend, alter or repeal any of the provisions of the Certificate of Incorporation (including this resolution) so as to affect adversely the preferences, special rights or powers of the $3.50 Preferred Stock or of the holders thereof.

(vi) Except as provided in paragraph (v) (II), no consent of the holders of the $3.50 Preferred Stock shall be required for (a) the creation of any indebtedness of any kind of the Corporation, (b) the creation, or increase or decrease in the amount, of any class or series of stock of the Corporation not ranking prior to or on a parity with to the $3.50 Preferred Stock as to dividends or upon liquidation or (c) any increase or decrease in the amount of authorized Common Stock or any increase, decrease or change in the par value thereof or in any other terms thereof.

(vii) Subject to the provisions of paragraph (iv) hereof, the Board reserves the right by subsequent amendment of this resolution from time to time to increase or decrease the number of shares which constitute the $3.50 Preferred Stock (but not below the number of shares thereof then outstanding) and in other respects to amend this resolution within the limitations provided by law, this resolution and the Certificate of Incorporation.

(viii) At the option of the holder thereof and upon surrender thereof for conversion to the Corporation at the office of the Transfer Agent of the Corporation's Common Stock in the Borough of Manhattan, the City of New York or in the City of Tulsa, each share of $3.50 Preferred Stock will be convertible (or if such share is called or surrendered for redemption, then in

respect of such share to and including, but not after, the redemption date) into fully paid and nonassessable shares of Common Stock at the initial conversion rate of 1.5625 shares of Common Stock for each share of $3.50 Preferred Stock,the conversion rate being subject to adjustment as hereinafter provided:

(I) In case the Corporation shall (A) pay a dividend in shares of its capital stock, (B) subdivide its outstanding shares of Common Stock into a greater number of shares, (C) combine its outstanding shares of Common Stock into a smaller number of shares, or (D) issue by reclassification of its shares of Common Stock any shares of its capital stock, the conversion rate in effect immediately prior thereto shall be adjusted so that the holder of a share of $3.50 Preferred Stock surrendered for conversion after the record date fixing stockholders to be affected by such event shall be entitled to receive upon conversion the number of such shares of Common Stock which he would have been entitled to receive after the happening of such event had such share of $3.50 Preferred Stock been converted immediately prior to such record date. Such adjustment shall be made whenever any of such events shall happen, but shall also be effective retroactively as to shares of $3.50 Preferred Stock converted between such record date and the date of the happening of any such event.

(II) In case the Corporation shall issue rights or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price Per Share (as defined in subparagraph (IV) below) of Common Stock at the record date mentioned below, the number of shares of Common Stock into which each share of $3.50 Preferred Stock shall thereafter be convertible shall be determined by multiplying the number of

shares of Common Stock into which such share of $3.50 Preferred Stock was theretofore convertible by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and the denominator of which shall be the number of the shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Current Market Price Per Share. Such adjustment shall be made whenever such rights or warrants are issued, but shall also be effected retroactively as to shares of $3.50 Preferred Stock converted between the record date for the determination of stockholders entitled to receive such rights or warrants and the date such rights or warrants are issued.

(III) In case the Corporation shall distribute to all holders of its Common Stock evidences of its indebtedness or assets (excluding any cash dividend or distribution made out of current or retained earnings) or rights to subscribe other than as set forth in subparagraph (II) above, then in each such case the number of shares of Common Stock into which each share of $3.50 Preferred Stock shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which such share was theretofore convertible by a fraction, the numerator of which shall be the Current Market Price Per Share of the Common Stock on the record date fixed by the Board for such distribution, and the denominator of which shall be such Current Market Price Per Share of the Common Stock less the then fair market value (as determined by the Board, whose

determination shall be conclusive) of the portion of the assets, evidences of indebtedness or subscription rights so distributed applicable to one share of the Common Stock. Such adjustment shall be made whenever any such distribution is made, but shall also be effective retroactively as to shares of $3.50 Preferred Stock converted between the record date for the determination of stockholders entitled to receive such distribution and the date such distribution is made.

(IV) For the purpose of any computation under subparagraphs (II) and (III) above and (VI) below, the "Current Market Price Per Share" of Common Stock at any date shall be deemed to be the average of the daily closing prices for the 15 consecutive trading days commencing 20 trading days before the day in question. The closing price for each day shall be reported on the New York Stock Exchange-Composite Transactions Tape or as reported by any successor central market System.

(V) No adjustment in the conversion rate shall be required unless such adjustment would require an increase or decrease of at least 1% in such rate; provided, however, that any adjustments which by reason of this subparagraph (V) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph (viii) shall be made to the nearest one-hundredth of a share.

(VI) No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the conversion of any share of $3.50 Preferred Stock. If the conversion thereof results in a fraction, an amount equal to such fraction

multiplied by the Current Market Price Per Share of Common Stock (as defined in subparagraph (IV) above) as of the conversion date shall be paid to such holder in cash by the Corporation.

(VII) In case the Corporation shall enter into any consolidation, merger or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in each such case each share of $3.50 Preferred Stock remaining outstanding at the time of consummation of such transaction shall thereafter be convertible into the kind and amount of such stock or securities, cash and/or other property receivable upon consummation of such transaction by a holder of the number of shares of Common Stock into which such shares of $3.50 Preferred Stock might have been converted immediately prior to consummation of such transaction, assuming in each case that such holder of Common Stock failed to exercise rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon consummation of such transaction (provided that if the kind or amount of securities, cash or other property receivable upon consummation of such transaction is not the same for each non-electing share, then the kind and amount of securities, cash or other property receivable upon consummation of such transaction for each non-electing share shall be deemed to be the kind and amount as receivable per share by a plurality of the non-electing shares)

(VIII) In the event of any Change in Control (as hereinafter defined) of the Corporation, each holder of $3.50 Preferred Stock shall have the right, at the holder's option, to require the Corporation to redeem all or any number of

such holder's shares of $3.50 Preferred Stock during the period (the "Exercise Period") beginning on the 30th day and ending on the 90th day after the date of such Change in Control at the Redemption Price, plus accrued and unpaid dividends to the date fixed for redemption; provided, however, that such redemption right shall not be applicable in the case of any Change in Control of the Corporation which shall have been duly approved by the Continuing Directors (as hereinafter defined) during the period (the "Approval Period") prior to or within 21 days after the date on which such Change in Control shall have occurred. As used herein, (a) "Acquiring Person" means any Person who is or becomes the Beneficial Owner, directly or indirectly, of 10% or more of the outstanding Common Stock, (b) "Beneficial Owner" has the meaning ascribed to such term in Rule 13d-3 adopted pursuant to the Securities Exchange Act of 1934, as amended, (c) a "Change in Control" of the Corporation shall be deemed to have occurred at such time as (i) any Person is or becomes the Beneficial Owner, directly or indirectly, of 30% or more of the outstanding Common Stock or (ii) individuals who constitute the Continuing Directors cease for any reason to constitute at least a majority of the Board, (d) "Continuing Director" means any member of the Board who is not affiliated with an Acquiring Person and who was a member of the Board immediately prior to the time that the Acquiring Person became an Acquiring Person and any successor to a Continuing Director who is not affiliated with the Acquiring Person and is recommended to succeed a Continuing Director by a majority of Continuing Directors who are then members of the Board, and (e) "Person" means any individual, corporation, partnership, limited partnership, association, joint-stock company, trust, unincorporated

organization, syndicate or group (as such terms are used in Section 13d-3 adopted pursuant to the Securities Exchange Act of 1934, as amended) or government or political subdivision thereof.

On or before the seventh day after the termination of the Approval Period, the Corporation shall mail to all holders of record of the $3.50 Preferred Stock as of the last day of the Approval Period, at their respective addresses as the same shall appear on the books of the Corporation as of such date, a notice disclosing (i) the Change in Control, (ii) whether or not the Continuing Directors have approved the Change in Control, and (iii) if the Continuing Directors have not approved the Change in Control, the respective dates on which the Exercise Period commences and ends, the redemption price per share of the $3.50 Preferred Stock applicable hereunder and the procedure which the holder must follow to exercise the redemption right provided above. The Corporation shall cause a copy of such notice to be published in a newspaper of general circulation in the Borough of Manhattan, New York. To exercise such redemption right, a holder of the $3.50 Preferred Stock must deliver during the Exercise Period written notice to the Corporation (or an agent designated by the Corporation for such purpose) of the holder's exercise of such redemption right, and, to be valid, any such notice of exercise must be accompanied by each certificate evidencing shares of the $3.50 Preferred Stock with respect to which the redemption right is being exercised, duly endorsed for transfer. On or prior to the seventh day after the close of the Exercise Period, the Corporation shall accept for payment all shares of $3.50 Preferred Stock properly surrendered to the Corporation (or an agent designated by the Corporation for such purpose) during the

Exercise Period for redemption in connection with the valid exercise of such redemption right and shall cause payment to be made in cash for such shares of $3.50 Preferred Stock.

(ix) For the purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

(a) prior to shares of the $3.50 Preferred Stock, either as to dividends or upon liquidation, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of the $3.50 Preferred Stock;

(b) on a parity with shares of the $3.50 Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the $3.50 Preferred Stock, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority of one over the other as between the holders of such stock and the holders of shares of $3.50 Preferred Stock (the term "Parity Preferred Stock" being used to refer to any stock on a parity with the shares of $3.50 Preferred Stock, either as to dividends or upon liquidation as the context may require); and

(c) junior to shares of the $3.50 Preferred Stock, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of the $3.50 Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of stock of such class or classes.

(x) The $3.50 Preferred Stock shall rank on a parity with the $2.21 Cumulative Preferred Stock, par value $1 per share, of the Corporation as to dividends and upon liquidation. The $3.50 Preferred Stock shall rank prior to the Series A Junior Participating Preferred Stock, par value $1 per share, and all other shares of capital stock of the Corporation outstanding at the time of issuance of the $3.50 Preferred Stock.

IN WITNESS WHEREOF, The Williams Companies, Inc. has caused this Certificate to be made under the seal of the Corporation and signed by J. Furman Lewis, Senior Vice President and General Counsel, and attested by David M. Higbee, Secretary, this 19th day of April, 1995.

THE WILLIAMS COMPANIES, INC.

[SEAL]

Attest:

By: /s/ J. FURMAN LEWIS

J. Furman Lewis
Senior Vice President
& General Counsel

/s/ DAVID M. HIGBEE

David M. Higbee
Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, WILLIAM T. QUILLEN, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE TWENTIETH DAY OF MAY, A.D. 1994, AT 10 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

[SECRETARY'S OFFICE SEAL]

/s/ WILLIAM T. QUILLEN

William T. Quillen, Secretary of State

2116534 8100

AUTHENTICATION: 7125786

944090114

DATE: 05-20-94

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION

* * * * * * * *

THE WILLIAMS COMPANIES, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Williams Companies, Inc., at a meeting of the Board of Directors duly called and held on January 23, 1994, adopted a resolution proposing and declaring advisable the following amendment to the Restated Certificate of Incorporation, as amended, of said Company:

RESOLVED that the Board of Directors of the Company hereby declares it advisable to amend Article FOURTH of the Company's Restated Certificate of Incorporation, as amended, to increase the authorized Common Stock, $1.00 par value, so that, as amended, the first paragraph of Article FOURTH shall be, and read, as follows:

"FOURTH: The total number of shares of capital stock which the Company shall have authority to issue is 270,000,000 shares, consisting of 240,000,000 shares of Common Stock, par value $1.00 per share (the "Common

Stock") and 30,000,000 shares of Preferred Stock, par value $1.00 per share (the "Preferred Stock")."

SECOND: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this Certificate to be signed by J. Furman Lewis, its Senior Vice President and General Counsel, and attested by David M. Higbee, its Secretary, this 20th day of May, 1994.

THE WILLIAMS COMPANIES, INC.

By: /s/ J. FURMAN LEWIS

J. Furman Lewis
Senior Vice President and
General Counsel

ATTEST:

By: /s/ DAVID M. HIGBEE

David M. Higbee
Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, WILLIAM T. QUILLEN, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF RETIREMENT OF STOCK OF "THE WILLIAMS COMPANIES, INC." FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF SEPTEMBER, A.D. 1993, AT 10 0'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

* * * * * * * * * *

[SECRETARY'S OFFICE SEAL]

/s/ WILLIAM T. QUILLEN

William T. Quillen, Secretary of State

AUTHENTICATION: *4075831

723271110 DATE: 09/28/1993

CERTIFICATE OF RETIREMENT

OF

$3.875 CONVERTIBLE EXCHANGEABLE PREFERRED STOCK
$1.00 PAR VALUE

(PURSUANT TO SECTION 243)

The Williams Companies, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

That the Restated Certificate of Incorporation of said Company was filed in the office of the Secretary of State of Delaware on April 27, 1987, and was filed for recording in the office of the Recorder of Deeds for New Castle County, Delaware on April 27, 1987, and that the Certificate of Designation for the $3.875 Convertible Exchangeable Preferred Stock, $1.00 par value (the "Preferred Stock"), was filed in the office of the Secretary of State of Delaware on May 1, 1989;

That the Preferred Stock was called for redemption by the Company under the terms and provisions of said Certificate of Designation on June 10, 1993, and that all outstanding shares of the Preferred Stock were, in fact, redeemed as of June 10, 1993;

That the Board of Directors of said Company at a meeting duly called and convened on September 19, 1993, adopted a

resolution to the effect that none of the authorized shares of the Preferred Stock remain outstanding, and that no additional stock of such series will be issued subject to the Certificate of Designation filed with respect to such series of Preferred Stock; and

That when this Certificate is executed, acknowledged, filed and recorded in accordance with Section 103 of the General Corporation Law of the State of Delaware and, when the certificate becomes effective, it shall have the effect of eliminating from the Company's Restated Certificate of Incorporation all matters set forth in the Certificate of Designation with respect to such series of Preferred Stock.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by Jack D. McCarthy, a Senior Vice President, and attested by David M. Higbee, its Secretary, this 20th day of September, 1993.

THE WILLIAMS COMPANIES, INC.

By: /s/ JACK D. MCCARTHY

Jack D. McCarthy
Senior Vice President

ATTEST:

By: /s/ DAVID M. HIGBEE

David M. Higbee
Secretary

STATE OF DELAWARE

[LOGO]

OFFICE OF SECRETARY OF STATE

I, MICHAEL RATCHFORD, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF STOCK DESIGNATION OF "THE WILLIAMS COMPANIES, INC. FILED IN THIS OFFICE ON THE THIRTY-FIRST DAY OF AUGUST, A.D. 1992, AT 10 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

* * * * * * * * * *

[OFFICE OF THE SECRETARY OF STATE SEAL]

/s/ MICHAEL RATCHFORD

MICHAEL RATCHFORD, SECRETARY OF STATE

722244066

AUTHENTICATION: *3575698
DATE: 08/31/1992

CERTIFICATE OF DESIGNATION

OF THE

$2.21 CUMULATIVE PREFERRED STOCK
($1 Par Value)

OF

THE WILLIAMS COMPANIES, INC.

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on August 27, 1992, by a duly appointed Special Committee of the Board of Directors of The Williams Companies, Inc., a Delaware corporation (hereinafter called the "Corporation"), acting pursuant to the provisions of Section 141(c) of the General Corporation Law of the State of Delaware and pursuant to authority granted to such Committee in a resolution of such Board of Directors (the "Board") duly adopted on July 10, 1992:

RESOLVED that pursuant to authority expressly granted to and vested in the Board by provisions of the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the issuance of a series of Preferred Stock par value $1 per share (the "Preferred Stock"), which shall consist of up to 4,000,000 of the 26,300,000 shares of Preferred Stock which the Corporation now has authority to issue, be, and the same hereby is, authorized, and the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the shares of such series (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which may be applicable to the Preferred Stock) are fixed as follows:

(i) The designation of such series of the Preferred Stock authorized by this resolution shall be the $2.21 Cumulative Preferred Stock (the "$2.21 Preferred Stock").

The total number of shares of the $2.21 Preferred Stock shall be 4,000,000.

(ii) Holders of shares of $2.21 Preferred Stock will be entitled to receive, when and as declared by the Board out of assets of the Corporation legally available for payment, an annual cash dividend of $2.21 per share, payable in quarterly installments on March 1, June 1, September 1 and December 1, commencing December 1, 1992 (each a "dividend payment date"). Dividends on the $2.21 Preferred Stock will be cumulative from the date of initial issuance of shares of $2.21 Preferred Stock. Dividends will be payable to holders of record as they appear on the stock books of the Corporation on such record dates, not more than 60 days nor less than 10 days preceding the payment dates thereof, as shall be fixed by the Board. When dividends are not paid in full upon the $2.21 Preferred Stock and any other Parity Preferred Stock (as defined in paragraph (viii) below), all dividends declared upon shares of Parity Preferred Stock will be declared pro rata so that in all cases the amount of dividends declared per share on the $2.21 Preferred Stock and such other Parity Preferred Stock shall bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of $2.21 Preferred Stock and such other Parity Preferred Stock bear to each other. Except as set forth in the preceding sentence, unless full cumulative dividends on the $2.21 Preferred Stock have been paid, no dividends (other than in Common Stock of the Corporation) may be paid or declared and set aside for payment or other distribution made upon the Common Stock or on any other stock of the Corporation ranking junior to or on a parity with the $2.21 Preferred Stock as to dividends, nor may any Common Stock or any other stock of the Corporation ranking junior to or on a parity with the $2.21 Preferred Stock as to dividends be redeemed, purchased or otherwise acquired for any consideration (or any payment made to or available for a sinking fund for the redemption of any shares of such stock; provided, however, that any moneys theretofore deposited in any sinking fund with respect to any Preferred Stock of the Corporation in compliance with the provisions of such sinking fund may thereafter

be applied to the purchase or redemption of such Preferred Stock in accordance with the terms of such sinking fund regardless of whether at the time of such application full cumulative dividends upon shares of the $2.21 Preferred Stock outstanding to the last dividend payment date shall have been paid or declared and set apart for payment) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the $2.21 Preferred Stock as to dividends). Dividends payable for any partial dividend period shall be calculated on the basis of a 360-day year of 12 30-day months.

(iii) The shares of $2.21 Preferred Stock shall rank prior to the shares of Common Stock and of any other class of stock of the Corporation ranking junior to the $2.21 Preferred Stock upon liquidation, so that in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the $2.21 Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, before any distribution is made to holders of shares of Common Stock or any other such junior stock, an amount equal to $25 per share (the "Liquidation Preference" of a share of $2.21 Preferred Stock) plus an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid on the shares of $2.21 Preferred Stock to the date of final distribution. After payment of the full amount of the Liquidation Preference and such dividends, the holders of shares of $2.21 Preferred Stock will not be entitled to any further participation in any distribution of assets by the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of shares of Parity Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributable among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were payable in full. For the purposes hereof, neither a consolidation or

merger of the Corporation with or into any other corporation, nor a merger of any other corporation with or into the Corporation, nor a sale or transfer of all or any part of the Corporation's assets for cash or securities shall be considered a liquidation, dissolution or winding up of the Corporation.

(iv) The holders of shares of $2.21 Preferred Stock shall have no voting rights whatsoever, except for any voting rights to which they may be entitled under the laws of the State of Delaware, and except as follows:

(I) If and whenever at any time or times dividends payable on the $2.21 Preferred Stock or on any other Preferred Stock shall have been in arrears and unpaid in an aggregate amount equal to or exceeding the amount of dividends payable thereon for six quarterly periods, then the holders of the Preferred Stock shall have, in addition to the other voting rights set forth herein, the exclusive right, voting separately as a class, to elect two directors of the Corporation, such directors to be in addition to the number of directors constituting the Board immediately prior to the accrual of such right, the remaining directors to be elected by the other class or classes of stock entitled to vote therefor at each meeting of stockholders held for the purpose of electing directors. Such voting right shall continue until such time as all cumulative dividends accumulated on all the Preferred Stock having cumulative dividends shall have been paid in full and until any noncumulative dividends payable on all the Preferred Stock having noncumulative dividends shall have been paid regularly for at least one year, at which time such voting right of the holders of the Preferred Stock shall terminate, subject to revesting in the event of each and every subsequent event of default of the character indicated above.

Whenever such voting right shall have vested, such right may be exercised initially either at a special meeting of the holders of the Preferred Stock,

called as hereinafter provided, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at each successive annual meeting.

At any time when such voting right shall have vested in the holders of the Preferred Stock, and if such right shall not already have been initially exercised, a proper officer of the Corporation shall, upon the written request of the holders of record of 10 percent in number of shares of the Preferred Stock then outstanding, addressed to the Secretary of the Corporation, call a special meeting of the holders of the Preferred Stock and of any other class or classes of stock having voting power with respect thereto for the purpose of electing directors. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for holding of annual meetings of stockholders of the Corporation, or, if none, at a place designated by the Secretary of the Corporation. If such meeting shall not be called by the proper officers of the Corporation within 30 days after the personal service of such written request upon the Secretary of the Corporation, or within 30 days after mailing the same within the United States of America, by registered mail, addressed to the Secretary of the Corporation at its principal office (such mailing to be evidenced by the registry receipt issued by the postal authorities), then the holders of record of 10 percent in number of shares of the Preferred Stock then outstanding may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by such person so designated upon the notice required for annual meetings of stockholders and shall be held at the same place as is elsewhere provided for in this subparagraph (I). Any holder of the Preferred Stock shall have access to the stock books of the Corporation for the purpose of causing a

meeting of stockholders to be called pursuant to the provisions of this paragraph. Notwithstanding the provisions of this paragraph, however, no such special meeting shall be called during a period within 90 days immediately preceding the date fixed for the next annual meeting of stockholders.

At any meeting held for the purpose of electing directors at which the holders of the Preferred Stock shall have the right to elect directors as provided herein, the presence in person or by proxy of the holders of 33-1/3 percent of the then outstanding shares of the Preferred Stock shall be required and be sufficient to constitute a quorum of the Preferred Stock for the election of directors by the Preferred Stock. At any such meeting or adjournment thereof (A) the absence of a quorum of the holders of the Preferred Stock shall not prevent the election of directors other than those to be elected by the holders of the Preferred Stock and the absence of a quorum or quorums of the holders of other classes of capital stock entitled to elect such other directors shall not prevent the election of directors to be elected by the holders of the Preferred Stock and (B) in the absence of a quorum of the holders of any class of stock entitled to vote for the election of directors, a majority of the holders present in person or by proxy of such class shall have the power to adjourn the meeting for the election of directors which the holders of such class are entitled to elect, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

The directors elected pursuant to this subparagraph (I) shall serve until the next annual meeting or until their respective successors shall be elected and shall qualify; provided, however, that when the right of the holders of the Preferred Stock to elect directors as herein provided shall terminate, the terms of office of all persons so elected

by the holders of the Preferred Stock shall terminate, and the number of directors of the Corporation shall thereupon be such number as may be provided in the By-laws of the Corporation irrespective of any increase made pursuant to this subparagraph (I).

So long as any shares of $2.21 Preferred Stock are outstanding, the By-laws of the Corporation shall contain provisions ensuring that the number of directors of the Corporation shall at all times be such that the exercise, by the holders of shares of $2.21 Preferred Stock and the holders of other Preferred Stock, of the right to elect directors under the circumstances provided in this subparagraph (I) will not contravene any provisions of the Corporation's Certificate of Incorporation or By--laws.

(II) So long as any shares of the $2.21 Preferred Stock remain outstanding, the Corporation will not, either directly or indirectly or through merger or consolidation with any other corporation, without the affirmative vote at a meeting or the written consent with or without a meeting of the holders of at least 66-2/3 percent in number of shares of the $2.21 Preferred Stock then outstanding, (A) create any class or classes of stock ranking prior to the $2.21 Preferred Stock either as to dividends or upon liquidation or increase the authorized number of shares of any class or classes of stock ranking prior to the $2.21 Preferred Stock either as to dividends or upon liquidation, (B) amend, alter or repeal any of the provisions of the Certificate of Incorporation (including this resolution) so as to affect adversely the preferences, special rights or powers of the $2.21 Preferred Stock or (C) authorize any reclassification of the $2.21 Preferred Stock.

(v) The shares of the $2.21 Preferred Stock will not be redeemable prior to September 1, 1997. On or after such date, the $2.21 Preferred Stock will be redeemable at the option of the Corporation, in whole or in

part, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to $25 per share of the $2.21 Preferred Stock plus dividends accrued and accumulated but unpaid to the redemption date.

If full cumulative dividends on the $2.21 Preferred Stock have not been paid, the $2.21 Preferred Stock may not be redeemed in part and the Corporation may not purchase or acquire any shares of the $2.21 Preferred Stock otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of the $2.21 Preferred Stock. If less than all the outstanding shares of $2.21 Preferred Stock are to be redeemed, the Corporation will select those to be redeemed by lot or a substantially equivalent method.

If a notice of redemption has been given pursuant to this paragraph (v) and if, on or before the date fixed for redemption, the funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificates for such shares have not been surrendered for cancellation, on the redemption date dividends shall cease to accrue on the shares of $2.21 Preferred Stock to be redeemed, and at the close of business on the redemption date the holders of such shares shall cease to be stockholders with respect to such shares and shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect to such shares, except the right to receive the moneys payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of two years from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the amounts payable upon such

redemption. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time.

(vi) No consent of the holders of the $2.21 Preferred Stock shall be required for (a) the creation of any indebtedness of any kind of the Corporation, (b) the creation, or increase or decrease in the amount, of any class or series of stock of the Corporation not ranking prior as to dividends or upon liquidation to the $2.21 Preferred Stock or (c) any increase or decrease in the amount of authorized Common Stock or any increase, decrease or change in the par value thereof or in any other terms thereof.

(vii) Subject to the provisions of paragraph (iv) hereof, the Board reserves the right by subsequent amendment of this resolution from time to time to increase or decrease the number of shares which constitute the $2.21 Preferred Stock (but not below the number of shares thereof then outstanding) and in other respects to amend this resolution within the limitations provided by law, this resolution and the Certificate of Incorporation.

(viii) For the purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

(a) prior to shares of the $2.21 Preferred Stock, either as to dividends or upon liquidation, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of the $2.21 Preferred Stock;

(b) on a parity with shares of the $2.21 Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the $2.21 Preferred Stock, if the holders of stock of such class or classes

shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority of one over the other as between the holders of such stock and the holders of shares of $2.21 Preferred Stock (the term "Parity Preferred Stock" being used to refer to any stock on a parity with the shares of $2.21 Preferred Stock, either as to dividends or upon liquidation as the context may require); and

(c) junior to shares of the $2.21 Preferred Stock, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of the $2.21 Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of stock of such class or classes.

The $2.21 Preferred Stock shall rank on a parity with the $3.875 Convertible Exchangeable Preferred Stock, par value $1 per share, and prior to the Series A Junior Participating Preferred Stock, par value $1 per share, and all other shares of capital stock of the Corporation outstanding at the time of issuance of the $2.21 Preferred Stock.

IN WITNESS WHEREOF, The Williams Companies, Inc. has caused this Certificate to be made under the seal of the Corporation and signed by J. Furman Lewis, a Senior Vice President, and attested by David M. Higbee, its Secretary, this 28th day of August, 1992.

THE WILLIAMS COMPANIES, INC.

/s/ J. FURMAN LEWIS

J. Furman Lewis
Senior Vice President

[SEAL]

Attest:

/s/ DAVID M. HIGBEE

David M. Higbee
Secretary

STATE OF DELAWARE

[LOGO]

OFFICE OF SECRETARY OF STATE

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF STOCK DESIGNATION OF THE WILLIAMS COMPANIES, INC. FILED IN THIS OFFICE ON THE FIRST DAY OF MAY, A.D. 1989, AT 11:30 O'CLOCK A.M.

: : : : : : : : : :

[OFFICE OF THE SECRETARY OF STATE SEAL]

720200157

/s/ MICHAEL HARKINS

Michael Harkins, Secretary of State

AUTHENTICATION: 12732083
DATE: 07/19/1990

CERTIFICATE OF DESIGNATION

OF THE

$3.875 CONVERTIBLE EXCHANGEABLE PREFERRED STOCK
($1 Par Value)

OF

THE WILLIAMS COMPANIES, INC.

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on April 26, 1989, by a duly appointed Special Committee of the Board of Directors of The Williams Companies, Inc., a Delaware corporation (hereinafter called the "Corporation"), acting pursuant to the provisions of Section 141(c) of the General Corporation law of the State of Delaware and pursuant to authority granted to such Committee in a resolution of such Board of Directors (the "Board") duly adopted on March 15, 1989:

RESOLVED that pursuant to authority expressly granted to and vested in the Board by provisions of the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the issuance of a series of Preferred Stock par value $1 per share (the "Preferred Stock"), which shall consist of up to 3,300,000 of the 30,000,000 shares of Preferred Stock which the Corporation now has authority to issue, be, and the same hereby is, authorized, and the Board hereby fixes the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the shares of such series (in addition

to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Restated Certificate of Incorporation which may be applicable to the Preferred Stock) as follows:

(i) The designation of such series of the Preferred Stock authorized by this resolution shall be the $3.875 Convertible Exchangeable Preferred Stock (the "Exchangeable Preferred Stock"). The total number of shares of Exchangeable Preferred Stock shall be 3,300,000.

(ii) Holders of shares of Exchangeable Preferred Stock will be entitled to receive, when and as declared by the Board out of assets of the Corporation legally available for payment, an annual cash dividend of $3.875 per share, payable in quarterly installments on March 31, June 30, September 30 and December 31, commencing June 30, 1989 (each a "dividend payment date"). Dividends on the Exchangeable Preferred Stock will be cumulative from the date of initial issuance of shares of Exchangeable Preferred Stock. Dividends will be payable to holders of record as they appear on the stock books of the Corporation on such record dates, not more than 60 days nor less than 10 days preceding the payment dates thereof, as shall be fixed by the Board. When dividends are not paid in full upon the Exchangeable Preferred Stock and any other Parity Preferred Stock (as defined in paragraph (xii) below), all dividends declared upon shares of Parity Preferred Stock will be declared pro rata so that in all cases the amount of dividends declared per share on the Exchangeable Preferred Stock and such other Parity Preferred Stock shall bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of Exchangeable Preferred Stock and such other Parity Preferred Stock bear to each other. Except as set forth in the preceding sentence, unless full cumulative dividends on the Exchangeable Preferred Stock have been paid, no dividends (other than in Common Stock of

the Corporation (as defined in subparagraph (iv)(I) below) may be paid or declared and set aside for payment or other distribution made upon the Common Stock or on any other stock of the Corporation ranking junior to or on a parity with the Exchangeable Preferred Stock as to dividends, nor may any Common Stock or any other stock of the Corporation ranking junior to or on a parity with the Exchangeable Preferred Stock as to dividends be redeemed, purchased or otherwise acquired for any consideration (or any payment made to or available for a sinking fund for the redemption of any shares of such stock; provided, however, that any moneys theretofore deposited in any sinking fund with respect to any preferred stock of the Corporation in compliance with the provisions of such sinking fund may thereafter be applied to the purchase or redemption of such preferred stock in accordance with the terms of such sinking fund regardless of whether at the time of such application full cumulative dividends upon shares of the Exchangeable Preferred Stock outstanding to the last dividend payment date shall have been paid or declared and set apart for payment) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the Exchangeable Preferred Stock as to dividends). Dividends payable for any partial dividend period shall be calculated on the basis of a 360-day year of 12 30-day months.

(iii) The shares of Exchangeable Preferred Stock shall rank prior to the shares of Common Stock and of any other class of stock of the Corporation ranking junior to the Exchangeable Preferred Stock upon liquidation, so that in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Exchangeable Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, before any distribution is made to holders of shares of Common Stock or any other such junior stock, an amount equal to $50 per

share (the "Liquidation Preference" of a share of Exchangeable Preferred Stock) plus an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid on the shares of Exchangeable Preferred Stock to the date of final distribution. After payment of the full amount of the Liquidation Preference and such dividends, the holders of shares of Exchangeable Preferred Stock will not be entitled to any further participation in any distribution of assets by the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of shares of Parity Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributable among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were payable in full. For the purposes hereof, neither a consolidation or merger of the Corporation with or into any other corporation, nor a merger of any other corporation with or into the Corporation, nor a sale or transfer of all or any part of the Corporation's assets for cash or securities shall be considered a liquidation, dissolution or winding-up of the Corporation.

(iv) (I) Subject to and upon compliance with the provisions of this paragraph (iv), the holder of a share of Exchangeable Preferred Stock shall have the right, at his option, at any time, to convert such share into that number of fully paid and non-assessable shares of Common Stock (calculated as to each conversion to the nearest 1/100th of a share) obtained by dividing the Liquidation Preference of such share being converted by the Conversion Price (as defined below) and by surrender of such share so to be converted, such surrender to be made in the manner provided in subparagraph (II) of this paragraph (iv); provided, however, that the right to convert shares called for redemption pursuant to paragraph (viii) or for exchange

pursuant to paragraph (vii) shall terminate at the close of business on the date fixed for such redemption or exchange, as the case may be, unless the Corporation shall default in making payment of the amount payable upon such redemption or in making the exchange and payment of any amount payable upon such exchange.

The term "Applicable Price" means (i) in the event of a Fundamental Change in which the holders of the Corporation's Common Stock receive only cash, the amount of cash received by the holder of one share of Common Stock and (ii) in the event of any other Fundamental Change, the average of the last reported sales price for the Corporation's Common Stock (determined as set forth in subparagraph IV(d) of this paragraph (iv)) during the ten Trading Days (as defined in subparagraph IV(d) of this paragraph (iv)) prior to the record date for the determination of the holders of Common Stock entitled to receive cash, securities, property or other assets in connection with such Fundamental Change, or, if there is no such record date, the date upon which the holders of the Common Stock shall have the right to receive such cash, securities, property or other assets.

The term "Common Stock" shall mean the Common Stock, $1.00 par value, of the Corporation as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time, except that for the purpose of subparagraph (V) of this paragraph (iv) the term "Common Stock" shall also mean and include stock of the Corporation of any class, whether now or hereafter authorized, which shall have the right to participate in the distribution of either earnings or assets of the Corporation without limit as to amount or percentage.

The term "Common Stock Fundamental Change" means any Fundamental Change in which more than 50% (by value as determined in good faith by the Board) of the consideration received by holders of Common Stock consists

of common stock that, for the ten Trading Days (as defined in subparagraph IV (d) of this paragraph (iv)) prior to such Fundamental Change, has been admitted for listing on a national securities exchange or quoted on the National Market of the National Association of Securities Dealers, Inc. Automated Quotation System.

The term "Conversion Price" shall mean $39.25, as adjusted in accordance with the provisions of this paragraph (iv).

The term "Fundamental Change" means the occurrence of any transaction or event in connection with which all or substantially all the Common Stock of the Corporation shall be exchanged for, converted into, acquired for or constitute solely the right to receive cash or securities, property or other assets (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise).

The term "Liquidation Preference" shall have the meaning specified in paragraph (iii).

The term "Non-Stock Fundamental Change" means any Fundamental Change other than a Common Stock Fundamental Change.

The term "Purchaser Stock Price" means, with respect to any Common Stock Fundamental Change, the average of the last reported sales price for the common stock received in such Common Stock Fundamental Change (determined as set forth in subparagraph IV(d) of this paragraph (iv) as if such subparagraph were applicable to such common stock) during the ten Trading Days (as defined in subparagraph IV(d) of this paragraph (iv)) prior to the record date for the determination of the holders of Common Stock entitled to receive such common stock, or if there is no such record date, the date upon which the holders of the Common Stock shall have the right to receive such common stock.

The term "Reference Market Price" shall initially mean $20.917, and in the event of any adjustment to the Conversion Price pursuant to subparagraphs IV(a), IV(b) or IV(c) of this paragraph (iv), the Reference Market Price shall also be adjusted so that the ratio of the Reference Market Price to the Conversion Price after giving effect to any such adjustment shall always be the same as the ratio of $20.917 to the Conversion Price set forth in this Certificate of Designation (without regard to any adjustment thereto).

The term "Rights Agreement" shall have the meaning specified in paragraph (ix).

The term "Rights" shall have the meaning specified in paragraph (ix).

(II) In order to exercise the conversion privilege, the holder of each share of Exchangeable Preferred Stock to be converted shall surrender the certificate representing such share at the office of the conversion agent for the Exchangeable Preferred Stock in the Borough of Manhattan, City of New York, appointed for such purpose by the Corporation, with the Notice of Election to Convert on the back of said certificate completed and signed. Unless the shares issuable on conversion are to be issued in the same name as the name in which such share of Exchangeable Preferred Stock is registered, each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder or his duly authorized attorney and an amount sufficient to pay any transfer or similar tax.

The holders of shares of Exchangeable Preferred Stock at the close of business on a dividend payment record date shall be entitled to receive the dividend payable on such shares (except that holders of shares called for redemption on a redemption date between such record date and the dividend payment date shall not be entitled to receive such dividend on such dividend payment date) on the corresponding dividend payment date notwithstanding

the conversion thereof or the Corporation's default in payment of the dividend due on such dividend payment date. However, shares of Exchangeable Preferred Stock surrendered for conversion during the period between the close of business on any dividend payment record date and the opening of business on the corresponding dividend payment date (except shares called for redemption on a redemption date during such period) must be accompanied by payment of an amount equal to the dividend payable on such shares on such dividend payment date. A holder of shares of Exchangeable Preferred Stock on a dividend payment record date who (or whose transferee) tenders any of such shares for conversion into shares of Common Stock on a dividend payment date will receive the dividend payable by the Corporation on such shares of Exchangeable Preferred Stock on such date, and the converting holder need not include payment in the amount of such dividend upon surrender of shares of Exchangeable Preferred Stock for conversion. Except as provided above, the Corporation shall make no payment or allowance for unpaid dividends whether or not in arrears, on converted shares or for dividends on the shares of Common Stock issued upon such conversion.

As promptly as practicable after the surrender of the certificates for shares of Exchangeable Preferred Stock as aforesaid, the Corporation shall issue and shall deliver at such office to such holder, or on his written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such shares in accordance with the provisions of this paragraph (iv), and any fractional interest in respect of a share of Common Stock arising upon such conversion shall be settled as provided in subparagraph (III) of this paragraph (iv).

Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for shares of Exchangeable Preferred Stock shall have been surrendered and such

notice received by the Corporation as aforesaid, and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby at such time on such date and such conversion shall be at the Conversion Price in effect at such time on such date, unless the stock transfer books of the Corporation shall be closed on that date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such shares shall have been surrendered and such notice received by the Corporation. All shares of Common Stock delivered upon conversions of the Exchangeable Preferred Stock will upon delivery be duly and validly issued and fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights.

(III) No fractional shares or scrip representing fractions of shares of Common Stock shall be issued upon conversion of the Exchangeable Preferred Stock. Instead of any fractional interest in a share of Common Stock which would otherwise be deliverable upon the conversion of a share of Exchangeable Preferred Stock, the Corporation shall pay to the holder of such share an amount in cash (computed to the nearest cent) equal to the last reported sale price (as defined in subparagraph (IV)(d) of this paragraph (iv)) thereof on the business day next preceding the day of conversion. If more than one share shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate Liquidation Preference of the shares of Exchangeable Preferred Stock so surrendered.

(IV) The Conversion Price shall be adjusted from time to time as follows:

(a) In case the Corporation shall (i) pay a dividend or make a distribution on its Common Stock in shares of its Common Stock, (ii) subdivide its outstanding Common Stock into a greater number of shares, or (iii) combine its outstanding Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior thereto shall be adjusted so that the holder of any share of Exchangeable Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock of the Corporation which he would have owned or have been entitled to receive after the happening of any of the events described above had such share been converted immediately prior to the happening of such event. An adjustment made pursuant to this subparagraph (a) shall become effective immediately, except as provided in subparagraph (g) below, after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of subdivision or combination.

(b) In case the Corporation shall issue rights (other than the Rights) or warrants to all holders of its Common Stock entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase Common Stock at a price per share less than the current market price per share of Common Stock (as defined in subparagraph (d) below) at the record date for the determination of stockholders entitled to receive such rights or warrants, the Conversion Price in effect immediately prior thereto shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of issuance of such rights or warrants by a fraction of which

the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such current market price, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase. Such adjustment shall be made successively whenever any such rights or warrants are issued, and shall become effective immediately, except as provided in subparagraph (g) below, after such record date. In determining whether any rights or warrants entitle the holders of the Exchangeable Preferred Stock 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 Corporation for such rights or warrants, the value of such consideration, if other than cash, to be determined by the Board.

(c) In case the Corporation shall distribute to all holders of its Common Stock any shares of capital stock of the Corporation (other than Common Stock) or evidences of its indebtedness or assets (excluding cash dividends or distributions paid from retained earnings of the Corporation) or rights (other than the Rights) or warrants to subscribe for or purchase any of its securities (excluding those referred to in subparagraph (b) above) (any of the foregoing being hereinafter in this subparagraph (c) called the "Securities"), then in each such case, unless the Corporation elects to reserve shares or other units of such Securities for distribution to the holders of the Exchangeable Preferred

Stock upon the conversion of the shares of Exchangeable Preferred Stock so that any such holder converting shares of Exchangeable Preferred Stock will receive upon such conversion, in addition to the shares of the 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, immediately prior to the record date for the distribution of the Securities, converted its shares of Exchangeable Preferred Stock into Common Stock, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of such distribution by a fraction of which the numerator shall be the current market price per share (as defined in subparagraph (d) below) of the Common Stock on the record date mentioned below less the then fair market value (as determined by the Board, whose determination shall, if made in good faith, be conclusive) of the portion of the capital stock or assets or evidences of indebtedness so distributed or of such rights or warrants applicable to one share of Common Stock, and of which the denominator shall be the current market price per share (as defined in subparagraph (d) below) of the Common Stock. Such adjustment shall become effective immediately, except as provided in subparagraph (g) below, after the record date for the determination of shareholders entitled to receive such distribution.

(d) For the purpose of any computation under subparagraphs (b) and (c) above, the current market price per share of Common Stock on any date shall be deemed to be the average of the last reported sales prices for the thirty consecutive Trading Days (as defined below) commencing forty-five Trading Days before the date in question. The last

reported sales price for each day shall be the last reported sale price regular way on the New York Stock Exchange, or, if not reported for such Exchange, on the Composite Tape, or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked quotations on the New York Stock Exchange, or, if the Common Stock is not listed on such Exchange or no such quotations are available, the average of the high bid and low asked quotations in the over-the-counter market as reported by the National Quotation Bureau, Incorporated, or similar organization, or, if no such quotations are available, the fair market value of such class of stock as determined by a member firm of the New York Stock Exchange, Inc. selected by the Corporation. As used herein the term "Trading Days" with respect to Common Stock means (i) if the Common Stock is listed or admitted for trading on the New York Stock Exchange or any national securities exchange, days on which the New York Stock Exchange or such national securities exchange is open for business or (ii) if the Common Stock is quoted on the National Market of the National Association of Securities Dealers, Inc. Automated Quotation System or any similar system of automated dissemination of quotations of securities prices, days on which trades may be made on such system.

(e) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this subsection (e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment; and provided, further, that adjustment shall be required and made in accordance with the provisions of this paragraph (iv) (other than this subparagraph (e)) not later than such time as may be required in

order to preserve the tax free nature of a distribution to the holders of shares of Common Stock. All calculations under this paragraph (iv) shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. Anything in this subparagraph (IV) to the contrary notwithstanding, the Corporation shall be entitled to make such reductions in the Conversion Price, in addition to those required by this subparagraph (IV), as it in its discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights or warrants to purchase stock or securities, or a distribution of other assets (other than cash dividends) hereafter made by the Corporation to its stockholders shall not be taxable.

(f) Whenever the Conversion Price is adjusted, as herein provided, the Corporation shall promptly file with any conversion agent an officers' certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment. Promptly after delivery of such certificate, the Corporation shall prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which such adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Price to the holder of each share of Exchangeable Preferred Stock at his last address as shown on the stock books of the Corporation.

(g) In any case in which this subparagraph (IV) provides that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of such event (i) issuing to the

holder of any share of Exchangeable Preferred Stock converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such holder any amount in cash in lieu of any fraction pursuant to subparagraph (III) of this paragraph (iv).

(V) If:

(a) the Corporation shall declare a dividend (or any other distribution) on the Common Stock (other than in cash out of retained earnings); or

(b) the Corporation shall authorize the granting to the holders of the Common Stock of rights (other than the Rights) or warrants to subscribe for or purchase any shares of any class or any other rights or warrants; or

(c) there shall be any reclassification of the Common Stock (other than a subdivision or combination of the outstanding Common Stock and other than a change in the par value, or from par value to no par value, or from no par value to par value), or any consolidation, merger, or statutory share exchange to which the Corporation is a party and for which approval of any stockholders of the Corporation is required, or any sale or transfer of all or substantially all the assets of the Corporation as an entirety or any Fundamental Change; or

(d) there shall be a voluntary or in involuntary dissolution, liquidation or winding up of the Corporation;

then the Corporation shall cause to be filed with the conversion agent, and shall cause to

be mailed to the holders of shares of the Convertible Preferred Stock at their addresses as shown on the stock books of the Corporation, at least 15 days prior to the applicable date hereinafter specified, a notice stating (i) 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 or warrants are to be determined or (ii) the date on which such reclassification, consolidation, merger, statutory share exchange, sale, transfer, Fundamental Change, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, statutory share exchange, sale, transfer, Fundamental Change, dissolution, liquidation or winding up. Failure to give such notice or any defect therein shall not affect the legality or validity of the proceedings described in subparagraph VIII of this paragraph (iv) or in subparagraph V(a.), V(b), V(c) or V(d) of this paragraph (iv).

(VI) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common Stock held in its treasury, or both, for the purpose of effecting conversions of the Exchangeable Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of Exchangeable Preferred Stock not theretofore converted. For purposes of this subparagraph (VI), the number of shares of Common Stock which shall be deliverable upon the conversion of all outstanding shares of Exchangeable Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single holder.

Before taking any action which would cause an adjustment reducing the Conversion Price below the then par value (if any) of the shares of Common Stock deliverable upon conversion of the Exchangeable Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and non-assessable shares of Common Stock at such adjusted Conversion Price.

The Corporation will endeavor to list the shares of Common Stock required to be delivered upon conversion of the Exchangeable Preferred Stock prior to such delivery upon each national securities exchange, if any, upon which the outstanding Common Stock is listed at the time of such delivery.

Prior to the delivery of any securities which: the Corporation shall be obligated to deliver upon conversion of the Exchangeable Preferred Stock, the Corporation will endeavor to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(VII) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversions of the Exchangeable Preferred Stock pursuant hereto; provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the Exchangeable Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(VIII) Notwithstanding any other provision herein to the contrary, if any of the following events occur, namely (a) any reclassification or change of outstanding shares of Common Stock issuable upon conversion of the Exchangeable Preferred Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (b) any consolidation, merger or combination of the Corporation with another corporation as a result of which holders of Common Stock issuable upon conversion of the Exchangeable Preferred Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock or (c) any sale or conveyance of the properties and assets of the Corporation as, or substantially as, an entirety to any other entity as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, or (d) any Fundamental Change (including any event in the foregoing clauses (a), (b) and (c) which constitutes a Fundamental Change), then the holder of each share of Exchangeable Preferred Stock then outstanding shall have the right to convert such share into the kind and amount of shares of stock and other securities or property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale, conveyance or Fundamental Change (such amount to be determined, in the case of a Fundamental Change, in accordance with the following paragraph), by a holder of the number of shares of Common Stock issuable upon conversion of such share of Exchangeable Preferred Stock immediately prior to such reclassification, change, consolidation, merger, sale, conveyance or Fundamental Change subject to further adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in paragraph

(iv); provided, however, that if the event referred to in clauses (a) through (d) above constitutes a Common Stock Fundamental Change, each share of Exchangeable Preferred Stock shall be convertible solely into common stock of the kind received by holders of Common Stock as the result of such Common Stock Fundamental Change (the amount of such common stock to be determined in accordance with the following paragraph). If, in the case of any such consolidation, merger, sale, conveyance or Fundamental Change, the stock or other securities and property receivable thereupon by a holder of shares of Common Stock includes shares of stock or other securities and property of an entity other than the successor or purchasing entity, as the case may be, in such consolidation, merger, sale, conveyance or Fundamental Change, then the Corporation shall enter into an agreement with such other entity for the benefit of the holders of the Exchangeable Preferred Stock which shall contain such additional provisions to protect the interests of such holders as the Board shall reasonably consider necessary by reason of the foregoing.

For purposes of calculating any adjustment to be made pursuant to the preceding paragraph in the event of a Fundamental Change, immediately prior to such Fundamental Change:

(A) in the case of a Non-Stock Fundamental Change, (x) the conversion price of the shares of Exchangeable Preferred Stock shall be deemed to be the lower of (1) the then applicable Conversion Price (after giving effect to any adjustments required pursuant to subparagraphs IV(a), IV(b), or IV(c) of this paragraph (iv)) and (2) the Applicable Price (provided however that in no event shall the Conversion Price be lower than the Reference Market Price); and (y) if such Non-Stock Fundamental Change occurs on or prior to March 30, 1999, the holder of each share of Exchangeable Preferred Stock shall be deemed to have the right to convert a Liquidation Preference amount of such share of Exchangeable Preferred Stock equal to the Liquidation Preference

thereof multiplied by (i) in the case of periods after March 30 1992, the percentage of such Liquidation Preference that such holder would have been entitled to receive if such share of Exchangeable Preferred Stock had been redeemed at the Corporation's option on the date of such Non-Stock Fundamental Change, or (ii) in the case of periods prior to March 31, 1992, the applicable percentage set forth in the following table for the 12-month periods ending March 31 in each of the years set forth therein.

Year	Percentage
1990	%107.750
1991	%106.975
1992	%106.200

(B) in the case of a Common Stock Fundamental Change, the Conversion Price shall be the then applicable Conversion Price after giving effect to any adjustment required pursuant to subparagraphs IV(a), IV(b) or IV(c) of this paragraph (iv) multiplied by a fraction, the numerator of which is the Purchaser Stock Price and the denominator of which is the Applicable Price.

The provisions of this subparagraph (VIII) shall similarly apply to successive reclassifications, consolidations, mergers, sales, conveyances or Fundamental Changes.

(v) Upon any conversion, exchange or redemption of shares of Exchangeable Preferred Stock, the shares of Exchangeable Preferred Stock so converted, exchanged or redeemed shall have the status of authorized and unissued shares of Preferred Stock, and the number of shares of Preferred Stock which the Corporation shall have authority to issue shall not be decreased by the conversion, exchange or redemption of shares of Exchangeable Preferred Stock.

(vi) The holders of shares of Exchangeable Preferred Stock shall have no voting rights whatsoever, except for any voting rights to

which they may be entitled under the laws of the State of Delaware, and except as follows:

(I) If and whenever at any time or times dividends payable on the Exchangeable Preferred Stock or on any other preferred stock shall have been in arrears and unpaid in an aggregate amount equal to or exceeding the amount of dividends payable thereon for six quarterly periods, then the holders of the preferred stock shall have, in addition to the other voting rights set forth herein, the exclusive right, voting separately as a class, to elect two directors of the Corporation, such directors to be in addition to the number of directors constituting the Board immediately prior to the accrual of such right, the remaining directors to be elected by the other class or classes of stock entitled to vote therefor at each meeting of stockholders held for the purpose of electing directors. Such voting right shall continue until such time as all cumulative dividends accumulated on all the preferred stock having cumulative dividends shall have been paid in full and until any noncumulative dividends payable on all the preferred stock having noncumulative dividends shall have been paid regularly for at least one year, at which time such voting right of the holders of the preferred stock shall terminate, subject to revesting in the event of each and every subsequent event of default of the character indicated above.

Whenever such voting right shall have vested, such right may be exercised initially either at a special meeting of the holders of the preferred stock, called as hereinafter provided, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at each successive annual meeting.

At any time when such voting right shall have vested in the holders of the preferred stock, and if such right shall not already have been initially exercised, a proper officer of the Corporation shall, upon the written request of the holders of record of 10% in number of shares of the preferred stock then outstanding, addressed to the Secretary of the Corporation, call a special meeting of the holders of the preferred stock and of any other class or classes of stock having voting power with respect thereto for the purpose of electing directors. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for holding of annual meetings of stockholders of the Corporation, or, if none, at a place designated by the Secretary of the Corporation. If such meeting shall not be called by the proper officers of the Corporation within 30 days after the personal service of such written request upon the Secretary of the Corporation, or within 30 days after mailing the same within the United States of America, by registered mail, addressed to the Secretary of the Corporation at its principal office (such mailing to be evidenced by the registry receipt issued by the postal authorities), then the holders of record of 10% in number of shares of the preferred stock then outstanding may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by such person so designated upon the notice required for annual meetings of stockholders and shall be held at the same place as is elsewhere provided for in this subparagraph (I). Any holder of the preferred stock shall have access to the stock books of the Corporation for the purpose of causing a meeting of stockholders to be called pursuant to the provisions of this paragraph. Notwithstanding the provi-

sions of this paragraph, however, no such special meeting shall be called during a period within 90 days immediately preceding the date fixed for the next annual meeting of stockholders.

At any meeting held for the purpose of electing directors at which the holders of the preferred stock shall have the right to elect directors as provided herein, the presence in person or by proxy of the holders of 33-1/3% of the then outstanding shares of the preferred stock shall be required and be sufficient to constitute a quorum of the preferred stock for the election of directors by the preferred stock. At any such meeting or adjournment thereof (A) the absence of a quorum of the holders of the preferred stock shall not prevent the election of directors other than those to be elected by the holders of the preferred stock and the absence of a quorum or quorums of the holders of other classes of capital stock entitled to elect such other directors shall not prevent the election of directors to be elected by the holders of the preferred stock and (B) in the absence of a quorum of the holders of any class of stock entitled to vote for the election of directors, a majority of the holders present in person or by proxy of such class shall have the power to adjourn the meeting for the election of directors which the holders of such class are entitled to elect, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

The directors elected pursuant to this subparagraph (I) shall serve until the next annual meeting or until their respective successors shall be elected and shall qualify; provided, however, that when the right of the holders of the preferred stock to elect directors as herein provided shall terminate, the terms of office of all persons so elected

by the holders of the preferred stock shall terminate, and the number of directors of the Corporation shall thereupon be such number as may be provided in the By-laws of the Corporation irrespective of any increase made pursuant to this subparagraph (I).

So long as any shares of Exchangeable Preferred Stock are outstanding, the By-laws of the Corporation shall contain provisions ensuring that the number of Directors of the Corporation shall at all times be such that the exercise, by the holders of shares of Exchangeable Preferred Stock and the holders of other preferred stock, of the right to elect Directors under the circumstances provided in this subparagraph (I) will not contravene any provisions of the Corporation's Certificate of Incorporation or By-laws.

(II) So long as any shares of the Exchangeable Stock remain outstanding, the Corporation will not, either directly or indirectly or through merger or consolidation with any other corporation, without the affirmative vote at a meeting or the written consent with or without a meeting of the holders of at least 66 2/3% in number of shares of the Exchangeable Preferred Stock then outstanding, (A) create any class or classes of stock ranking prior to the Exchangeable Preferred Stock either as to dividends or upon liquidation or increase the authorized number of shares of any class or classes of stock ranking prior to the Exchangeable Preferred Stock either as to dividends or upon liquidation, (B) amend, alter or repeal any of the provisions of the Certificate of Incorporation (including this resolution) so as to affect adversely the preferences, special rights or powers of the Exchangeable Preferred Stock or (C) authorize any reclassification of the Exchangeable Preferred Stock.

(vii) The Exchangeable Preferred Stock is exchangeable in whole at the option of the Corporation on any dividend payment date beginning March 31, 1992, for the Corporation's 7 3/4% Convertible Subordinated Debentures due 2014 (the "Debentures") as described in the Corporation's Registration Statement on Form S-3 (Registration No. 33-27507), as filed with the Securities and Exchange Commission. Holders of outstanding shares of Exchangeable Preferred Stock will be entitled to receive $50 principal amount of Debentures in exchange for each share of Exchangeable Preferred Stock held by them at the time of exchange; provided that the Debentures will be issuable in denominations of $1,000 and integral multiples thereof and an amount in cash shall be paid to such holders for any excess principal amount otherwise issuable. The Corporation will mail to each record holder of the Exchangeable Preferred Stock written notice of its intention to exchange not less than 30 nor more than 60 days prior to the date of exchange. The notice shall specify the effective date of the exchange, the place where certificates for shares of Exchangeable Preferred Stock are to be surrendered for Debentures and state that dividends on Exchangeable Preferred Stock will cease to accrue on such date of exchange. Prior to giving notice of intention to exchange, the Corporation shall execute and deliver with a bank or trust company selected by the Corporation an Indenture substantially in the form filed as an Exhibit to such Registration Statement with such changes as may be required by law, stock exchange rule or usage. The Corporation will cause the Debentures to be authenticated on the dividend payment date on which the exchange is effective; at such time the rights of the holders of Exchangeable Preferred Stock as stockholders of the Corporation shall cease (except the right to receive accumulated and unpaid dividends to the date of exchange), and the shares of Exchangeable Preferred Stock shall no longer be deemed outstanding and shall represent only the right to receive the Debentures and such accumulated and unpaid dividends. Notwithstanding the foregoing, if

notice of exchange has been given pursuant to this paragraph (vii) and any holder of shares of Exchangeable Preferred Stock shall, prior to the close of business on the Exchange Date, give written notice to the Corporation pursuant to paragraph (iv) of the conversion of any or all of the shares held by such holder (accompanied by a certificate or certificates for such shares, duly endorsed or assigned to the Corporation), then such exchange shall not become effective as to such shares to be converted and such conversion shall become effective as provided in paragraph (iv). The Debentures will be delivered to the persons entitled thereto upon surrender to the Corporation or its agent appointed for that purpose of the certificates for the shares of Exchangeable Preferred Stock being exchanged therefor. If the Corporation has not paid full cumulative dividends on the Exchangeable Preferred Stock to the date of exchange (or set aside a sum therefor) the Exchangeable Preferred Stock may not be exchanged for the Debentures.

(viii) The shares of the Exchangeable Preferred Stock may be redeemed at the option of the Corporation, as a whole, or from time to time, in part, at any time after March 31, 1992, upon not less than 30 nor more than 60 days' prior notice mailed to the holders of the shares to be redeemed at their addresses as shown on the stock books of the Corporation, at the following redemption prices:

If redeemed during the 12-month period beginning March 31,

Year	Price	Year	Price
1992	$52.7125	1997	$50.7750
1993	$52.3250	1998	$50.3875
1994	$51.9375	1999	
1995	$51.5500	and there-	$ 50
1996	$51.1625	after	

in each case together with an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid to the date fixed for redemption.

If full cumulative dividends on the Exchangeable Preferred Stock have not been paid, the Exchangeable Preferred Stock may not be redeemed in part and the Corporation may not purchase or acquire any shares of the Exchangeable Preferred Stock otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of the Exchangeable Preferred Stock. If less than all the outstanding shares of Exchangeable Preferred Stock are to be redeemed, the Corporation will select those to be redeemed by lot or a substantially equivalent method.

If a notice of redemption has been given pursuant to this paragraph (viii) and if, on or before the date fixed for redemption, the funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificates for such shares have not been surrendered for cancellation, on the redemption date dividends shall cease to accrue on the shares of Exchangeable Preferred Stock to be redeemed, and at the close of business on the redemption date the holders of such shares shall cease to be stockholders with respect to such shares and shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect to such shares, except the right to receive the moneys payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of two years from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders

of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the amounts payable upon such redemption. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time. Any funds which have been deposited by the Corporation, or on its behalf, with a paying agent or segregated and held in trust by the Corporation for the redemption of shares converted into Common Stock on or prior to the date fixed for such redemption shall (subject to any right of the holder of such shares to receive the dividend payable thereon as provided in paragraph (iv)) immediately upon such conversion be returned to the Corporation or, if then held in trust by the Corporation, shall be discharged from such trust.

(ix) Each share of Common Stock issued upon conversion of Exchangeable Preferred Stock on or prior to the close of business on the earliest of (a) the Distribution Date (as defined in the Amended and Restated Rights Agreement, dated as of July 12, 1988, between the Corporation and Morgan Guaranty Trust Company of New York, as Rights Agent, (the "Rights Agreement"), (b) any date fixed for redemption of the Rights (as defined in the Rights Agreement) in accordance with the provisions of the Rights Agreement or (c) the Final Expiration Date (as defined in the Rights Agreement) shall in accordance with the Rights Agreement also evidence one Right, and the certificates for such Common Stock shall bear the legend set forth in Section 3(c) of the Rights Agreement. In addition, holders of the Exchangeable Preferred Stock converted into Common Stock after the Distribution Date, but prior to the earlier of (x) any date fixed for redemption of the Rights in accordance with the provisions of the Rights Agreement and (y) the Final Expiration Date, shall be entitled to the issuance, in the manner provided in the Rights Agreement, of Rights Certificates (as defined in the Rights Agreement) representing the appropriate number of Rights in connection with the issuance of Common Stock upon conversion of Exchangeable

Preferred Stock; except if, and to the extent that, the Corporation shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Corporation or the person to whom such Rights Certificate would be issued or appropriate adjustment shall otherwise have been made in lieu of the issuance thereof. Notwithstanding the foregoing, holders of Exchangeable Preferred Stock converted into Common Stock shall not be entitled to Rights or the issuance of Rights Certificates if at the time of conversion all Rights under the Rights Agreement have been terminated or cancelled. Holders of Exchangeable Preferred Stock who have not converted Exchangeable Preferred Stock on or prior to any such date fixed for redemption of Rights will not be entitled to the redemption price in respect thereof.

(x) No consent of the holders of the Exchangeable Preferred Stock shall be required for (a) the creation of any indebtedness of any kind of the Corporation, (b) the creation, or increase or decrease in the amount, of any class or series of stock of the Corporation not ranking prior as to dividends or upon liquidation to the Exchangeable Preferred Stock or (c) any increase or decrease in the amount of authorized Common Stock or any increase, decrease or change in the par value thereof or in any other terms thereof.

(xi) Subject to the provisions of paragraph (vi) hereof, the Board reserves the right by subsequent amendment of this resolution from time to time to increase or decrease the number of shares which constitute the Exchangeable Preferred Stock (but not below the number of shares thereof then outstanding) and in other respects to amend this resolution within the limitations provided by law, this resolution and the Certificate of Incorporation.

(xii) For the purposes of this resolution any stock of any class or classes of the Corporation shall be deemed to rank:

(a) prior to shares of the Exchangeable Preferred Stock, either as to dividends or upon liquidation, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of the Exchangeable Preferred Stock;

(b) on a parity with shares of the Exchangeable Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share thereof be different from those of the Exchangeable Preferred Stock, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority of one over the other as between the holders of such stock and the holders of shares of Exchangeable Preferred Stock (the term "Parity Preferred Stock" being used to refer to any stock on a parity with the shares of Exchangeable Preferred Stock, either as to dividends or upon liquidation as the context may require); and

(c) junior to shares of the Exchangeable Preferred Stock, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of the Exchangeable Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of stock of such class or classes.

The Exchangeable Preferred Stock shall rank prior to the Series A Junior Participating Preferred Stock, par value $1 per share, and all other shares of capital stock of the Corporation outstanding at the time of issuance of the Exchangeable Preferred Stock.

IN WITNESS WHEREOF, The Williams Companies Inc. has caused this Certificate to be made under the seal of the Corporation and signed by J. Furman Lewis, its Senior Vice President, and attested by David M. Higbee, its Secretary, this 28th day of April 1989.

THE WILLIAMS COMPANIES, INC.

/s/ J. FURMAN LEWIS

[SEAL]:

Attest.

/s/ DAVID M. HIGBEE
- ---
Secretary

STATE OF DELAWARE

[LOGO]

OFFICE OF SECRETARY OF STATE

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF STOCK DESIGNATION OF THE WILLIAMS COMPANIES, INC. FILED IN THIS OFFICE ON THE SEVENTH DAY OF FEBRUARY, A.D. 1989, AT 10 O'CLOCK A.M.

[OFFICE OF THE SECRETARY OF STATE SEAL]

/s/ MICHAEL HARKINS

Michael Harkins, Secretary of State

729038057

AUTHENTICATION: 2057835

DATE: 02/07/1989

729038057
CERTIFICATE OF INCREASE

OF

AUTHORIZED NUMBER OF SHARES [STAMP]

OF

Series A Junior Participating
Preferred Stock

The Williams Companies, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

That the Restated Certificate of Incorporation of said Corporation was filed in the office of the Secretary of State of Delaware on April 27, 1987, and was filed for recording in the office of the Recorder of Deeds for New Castle County, Delaware on April 27, 1987, and the Certificate of the Designations, Preferences and Rights of the Series A Junior Participating Preferred Stock was included in said Restated Certificate of Incorporation.

That the Board of Directors of said Corporation at a meeting held on January 22, 1989, duly adopted a resolution authorizing and directing an increase in the authorized number of shares of Series A Junior Participating Preferred Stock of the Corporation, from 200,000 shares to 400,000 shares, in accordance with the provisions of Section 151 of The General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by Vernon T. Jones, its President and attested by David M. Higbee, its Secretary, this 26th day of January, 1989.

THE WILLIAMS COMPANIES, INC.

By /s/ VERNON T. JONES

President

ATTEST:

By /s/ DAVID M. HIGBEE

Secretary

PLEASE RETURN TO
THE CORPORATION TRUST COMPANY

INDEXED
RECEIVED FOR RECORD

'89 FEB -9 P1:27

[ILLEGIBLE]
RECORDER

BOOK 530 PAGE 73

STATE OF DELAWARE

[LOGO]

OFFICE OF SECRETARY OF STATE

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF RESTATED CERTIFICATE OF INCORPORATION OF THE WILLIAMS COMPANIES, INC. FILED IN THIS OFFICE ON THE TWENTY-SEVENTH DAY OF APRIL, A.D. 1987, AT 10 O'CLOCK A.M.

[OFFICE OF THE SECRETARY OF STATE SEAL]

/s/ MICHAEL HARKINS

Michael Harkins, Secretary of State

877117092

AUTHENTICATION: 1214714

DATE: 04/27/1987

BOOK 530 PAGE 74 [STAMP]

RESTATED
CERTIFICATE OF INCORPORATION
OF
THE WILLIAMS COMPANIES, INC.

THE WILLIAMS COMPANIES, INC., a corporation organized and existing under the laws of the State of Delaware (the "Company") does hereby certify as follows:

1. The name of the Company is THE WILLIAMS COMPANIES, INC. The date of filing of the Company's original Certificate of Incorporation with the Secretary of State of the state of Delaware was February 3, 1987.

2. The Board of Directors of the Company adopted a resolution proposing and declaring advisable the following amendments to and restatement of the Certificate of Incorporation of the Company.

3. This Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the state of Delaware.

FIRST: The name of the Company is THE WILLIAMS COMPANIES, INC.

SECOND: The address of the registered office of the Company in the state of Delaware is 1209 Orange Street, in the city of Wilmington, county of New Castle. The name of the Company's registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Company is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware as set forth in Title 8 of the Delaware Code.

FOURTH: The total number of shares of capital stock which the Company shall have authority to issue is 150,000,000 shares, consisting of 120,000,000 shares of Common Stock, par value $1.00 per share (the "Common Stock") and 30,000,000 shares of Preferred Stock, par value $1.00 per share (the "Preferred Stock").

I.

1. Any unissued or treasury shares of the Preferred Stock may be issued from time to time in one or more series, as authorized by the Board of Directors, subject to the limitations of this Article FOURTH. The designations, preferences and relative, participating, optional and other special rights, and the

qualifications, limitations and restrictions thereof, of the Preferred Stock of each series shall be such as are stated and expressed in this Article FOURTH and, to the extent not stated and expressed herein, shall be such as may be fixed by the Board of Directors (authority so to do being hereby expressly granted) and stated and expressed in a resolution or resolutions adopted by the Board of Directors providing for the issue of Preferred Stock of such series. Such resolution or resolutions shall specify:

(a) the distinctive designation of such series and the number of shares which shall constitute such series, which may be increased (except where otherwise provided by the Board of Directors in creating such series) or decreased (but not below the number of shares thereof then outstanding) from time to time by like action of the Board of Directors;

(b) the rate of dividends, if any, payable on shares of such series, the date, if any, from which such dividends shall accrue, the conditions upon which and the dates when such dividends shall be payable, and whether such dividends shall be cumulative or noncumulative;

(c) the amount or amounts which the holders of the Preferred Stock of such series shall be entitled to be paid in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Company (which amounts need not be the same for each such event); and

(d) whether or not the Preferred Stock of such series shall be redeemable and at what times and under what conditions and the amount or amounts payable thereon in the event of redemption; and may, in a manner not inconsistent with the provisions of this Article FOURTH,

(i) limit the number of shares of such series which may be issued;

(ii) provide for a sinking fund for the purchase or redemption or a purchase fund for the purchase of shares of such series and the terms and provisions governing the operation of any such fund and the status as to reissue of shares of Preferred Stock purchased or otherwise reacquired or redeemed or retired through the operation thereof, and that so long as the Company is in default as to such sinking or purchase fund the Company shall not (with such exceptions, if any, as may be provided) pay any dividends upon or purchase or redeem shares of capital stock ranking junior to the Preferred Stock as to dividends or distribution of assets upon liquidation (referred to in this Article FOURTH as "junior stock");

(iii) grant voting rights to the holders of shares of such series, in addition to and not inconsistent with those granted by this Article FOURTH to the holders of Preferred Stock;

(iv) impose conditions or restrictions upon the creation of indebtedness of the Company or upon the issue of additional Preferred Stock or other capital stock ranking equally therewith or prior thereto as to dividends or distribution of assets on liquidation;

(v) impose conditions or restrictions upon the payment of dividends upon, or the making of other distributions to, or the acquisition of, junior stock;

(vi) grant to the holders of the Preferred Stock of such series the right to convert such stock into shares of another series or class of capital stock; and

(vii) grant such other special rights to the holders of shares of such series as the Board of Directors may determine and as shall not be inconsistent with the provisions of this Article FOURTH.

The term "fixed for such series" and similar terms shall mean stated and expressed in this Article FOURTH or in the resolution or resolutions adopted by the Board of Directors providing for the issue of Preferred Stock of the series referred to therein.

2. Subject to any limitations specified in the resolution or resolutions providing for the issuance thereof, the holders of the Preferred Stock of the respective series shall be entitled to receive, when and as declared by the Board of Directors, out of any funds legally available therefor, preferential dividends in cash, at the rate per annum, if any, fixed for such series, payable at quarter-yearly, half-yearly, or yearly intervals, and on such dates, as may be specified in the resolution or resolutions adopted by the Board of Directors providing for the issue of Preferred Stock of such respective series, to stockholders of record on a date, preceding each such dividend payment date, fixed for the purpose by the Board of Directors in advance of payment of each particular dividend. Each share of Preferred Stock shall rank on a parity with each other share of Preferred Stock, irrespective of series, with respect to preferential dividends accrued on the shares of such series, and no dividend shall be declared or paid or set apart for payment for the Preferred Stock of any series unless at the same time a dividend in like proportion to the dividends accrued upon the Preferred Stock of each other series shall be declared or paid or set apart for payment, as the case may be, on Preferred Stock of each other series then outstanding; but nothing in this subdivision 2. shall prevent the authorization or issuance of one or more series of Preferred Stock bearing dividends subject to contingencies as to the existence or amount of earnings of the Company during one or more fiscal periods, or as to other events, to which dividends on other series of Preferred Stock are not subject.

3. So long as any shares of Preferred Stock shall remain outstanding, in no event shall any dividends whatsoever, whether in cash, stock, or otherwise, be paid or declared, or any distribution be made on any class of junior stock, nor shall any shares of junior stock be purchased, retired or otherwise acquired for a valuable consideration by the Company, unless all dividends accrued on outstanding shares of Preferred Stock for all past dividend periods shall have been paid, or declared and a sum sufficient for the payment thereof set apart, and the full

dividend thereon for the then current dividend period shall have been paid, or declared and a sum sufficient for the payment thereof set apart. For purposes of this Article FOURTH, dividends shall not be deemed to have "accrued" for any dividend period on the shares of Preferred Stock of any series unless (a) such shares were outstanding during such period, and either (b) the resolution or resolutions of the Board of Directors providing for such series shall expressly state that dividends on shares thereof accrue whether or not earned or declared, and are cumulative, or (c) any and all contingencies to which the accrual of dividends on shares of such series shall by the terms of the resolution or resolutions of the Board of Directors providing for such series be subject shall have been satisfied; and the term "accrued and unpaid dividends" with respect to Preferred Stock of any series shall mean accrued dividends on all outstanding shares of Preferred Stock of such series, from the date or dates from which dividends accrued thereon to the date as of which accrued and unpaid dividends are being determined, less the aggregate amount of all dividends theretofore declared and paid or set apart for payment upon such outstanding Preferred Stock.

4. The Company at the option of the Board of Directors may redeem all or any part of the Preferred Stock of any series which by its terms is redeemable, at the time or times and on the terms and conditions fixed for such series, upon notice duly given in the manner provided in the resolution or resolutions of the Board of Directors providing for such series, by paying therefore in cash the sum fixed for such series, together, in each case, with an amount equal to accrued and unpaid dividends thereon. The resolution or resolutions of the Board of Directors providing for a series subject to redemption may provide that when notice of redemption of all or part of the shares of such series shall have been given, and the redemption price of such shares, together with accrued dividends to the date fixed as the redemption date (which shall be a date after the date of such notice), has been set aside by the Company, or deposited with a suitable depositary, for the pro rata benefit of the holders of the shares called for redemption, then the shares so called shall no longer be deemed outstanding, and all rights with respect to such shares, including the accrual of further dividends, other than the right to receive the redemption price of such shares, without interest, shall cease. Such resolution or resolutions may further provide, in any case where funds are deposited with a depositary other than the Company, that any funds held by such depositary in respect of shares not presented for redemption within such period as may be fixed in such resolution or resolutions, but not less than six months, after the date on which such funds were first available to holders of such shares against presentation thereof for redemption, shall be repaid to the Company, and that thereafter the holders of such shares shall look solely to the Company for the funds payable upon redemption thereof.

5. Except as herein or by law expressly provided or except as may be provided for any series of Preferred Stock by

the resolution or resolutions of the Board of Directors providing for the issuance thereof as herein permitted, the Preferred Stock shall have no right or power to vote on any question or in any proceeding or to be represented at or to receive notice of any meeting of stockholders. On any matters on which the holders of the Preferred Stock or any series thereof shall be entitled to vote separately as a class or series, they shall be entitled to one vote for each share held.

(a) So long as any shares of Preferred Stock are outstanding, the Company shall not, without the consent of the holders of at least a majority of the number of shares of the Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by vote at any annual meeting, or any special meeting called for the purpose, purchase, redeem, or otherwise acquire for value any shares of the Preferred Stock or of any other stock ranking on a parity with the Preferred Stock in respect of dividends or distribution of assets on liquidation during the continuance of any default in the payment of dividends on the Preferred Stock.

(b) Any action specified in this subdivision 5. as requiring the consent of the holders of at least a specified proportion of the number of shares of Preferred Stock or of any particular series thereof at the time outstanding or represented at a meeting may be taken with such consent and with such additional vote or consent, if any, of stockholders as may be from time to time required by this Restated Certificate of Incorporation, as amended from time to time, or by law.

6. In the event of any liquidation, dissolution or winding up of the affairs of the Company, voluntary or involuntary, then, before any distribution or payment shall be made to the holders of any class of stock of the Company ranking junior to the Preferred Stock as to dividends or distribution of assets on liquidation, the holders of the Preferred Stock of the respective series shall be entitled to be paid in full the respective amount fixed, with respect to liquidations, dissolution or winding up, voluntary or involuntary, as the case may be, in the resolution or resolutions of the Board of Directors providing for the issue of shares of such series, plus a sum equal to all accrued and unpaid dividends thereon to the date of payment thereof. After such payment shall have been made in full to the holders of the Preferred Stock, the remaining assets and funds of the Company shall be distributed among the holders of the stocks of the Company ranking junior to the Preferred Stock according to their respective rights. In the event that the assets of the Company available for distribution to holders of Preferred Stock shall not be sufficient to make the payment herein required to be made in full, such assets shall be distributed to the holders of the respective shares of Preferred Stock pro rata in proportion to the amounts payable hereunder upon each share thereof.

7. Except as otherwise provided in any resolution of the Board of Directors providing for the issuance of any particular series of Preferred Stock, Preferred Stock redeemed or

otherwise retired by the Company shall assume the status of authorized but unissued Preferred Stock and may thereafter, subject to the provisions of this Article FOURTH and of any restriction contained in any such resolution, be reissued in the same manner as other authorized but unissued Preferred Stock.

II.

At every meeting of the stockholders of the Company, each holder of Common Stock shall be entitled to one vote, in person or by proxy, for each share of such Common Stock standing in such holder's name on the record books of the Company on a record date to be fixed by the Board of Directors. The holders of the Common Stock shall have the exclusive right to vote, except as provided by the resolution or resolutions providing for the issue of any series of Preferred Stock, or except as expressly provided by Part I of this Article FOURTH.

Subject to the limitations prescribed in this Article FOURTH, and any further limitations prescribed in accordance therewith, the holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of the assets of the Company which are by law available therefor, dividends payable either in cash, in property, or in shares of the Common Stock of the Company.

In the event of any dissolution, liquidation or winding up of the affairs of the Company, the holders of the Common Stock shall be entitled, after payment or provision for payment of the debts and other liabilities of the Company, and the amounts to which the holders of the Preferred Stock shall be entitled to share ratably in the remaining net assets of the Company.

III.

Except as may be otherwise expressly provided with respect to a particular series of Preferred Stock in the resolution or resolutions of the Board of Directors providing for such series, no holder of any shares of stock of the Company of any class or series shall be entitled as of right to subscribe to and/or purchase or acquire from the Company any stock of such class or series or any other class or series and/or any bonds, notes, debentures or other securities or obligations convertible into, or carrying warrants or rights to subscribe to, stock of the Company of any class or series; but all shares of stock, and all bonds, notes, debentures or other securities or obligations, whether or not convertible into stock or carrying warrants or rights to subscribe to stock, may be issued, sold and disposed of from time to time by the Board of Directors to such persons, firms or corporations and for such consideration (so far as may be permitted by law) as the Board of Directors shall from time to time in its absolute discretion, determine, without offering any stock, bonds, notes, debentures or other securities or obligations to the holders of Common Stock or any series of Preferred Stock.

Of the 30,000,000 authorized shares of Preferred Stock of the Company, 200,000 shares shall be issued in a series designated as Series A Junior Participating Preferred Stock, $1.00 par value per share as set forth hereinafter.

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be 200,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of February, May, August and November in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $20 or (b) subject to the provision for adjustment hereinafter set forth, 200 times the aggregate per share amount of all cash dividends, and 200 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, $1.00 par value, of the Company (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Company shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, (iii) combine the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock in a reclassification of the outstanding Common Stock, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (a) and clause (b) of the preceding sentence shall be adjusted by multiplying each such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Company shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $20 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 200 votes on all matters submitted to a vote of the stockholders of the Company. In the event the Company shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, (iii) combine the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock in a reclassification of the outstanding Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number

by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Company.

(C) (i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, the holders of Preferred Stock, voting as a class, irrespective of series, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors or, if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities

ranking senior to or pari passu with the Series A Junior Participating Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the Chairman of the Board, the President, a Vice President or the Secretary of the Company. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Company. Such meeting shall be called for a time not earlier than 10 days and not later than 60 days after such order or request; or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than 10% of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period the holders of Common Stock, and other classes of stock of the Company if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the Restated

Certificate of Incorporation or By-laws irrespective of any increase made pursuant to the provisions of paragraph (C)(ii) of this Section 2 (such number being subject, however, to change thereafter in any manner provided by law or in the Restated Certificate of Incorporation or By-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Company shall not

(i) declare or pay dividends on, make other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Company may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Company ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of

Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any voluntary liquidation, dissolution or winding up of the Company, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received $200 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 200 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Series A Junior Participating Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the

Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Company shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, (iii) combine the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock in a reclassification of the outstanding Common Stock, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Company shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case, the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 200 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Company shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, (iii) combine the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock in a reclassification of the outstanding Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Junior Participating Preferred Stock shall not be redeemable.

Section 9. Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Company's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. The Restated Certificate of Incorporation of the Company shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in liquidating distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Company, and for further definition, limitation and regulation of the powers of the Company and of the Board of Directors and stockholders:

A. The business and affairs of the Company shall be managed by or under the direction of the Board of Directors.

B. The Board of Directors shall consist of not fewer than five nor more than seventeen Directors. The exact number of Directors shall be determined from time to time by resolution adopted by the affirmative vote of a majority of the Board of Directors. The Directors shall serve for three-year terms and shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of Directors constituting the entire Board of Directors.

C. If the number of Directors is changed in accordance with the terms of this Restated Certificate of Incorporation, any increase or decrease shall be apportioned among the classes so as to maintain the number of Directors in each class as nearly equal as possible, and any additional Director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of Directors shorten the term of any incumbent Director. A Director shall hold office until the annual meeting for the year in which such Director's term expires and until such Director's successor shall be elected and shall qualify, subject, however, to the Director's prior death, resignation, disqualification or removal from office. The stockholders shall not have the right to remove any one or all of the Directors except for cause and by the

affirmative vote of the holders of 75 percent of the voting power of all shares of outstanding stock of the Company generally entitled to vote in the election of Directors, considered for purposes of this Article FIFTH as one class. Any vacancy on the Board of Directors that results from a newly created Directorship may be filled by the affirmative vote of a majority of the Board of Directors then in office, and any other vacancy occurring on the Board of Directors may be filled by a majority of the Directors then in office, although less than a quorum, or by a sole remaining Director. Any Director elected to fill a vacancy not resulting from an increase in the number of Directors shall have the same remaining term as that of the predecessor.

D. Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Company shall have the right, voting separately by class or series, to elect Directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Restated Certificate of Incorporation applicable thereto (including the resolutions adopted by the Board of Directors pursuant to Article FOURTH), and such Directors so elected shall not be divided into classes pursuant to Paragraph B of this Article FIFTH unless expressly provided by such terms. Election of Directors need not be by written ballot unless the By-laws so provide.

E. The Board of Directors may from time to time determine whether, to what extent, at what times and places and under what conditions and regulations the accounts, books and paper of the Company or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account, book or document of the Company, except as and to the extent expressly provided by law with reference to the right of stockholders to examine the original or duplicate stock ledger, or otherwise expressly provided by law, or except as expressly authorized by resolution of the Board of Directors.

F. To the fullest extent permitted by Delaware General Corporation Law as the same exists or may hereafter be amended, a Director of the Company shall not be liable to the Company or its stockholders for monetary damages for breach of such Director's fiduciary duty as Director.

G. In addition to the powers and authority herein before or by statute expressly conferred upon them, the Directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Company, subject,

nevertheless, to the provisions of the statutes of Delaware, this Restated Certificate of Incorporation, and any By-laws adopted by the stockholders; provided, however, that no By-laws hereafter adopted by the stockholders shall invalidate any prior act of the Directors which would have been valid if such By-laws had not been adopted.

H. Any action, except election of Directors, which may be taken by the vote of stockholders at a meeting, may be taken without a meeting if authorized by the written consent of stockholders holding at least a majority of the voting power, provided, that if any greater proportion of voting power is required for such action at a meeting, then such greater proportion of written consents shall be required.

I. Subject to the terms of any series of Preferred Stock or any other securities of the Company, special meetings of stockholders of the Company may be called only by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors or as otherwise provided in the By-laws of the Company.

J. No amendment to the Restated Certificate of Incorporation of the Company shall amend, alter, change, or repeal any provision of this Article FIFTH unless the amendment affecting such amendment, alteration, change, or repeal shall receive the affirmative vote of the holders of 75 percent of the voting power of all shares of outstanding stock of the Company generally entitled to vote in the election of Directors, considered for purposes of this Article FIFTH as one class.

SIXTH. A. Except to the extent prohibited by law, the Board of Directors shall have the right (which, to the extent exercised, shall be exclusive) to establish the rights, powers, duties, rules and procedures that from time to time shall govern the Board of Directors and each of its members, including without limitation the vote required for any action by the Board of Directors, and that from time to time shall affect the Directors' power to manage the business and affairs of the Company; and no By-law shall be adopted by stockholders which shall impair or impede the implementation of the foregoing.

B. The Board of Directors shall have the power to make, alter, amend, change, add to or repeal the By-laws of the Company. The Board of Directors may amend the By-laws of the Company upon the affirmative vote of the number of Directors which shall constitute, under the terms of the By-laws, the action of the Board of Directors.

SEVENTH: Except as set forth below, the affirmative vote of the holders of 75 percent of the voting power of all

shares of outstanding stock of the Company, generally entitled to vote in elections of Directors, considered for the purposes of this Article SEVENTH as one class, shall be required (a) for the adoption of any agreement for the merger or consolidation of the Company with or into any other corporation, or (b) to authorize any sale or lease of all or any substantial part of the assets of the Company to, or any sale or lease to the Company or any subsidiary thereof in exchange for securities of the Company of any assets (except assets having an aggregate fair market value of less than $6,000,000) of, any other corporation, person or other entity, if, in either case, as of the record date for the determination of stockholders entitled to notice thereof and to vote thereon such other corporation, person or entity is the beneficial owner, directly or indirectly, of more than five percent of the voting power of all shares of outstanding stock of the Company entitled to vote in elections of Directors considered for the purposes of this Article SEVENTH as one class. Such affirmative vote shall be in addition to the vote of the holders of the stock of the Company otherwise required by law or any agreement between the Company and any national securities exchange.

For the purpose, but only for the purpose, of determining whether a person, corporation, or other entity is "the beneficial owner, directly or indirectly, of more than five percent of the voting power of all shares of outstanding stock of the Company generally entitled to vote in elections of Directors", (x) any corporation, person or other entity shall be deemed to be the beneficial owner of any shares of stock of the Company (i) which it has the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, and whether for or without the payment of any consideration therefor, or (ii) which are beneficially owned, directly or indirectly (including shares deemed owned through application of clause (i), above), by any other corporation, person or entity with which it or its "affiliate" or "associate" (as defined below) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting, or disposing of stock of the Company, or which is its "affiliate" or associate" (as defined below), and (y) the outstanding shares of any class of stock of the Company shall include shares deemed owned through application of clause (i), as if all such acquisitions had been effected, and clause (ii) above.

The Board of Directors shall have the power and duty to determine for the purposes of this Article SEVENTH on the basis of information known to the Company, whether (i) such other corporation, person or other entity beneficially owns more than five percent of the voting power of all shares of outstanding stock of the Company entitled to vote in elections of Directors, (ii) a corporation, person or entity is an "affiliate" or "associate" (as defined below) of another, (iii) the assets being acquired by the corporation, or any subsidiary thereof, have an aggregate fair market value of less than $6,000,000 and (iv) the

memorandum of understanding referred to below is substantially consistent with the transaction covered thereby. Any such determination shall be conclusive and binding for all purposes of this Article SEVENTH.

The provisions of this Article SEVENTH shall not be applicable to (i) any merger or consolidation of the Company with or into any other corporation, or any sale or lease of all or any substantial part of the assets of the Company to, or any sale or lease to the Company or any subsidiary thereof in exchange for securities of the Company of any assets of, any corporation if the Board of Directors of the Company shall by resolution have approved a memorandum of understanding with such other corporation with respect to and substantially consistent with such transaction, prior to the time that such other corporation shall have become a holder of more than five percent of the voting power of all shares of outstanding stock of the Company entitled to vote in elections of Directors; or (ii) any merger or consolidation of the Company with, or any sale or lease to the Company or any subsidiary thereof of any of the assets of, any corporation of which a majority of the outstanding shares of all classes of stock entitled to vote in elections of Directors is owned of record or beneficially by the Company and/or its subsidiaries.

For purposes of this Article SEVENTH the following terms shall have the following meanings:

AFFILIATE. An "affiliate" of, or a person "affiliated" with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

ASSOCIATE. The term "associate" used to indicate a relationship with any person, means (1) any corporation or organization of which such person is an officer or partner or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities, (2) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, and (3) any relative or spouse of such person, or any relative of such spouse, who has the same home as such person or who is a director or officer of any corporation or organization, or any parent or subsidiary of any corporation or organization, of which such person is an affiliate or associate.

No amendment to the Restated Certificate of Incorporation of the Company shall amend, alter, change or repeal any of the provisions of this Article SEVENTH, unless the amendment affecting such amendment, alteration, change or repeal shall receive the affirmative vote of the holders of 75 percent of the voting power of all shares of outstanding stock of the Company generally entitled to vote in elections of Directors, considered for the purpose of this Article SEVENTH as one class.

EIGHTH: When considering a merger, consolidation, business combination or similar transaction, the Board of

Directors, committees of the Board, individual Directors and individual officers may, in considering the best interests of the Company and its stockholders, consider the effects of any such transaction upon the employees, customers and suppliers of the Company, and upon communities and states and other political entities in which offices, plants or other facilities of the Company or any of its subsidiaries are located.

NINTH: Subject to the provisions of this Restated Certificate of Incorporation, the Company reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation, in the manner now or thereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by V. T. Jones its President, and attested by D. M. Higbee, its Secretary this 21st day of April, 1987.

THE WILLIAMS COMPANIES, INC.

By /s/ V. T. Jones

President

ATTEST:

[STAMP]

By /s/ D. M. Higbee

Secretary

PLEASE RETURN TO
THE CORPORATION TRUST COMPANY

RECEIVED FOR RECORD

APR 29 1987

William M. Honey, Recorder

INDEXED

STATE OF DELAWARE

[LOGO]

OFFICE OF SECRETARY OF STATE

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF THE WILLIAMS COMPANIES, INC. FILED IN THIS OFFICE ON THE THIRD DAY OF FEBRUARY A.D. 1987, AT 10 O'CLOCK A.M.

: : : : : : : : : :

[OFFICE OF THE SECRETARY OF STATE SEAL]

/s/ MICHAEL HARKINS

Michael Harkins, Secretary of State

737034056

AUTHENTICATION: 11104322

DATE: 02/03/1987

BOOK 488 PAGE 0886

[FILED STAMP]

CERTIFICATE OF INCORPORATION

OF

THE WILLIAMS COMPANIES, INC.

FIRST: The name of this corporation is

THE WILLIAMS COMPANIES, INC.

SECOND: Its registered office in the State of Delaware is to be located at 1209 Orange Street, City of Wilmington, State of Delaware, County of New Castle, and the name and address of its registered agent is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801.

THIRD: The nature of the business and the objects and purposes proposed to be transacted, promoted and carried on, are to engage in any other lawful acts or activities for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of common stock which this corporation shall have authority to issue is 1,000 shares, all of which shall be with a par value of one dollar ($1.00) per share. The number of shares to be issued initially will be 1,000 shares and the consideration to be received therefor will be $1,000.

FIFTH: The name and mailing address of the incorporator is:

NAME	MAILING ADDRESS
David M. Higbee	One Williams Center Tulsa, OK 74172

SIXTH: Upon the filing of the Certificate of Incorporation, the authority of the incorporator shall terminate and the following named individuals, whose mailing addresses are set out beside their names, shall serve as directors until the first Annual Meeting of the Stockholders or until their successors are elected and qualified:

NAME	MAILING ADDRESS
K. E. Bailey	One Williams Center Tulsa, OK 74172
V. T. Jones	One Williams Center Tulsa, OK 74172
Joseph H. Williams	One Williams Center Tulsa, OK 74172

SEVENTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of this corporation and for defining and regulating the powers of this corporation and its directors and stockholders:

1. The private property of the stockholders of the corporation shall not be subject to the payment of corporate debts to any extent whatsoever.

2. The first meeting of the stockholders for the election of directors shall be held in Tulsa, Oklahoma, at the office of this corporation, on June 2, 1987, or at such other time and place as may be designated by the Board of Directors, and thereafter the directors shall be elected at the time and place named in the By-laws of this corporation.

3. Written ballots shall not be required for the election of directors of this corporation.

4. The Board of Directors shall have the power to make, alter or repeal By-laws of this corporation.

5. The By-laws of the corporation may fix or provide the manner of fixing and altering the number of directors constituting the Board of Directors, provided that such number shall not be less than three.

IN WITNESS WHEREOF, I, the undersigned, being the incorporator of this corporation hereinbefore named, do certify that the facts herein stated are true, that the execution of this instrument is my act and deed, and that I accordingly have hereunto set my hand this 29th day of January, 1987.

/s/ David M. Higbee

David M. Higbee

RECEIVED FOR RECORD

FEB 5 1987

William M. Honey, Recorder

PLEASE RETURN TO
THE CORPORATION TRUST COMPANY

RECEIVED FOR RECORD

FEB 5 1987

William M. Honey, Recorder

INDEXED

EXHIBIT 10(a)

PARTICIPATION AGREEMENT

AMONG

THE WILLIAMS COMPANIES, INC.
(A DELAWARE CORPORATION)

WILLIAMS COMMUNICATIONS GROUP, INC.
(A DELAWARE CORPORATION)

WILLIAMS COMMUNICATIONS, LLC
(A DELAWARE LIMITED LIABILITY COMPANY)

WCG NOTE TRUST
(A DELAWARE BUSINESS TRUST)

WCG NOTE CORP., INC.
(A DELAWARE CORPORATION)

WILLIAMS SHARE TRUST
(A DELAWARE BUSINESS TRUST)

UNITED STATES TRUST COMPANY
OF NEW YORK

AND

WILMINGTON TRUST COMPANY

DATED AS OF MARCH 22, 2001

TABLE OF CONTENTS

EXHIBIT AND ANNEX

This PARTICIPATION AGREEMENT, dated as of March 22, 2001 (the "Agreement"), is by and among (i) THE WILLIAMS COMPANIES, INC., a Delaware corporation, (ii) WILLIAMS COMMUNICATIONS GROUP, INC., a Delaware corporation, (iii) WILLIAMS COMMUNICATIONS, LLC, a Delaware limited liability company, (iv) WCG NOTE TRUST, a Delaware business trust, (v) WCG NOTE CORP., INC., a Delaware corporation, (vi) WILLIAMS SHARE TRUST, a Delaware business trust, (vii) United States Trust Company of New York and (viii) Wilmington Trust Company (each a "Party").

WHEREAS, each of the Parties hereto is willing to assume the duties ascribed to it hereunder and under the other Transaction Documents on the terms and conditions expressly set forth herein and therein;

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, receipt and sufficiency of which is acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND CERTAIN UNDERSTANDINGS

Section 1.1 Definitions.

Each capitalized term used herein and not otherwise defined herein shall have the definition assigned to that term in Section 1.01 of Annex A ("Annex A").

Section 1.2 Rules of Construction.

This Agreement and the definitions referred to in Section 1.1 shall be governed by, and construed in accordance with, the rules of construction set forth in Section 1.02 of Annex A.

ARTICLE II

CLOSING; AGREEMENTS TO PURCHASE AND SELL

Section 2.1 Time and Place of Closing.

The closing of the transactions described in Section 2.3 hereof shall commence at 9:00 a.m., New York City time, on the Closing Date at the offices of Milbank, Tweed, Hadley & McCloy LLP, 1 Chase Manhattan Plaza, New York, New York 10005, or at such other time and at such other location as shall be agreed by the Parties hereto.

Section 2.2 Agreements.

Each Party acknowledges and consents to the transactions described in Section 2.3 hereof, subject to the terms and conditions hereof and on the basis of the representations and warranties set forth herein, in consideration for the agreement of each other Party as set forth herein.

Section 2.3 Closing.

On or before the Closing Date, the following transactions shall be consummated (if on the Closing Date, simultaneously, unless otherwise specified herein or in the other Transaction Documents), subject to the terms and conditions hereof and on the basis of the representations and warranties set forth herein:

(a) Williams. (i) On or before the Closing Date, Williams shall (x) contribute $28,000 to the Share Trust and (y) issue the Williams Preferred Stock to the Share Trust (against payment therefor of $14,000 from the Share Trust), in each case, as further consideration for the sole beneficial interest in the Share Trust.

(ii) On or before the Closing Date, Williams shall contribute to the Share Trust the Share Trust Reserve in the form of a Williams Demand Loan.

(iii) On the Closing Date, Williams shall enter into the Liquidity Agreement.

(iv) On the Closing Date, Williams shall enter into the Share Trust Agreement, the Remarketing and Support Agreement, the WCG Note Reset Remarketing Agreement, the Williams Payment Direction Letter and each other Transaction Document to which it is a party and that has not previously been entered into by it, and shall cause the Share Trust to enter into each Transaction Document to which it is a party and that has not previously been entered into by it.

(b) WCG. (i) On the Closing Date, WCG shall issue the WCG Note to the Issuer against payment of the purchase price therefor of $1,500,000,000 by the Issuer to WCG.

(ii) On the Closing Date, WCG shall enter into the WCG Note Indenture, the WCG Payment Direction Letter, the WCG Note Reset Remarketing Agreement and each other Transaction Document to which it is a party and that has not previously been entered into by it.

(c) WCL. (i) On the Closing Date, WCL shall purchase the WCL Interest from the Issuer for the purchase price thereof of $100,000,000.

(ii) On the Closing Date, WCL shall enter into the Issuer Trust Agreement and each other Transaction Document to which it is a party and that has not previously been entered into by it.

(d) The Issuer. (i) On or before the date hereof, the Issuer shall enter into the Note Purchase Agreement. On the Closing Date, the Issuer shall enter into the Indenture and co-issue the Senior Notes under the Indenture to the Initial Purchasers pursuant to the terms of the Note Purchase Agreement against payment of the purchase price therefor of $1,400,000,000 by the Initial Purchasers to the Issuer.

(ii) On the Closing Date, the Issuer shall enter into the Issuer Trust Agreement and offer and sell the WCL Interest to WCL under the Issuer Trust Agreement against payment of the purchase price therefor of $100,000,000.

(iii) On the Closing Date, the Issuer shall use the proceeds from the sale of the Senior Notes and the WCL Interest to purchase the WCG Note from WCG for consideration equal to its aggregate principal amount of $1,500,000,000.

(iv) On the Closing Date, the Issuer shall enter into the Liquidity Agreement, the Remarketing and Support Agreement, the WCG Payment Direction Letter, the WCG Note Reset Remarketing Agreement and each other Transaction Document to which it is a party and that has not previously been entered into by it.

(f) Co-Issuer. (i) On or before the Closing Date, the Co-Issuer shall issue its stock to the Issuer.

(ii) On or before the date hereof, the Co-Issuer shall enter into the Note Purchase Agreement. On the Closing Date, the Co-Issuer shall enter into the Indenture and co-issue the Senior Notes under the Indenture to the Initial Purchasers pursuant to the terms of the Note Purchase Agreement against payment of the purchase price therefor of $1,400,000,000 by the Initial Purchasers to the Issuer.

(iii) On the Closing Date, the Co-Issuer shall enter into each other Transaction Document to which it is a party and that has not previously been entered into by it.

(g) Share Trust. (i) On or before the Closing Date, the Share Trust shall issue a certificate of beneficial interest in the Share Trust to Williams pursuant to the Share Trust Agreement evidencing Williams as the sole beneficial owner of the Share Trust.

(ii) On or before the Closing Date, the Share Trust shall receive (x) $28,000 in cash and (y) the Williams Preferred Stock from Williams (in exchange for its payment to Williams of $14,000), in each case, as further consideration for the issuance of the sole beneficial ownership interest in the Share Trust to Williams.

(iii) On the Closing Date, the Share Trust shall enter into the Share Trust Agreement, the Share Trust Security Agreement, the Williams Payment Direction Letter, the Remarketing and Support Agreement and each other Transaction Document to which it is a party and that has not previously been entered into by it.

(h) United States Trust Company of New York. On the Closing Date, United States Trust Company of New York shall enter into the Indenture, the Share Trust Security Agreement, the Remarketing and Support Agreement, the WCG Note Indenture, the WCG Note Reset Remarketing Agreement and each other Transaction Document to which it is a party, in its respective capacities as the Indenture Trustee, securities intermediary under the Indenture and/or the WCG Note Indenture Trustee, as the case may be, and that has not previously been entered into by it.

(i) Wilmington Trust Company. On the Closing Date, Wilmington Trust Company shall enter into the Issuer Trust Agreement, the Share Trust Agreement and each other Transaction Document to which it is a party, in its respective capacities as the Issuer Trustee, securities intermediary under the Issuer Trust Agreement or the Share Trustee, as the case may be, and that has not previously been entered into by it.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.1 Conditions to the Occurrence of the Closing Date.

The obligation of each Party to enter into the transactions described in Section 2.3 hereof on or prior to the Closing Date shall be (i) subject to the terms and conditions hereof, (ii) on the basis of the representations and warranties set forth herein, and (iii) subject to the satisfaction (or waiver by such Party) on or prior to the Closing Date of the following conditions precedent:

(a) Transaction Documents. Each of the Transaction Documents entered into or required to be entered into on or prior to the Closing Date shall be reasonably satisfactory to such Party and shall, upon execution and delivery thereof as contemplated in Section 3.1(b), be in full force and effect.

(b) Authorization, Execution and Delivery of Documents. Each of the Transaction Documents entered into or required to be entered into on or prior to the Closing Date shall have been duly authorized, executed and available for delivery by each of the parties thereto (other than such Party). Such Party shall have received a true and correct copy of each Transaction Document (not furnished in original form) entered into or required to be entered into on or prior to the Closing Date, including without limitation all amendments and supplements to each such Transaction Document.

(c) Collateral. All actions necessary, in the reasonable opinion of such Party (other than United States Trust Company of New York), in order to effectively establish and create a first priority lien on and perfected security interest in the Security for the Senior Notes in favor of the Indenture Trustee, subject, in each case, only to Permitted Liens, shall have been duly taken (or provisions therefor shall have been made), including without limitation, the making of all conveyances, registrations and filings.

(d) Ratings. Williams shall have received ratings letters from S&P, Moody's and Fitch, confirming that the Senior Notes have been rated at least "BB+" by S&P, "Baa3" by Moody's and "BBB-" by Fitch.

(e) Opinions. Opinions addressed to the Initial Purchasers, the Parties and the Rating Agencies (except as otherwise specified below) dated the Closing Date of the following counsel (or, if counsel is not identified, of counsel reasonably satisfactory to such Persons) shall have been delivered to the applicable addressees, each such opinion to be reasonably satisfactory to the recipients and their counsel:

(i) Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to Williams (addressed to the Initial Purchasers only, with reliance letters (except with respect to disclosure opinions) addressed to the Rating Agencies);

(ii) William G. von Glahn, internal counsel of Williams, WCG and WCL;

(iii) Crowe & Dunlevy, special counsel for WCG and WCL;

(iv) Jones, Day, Reavis & Pogue, special counsel for the Issuers, WCG and WCL;

(v) Richards, Layton & Finger, P.A., counsel to Wilmington Trust Company and special Delaware counsel;

(vi) Seward & Kissel LLP, counsel to United States Trust Company of New York;

(vii) Milbank, Tweed, Hadley & McCloy LLP, special counsel to the Initial Purchasers (addressed to the Initial Purchasers only), with separate opinions addressed to Williams as to the enforceability of the Remarketing and Support Agreement and addressed to Williams and WCG as to the enforceability of the WCG Note Reset Remarketing Agreement, in each case, against CSFB.

(f) Closing Certificates. (i) On the Closing Date, such Party shall have received a certificate of each other Party dated the Closing Date, in form and substance reasonably satisfactory to such Party, certifying (A) as to the facts and circumstances applicable to the certifying Party set forth in Section 3.1(h) hereof, (B) that the Transaction Documents to which such certifying Party is a party have been duly authorized, executed and delivered by such certifying Party and are in full force and effect and (C) that such certifying Party has satisfied all conditions precedent (other than conditions precedent that have been waived) contained in the Transaction Documents to which it is a party required to be satisfied by it on or prior to the Closing Date.

(ii) On the Closing Date, such Party shall have received a certificate of each other Party dated the Closing Date, in form and substance reasonably satisfactory to such Person,

attaching and certifying as of the Closing Date as to (A) the completeness of the certifying Party's Organizational Documents, (B) the resolutions of the certifying Party's board of directors or other governing body, if applicable, duly authorizing the certifying Party's execution, delivery and performance of each Transaction Document to which it is or is to be a party and each other document required to be executed and delivered by it in accordance with the provisions hereof or thereof and that such resolutions have not been rescinded, amended or modified and (C) the incumbency and signatures of the Persons authorized to execute and deliver, as may be required hereunder, documents on its behalf in connection with the transactions contemplated hereby and by the other Transaction Documents.

(g) Fees and Expenses. On the Closing Date, Williams and WCG shall have paid or provided for payment of the Closing Costs.

(h) Certain Facts and Circumstances. (i) The representations and warranties of each Party set forth in this Agreement and each other Transaction Document to which such Party is a party shall be true and correct on and as of the Closing Date (both immediately prior to the consummation of the transactions intended to occur on the Closing Date and also after giving effect thereto) in all material respects as if made on and as of such date (or, if stated to have been made solely as of an earlier date, were true and correct in all material respects as of such date).

(ii) No condition, event or act that with the giving of notice and/or the lapse of time and/or any determination or certification would constitute a Trigger Event, an Event of Default or a WCG Note Event of Default shall have occurred and be continuing on the Closing Date.

(iii) No change in the financial or other condition of Williams and WCG shall have occurred that would reasonably be expected to result in a Williams Material Adverse Effect or a WCG Material Adverse Effect, as the case may be, and no other act, event or circumstance shall have occurred that has had or could reasonably be expected to result in a Williams Material Adverse Effect or a WCG Material Adverse Effect, as the case may be.

(iv) There shall be no actions, suits, investigations or proceedings at law or in equity by or before any Governmental Authority pending or, to the actual knowledge of Williams or WCG, threatened, and there shall not have been issued or, to the actual knowledge of Williams or WCG, proposed to be issued any orders, judgments or decrees by any Governmental Authority to set aside, restrain, enjoin or prevent the execution, delivery or performance of any of the Transaction Documents or the consummation of the transactions contemplated thereby.

(i) No Liability. The closing of the transactions contemplated hereby and by each of the other Transaction Documents will not violate any Applicable Law in effect as of the Closing Date, except to the extent such violation could not reasonably be expected to result in a Williams Material Adverse Effect or a WCG Material Adverse Effect, as the case may be, and will not subject any Party (other than Williams or WCG) to any Tax (other than any Documentary Tax for which such Party is indemnified under the Transaction Documents and

other than income taxes incurred after the Closing Date), penalty or liability under or pursuant to any Applicable Law in effect as of the Closing Date.

(j) Financing Documents. Each of (x) the waiver to the Williams Credit Agreement in connection with the Transaction Documents or the transactions contemplated thereby, (y) an amendment of the WCL Credit Agreement in connection with the Transaction Documents or the transactions contemplated thereby and (z) any other waiver, consent, modification or amendment necessary in connection with the representations and warranties given by Williams and WCG herein shall have been executed and delivered, each in a form reasonably satisfactory to the Structuring Advisor.

(k) Additional Documents and Certificates, Etc. The Structuring Advisor, Williams and WCG shall have received such other documents, certificates and opinions as any such Person or their respective counsel may reasonably request.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations and Warranties of Williams.

Williams makes the following representations and warranties to the other Parties as of the date hereof and as of the Closing Date:

(a) Corporate Existence and Power. Williams is duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its business as now conducted in all material respects and as contemplated by the Transaction Documents, except for those licenses, authorizations, certificates, consents and approvals the failure of which could not reasonably be expected to result in a Williams Material Adverse Effect.

(b) Corporate Authorization; No Contravention. The execution, delivery and performance by Williams of each Transaction Document delivered hereunder and the consummation of the transactions contemplated by such Transaction Documents are within its corporate powers, have been duly authorized by all necessary corporate action, do not contravene (i) its Organizational Documents or (ii) any law or contractual restriction binding on or affecting it and will not result in or require the creation or imposition of any Lien prohibited by the Williams Credit Agreement.

(c) Governmental Approvals. 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 Williams of each Transaction Document to which it is a party, or the consummation of the transactions contemplated by the Transaction Documents, except (i) those that have been obtained or made and (ii) those that are necessary to

comply with laws, rules, regulations and orders required in the ordinary course to comply with the ongoing obligations of Williams under Article V and under the Transaction Documents to which it is a party, provided that all authorizations, approvals, actions, notices and filings described in this clause (ii) that are necessary or required to have been obtained or made on or prior to the Closing Date for the consummation by Williams of the transactions contemplated by the Transaction Documents have been obtained or made on or prior to the Closing Date and are in full force and effect as of the date hereof.

(d) Binding Effect. Each Transaction Document to which Williams is a party will be duly executed and delivered by Williams. Subject to the due execution and delivery by Williams and the other parties thereto, each Transaction Document to which Williams is a party is the legal, valid and binding obligation of Williams, enforceable against Williams in accordance with its terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by general principles of equity (whether enforcement is sought by proceedings in equity or at law) or, with respect to the Remarketing and Support Agreement, the Note Purchase Agreement and the WCG Note Reset Remarketing Agreement, any applicable public policy on the enforceability of provisions relating to contribution and indemnification.

(e) Compliance with Laws. Williams is in compliance with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to so comply could not reasonably be expected to result in a Williams Material Adverse Effect.

(f) Litigation. Except as set forth or incorporated by reference in the Offering Memorandum, there is, as to Williams, no pending or, to the knowledge of Williams, threatened action or proceeding affecting Williams (or, until the consummation of the distribution of WCG by Williams, affecting WCG) before any court, governmental agency or arbitrator, which could reasonably be expected to materially and adversely affect the financial condition or operations of Williams or which purports to affect the legality, validity, binding effect or enforceability against Williams of any Transaction Document to which it is a party.

(g) Taxes. As of the date hereof, the United States Federal income tax returns of Williams have been examined through the fiscal year ended December 31, 1995. Williams has filed all United States Federal income tax returns and all other material domestic tax returns which are required to be filed by it and has paid, or provided for the payment before the same become delinquent of, all taxes due pursuant to such returns or pursuant to any assessment received by Williams, other than those taxes contested in good faith by appropriate proceedings. The charges, accruals and reserves on the books of Williams in respect of taxes are adequate.

(h) ERISA. (i) No ERISA Termination Event has occurred or is reasonably expected to occur with respect to any Plan that could reasonably be expected to result in a Williams Material Adverse Effect.

(ii) Neither Williams nor any ERISA Affiliate of Williams has received any notification that any Multiemployer Plan is in reorganization or has been terminated, within the

meaning of Title IV of ERISA, and Williams is not aware of any reason to expect that any Multiemployer Plan is to be in reorganization or to be terminated, within the meaning of Title IV of ERISA, that would result in a Williams Material Adverse Effect or have any material adverse effect on any ERISA Affiliate of Williams.

(iii) Neither Williams nor any ERISA Affiliate of Williams has incurred, or is reasonably expected to incur, any Withdrawal Liability to any Multiemployer Plan which, when aggregated with all other amounts required to be paid to Multiemployer Plans in connection with Withdrawal Liability (as of the date of determination), exceeds $75,000,000 in the aggregate or requires payments exceeding $50,000,000 per annum.

(i) Financial Statements. The historical financial statements of Williams and its Consolidated Subsidiaries included or incorporated by reference in the Offering Memorandum and the related notes thereto present fairly, in conformity with GAAP except as otherwise expressly noted therein, the consolidated financial position of Williams and its Consolidated Subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of Williams and its Consolidated Subsidiaries for the periods specified, and such financial statements have been prepared in accordance with GAAP consistently applied throughout the periods purported to be covered thereby.

(j) Not an Investment Company. Williams is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act and will not become so required to register as a result of the transactions contemplated by the Transaction Documents.

(k) No Trigger Event, WCG Note Event of Default or Williams Event. On the Closing Date there will exist no condition, event or act that has occurred and is continuing which with the giving of notice and/or the lapse of time and/or any determination or certification would (i) constitute a Trigger Event or a WCG Note Event of Default on the part of Williams or a Williams Event under any of the Transaction Documents to which it is a party or (ii) constitute a default or an event of default under the Williams Credit Agreement, including but not limited to the execution of the Transaction Documents.

(l) Disclosure. Except as set forth or incorporated by reference in the Offering Memorandum there is no fact known to Williams after reasonable inquiry that has specific application to Williams (other than general economic or industry conditions) and that, in the case of Williams, could reasonably be expected to result in a Williams Material Adverse Effect.

(m) Shares. (i) The Initial Shares have been duly authorized and as of the Closing Date will be validly issued, fully paid and non-assessable and are not subject to any preemptive or similar rights; upon issuance to the Share Trust, any and all Additional Shares will be duly authorized and validly issued, fully paid, non-assessable and will not be subject to any preemptive or similar rights; the Williams Common Stock into which such Initial Shares are convertible on the Closing Date have been duly authorized and upon any adjustment to the conversion rate, additional shares of Williams Common Stock will be duly authorized in

accordance with the terms of the Williams Preferred Stock and the Transaction Documents, and when issued upon conversion of the Initial Shares, all such shares of Williams Common Stock will be validly issued, fully paid and non-assessable and will not be subject to any preemptive or similar rights; and the Williams Common Stock into which such Additional Shares (that are shares of Williams Preferred Stock) are convertible, if any, will be duly authorized upon issuance of such Additional Shares to the Share Trust and when such Williams Common Stock is issued upon conversion of such Additional Shares, such Williams Common Stock will be validly issued, fully paid and non-assessable and will not be subject to any preemptive or similar rights.

(ii) There are no outstanding subscriptions, rights, warrants, options, calls, convertible securities, commitments of sale or Liens granted or issued by Williams relating to or entitling any person to purchase or otherwise to acquire any shares of the Williams Preferred Stock except as contemplated in the Transaction Documents.

(iii) Upon contribution of the Initial Shares to the Share Trust by Williams, the Share Trust will be the beneficial owner of the Initial Shares, and upon issuance of the Additional Shares, if any, the Share Trust will be the beneficial owner of the Additional Shares, in each case, free and clear of any Lien or claims of any Person, except as otherwise provided in the Transaction Documents.

(n) PUHCA. Williams is not a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 4.2 Representations and Warranties of WCG and WCL.

WCG makes the following representations and warranties on its own behalf, and on behalf of WCL, to the other Parties as of the date hereof and as of the Closing Date:

(a) Corporate Existence and Power. Each of WCG and WCL is duly organized, validly existing and in good standing under the laws of the State of Delaware, has all requisite power and authority to carry on its business as now conducted and as contemplated by the Transaction Documents and, except where the failure to do so could not reasonably be expected to result in a WCG Material Adverse Effect or a WCL Material Adverse Effect, as the case may be, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

(b) Corporate Authorization; No Contravention. The execution, delivery and performance by each of WCG and WCL of each Transaction Document to which it is a party are within its corporate or limited liability company powers, as the case may be, have been duly authorized by all necessary corporate and, if required, stockholder or member action on the part of WCG and WCL, as the case may be, will not violate its Organizational Documents, will not violate or result in a default under any indenture, agreement or other instrument binding upon it, or give rise to a right thereunder to require any payment to be made by it, and will not result in the creation or imposition of any Lien on any of its assets, except Permitted Liens.

(c) Governmental Approvals. The due execution, delivery and performance by each of WCG and WCL of each Transaction Document to which it is a party, (i) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except (x) those that have been obtained or made and (y) those that are necessary to comply with laws, rules, regulations and orders required in the ordinary course to comply with the ongoing obligations of WCG and WCL under Article V and under the Transaction Documents to which it is a party, provided that all authorizations, approvals, actions, notices and filings described in this clause (y) that are necessary to have been obtained or made on or prior to the Closing Date for the consummation by WCG and WCL, as the case may be, of the transactions contemplated by the Transaction Documents or are required to have been obtained or made on or prior to the Closing Date have been obtained or made on or prior to the Closing Date and are in full force and effect as of the date hereof.

(d) Binding Effect. Each Transaction Document to which either WCG and/or WCL is a party will be duly executed and delivered by WCG and/or WCL, as the case may be, and, subject to the due execution and delivery by the other parties thereto, will, upon such due execution and delivery constitute a legal, valid and binding obligation of WCG and/or WCL, as the case may be, enforceable against WCG and/or WCL, as the case may be (or, in the case of the WCG Note, when duly issued, paid for and delivered in accordance with this Agreement and the WCG Note Indenture, will be legally and validly issued and entitled to the benefits afforded by the WCG Note Indenture), in each case in accordance with its terms, except as may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors rights generally or by general principles of equity (whether enforcement is sought by proceedings in equity or at law) or, with respect to the Note Purchase Agreement and the WCG Note Reset Remarketing Agreement, any applicable public policy on the enforceability of provisions relating to contribution and indemnification.

(e) Compliance with Laws. Each of WCG and WCL is in compliance with all Applicable Law applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a WCG Material Adverse Effect or a WCL Material Adverse Effect, as the case may be.

(f) Litigation. There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of WCG or WCL, as the case may be, threatened against or affecting WCG or WCL, as the case may be, (x) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected to result in a WCG Material Adverse Effect or a WCL Material Adverse Effect, as the case may be (except as set forth or incorporated by reference in the Offering Memorandum), or (y) which purports to affect the legality, validity, binding effect or enforceability against WCG or WCL, as the case may be, of any Transaction Document to which WCG or WCL is a party, as the case may be.

(g) Taxes. Each of WCG and WCL has timely filed or caused to be filed all tax returns and reports required to have been filed (or WCG has filed or caused to be filed) and

has paid (or WCG has paid or caused to be paid) all taxes required to be paid by or with respect to it, except (x) taxes that are being contested in good faith by appropriate proceedings and for which WCG or WCL, as applicable, has set aside on its books adequate reserves or (y) to the extent that the failure to do so could not reasonably be expected to result in a WCG Material Adverse Effect or a WCL Material Adverse Effect, as the case may be.

(h) ERISA. (i) No ERISA Termination Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Termination Events for which liability is reasonably expected to occur, could reasonably be expected to result in a WCG Material Adverse Effect, or which, when taken together with all other ERISA Termination Events that have occurred, could reasonably be expected to result in liability of WCG in an aggregate amount exceeding $25,000,000 for all periods.

(ii) The present value of all accumulated benefit obligations under each Plan (based on assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $25,000,000 the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $25,000,000 the fair market value of the assets of all such underfunded Plans.

(i) Financial Statements. The historical financial statements of WCG and its Consolidated Subsidiaries included or incorporated by reference in the Offering Memorandum and the related notes thereto present fairly, in conformity with GAAP except as otherwise expressly noted therein, the consolidated financial position of WCG and its Consolidated Subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of WCG and its Consolidated Subsidiaries for the periods specified, and such financial statements have been prepared in accordance with GAAP consistently applied throughout the periods purported to be covered thereby.

(j) Not an Investment Company. Neither WCG nor WCL is an "investment company" as defined in, or subject to regulation under, the Investment Company Act, and will not become such as a result of the transactions contemplated by the Transaction Documents.

(k) No Trigger Event, Event of Default or WCG Note Event of Default. On the Closing Date there will exist no condition, event or act that has occurred and is continuing which with the giving of notice and/or the lapse of time and/or any determination or certification would (i) constitute a Trigger Event, an Event of Default or a WCG Note Event of Default on the part of WCG or WCL or any other event of default on the part of WCG or WCL under any of the other Transaction Documents to which either WCG or WCL is a party or (ii) constitute a default or an event of default under the WCL Credit Agreement or the 1999 Indenture and the 2000 Indenture (each, as defined in the WCG Note Indenture), including but not limited to the execution of the Transaction Documents.

(l) Title to Property. Each of WCG and WCL has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes. None of the properties and assets of WCG or WCL is subject to any Lien other than Permitted Liens and Liens not prohibited by the WCL Credit Agreement.

(m) Disclosure. Except as set forth or incorporated by reference in the Offering Memorandum, there is no fact known to either of WCG or WCL after reasonable inquiry that has specific application to WCG or WCL, as the case may be (other than general economic or industry conditions), and that, in the case of WCG or WCL, as the case may be, could reasonably be expected to result in a WCG Material Adverse Effect or a WCL Material Adverse Effect, as the case may be.

(n) WCG Note. The sale of the WCG Note by WCG to the Issuer in the manner contemplated by this Agreement will be exempt from the registration requirements of the Securities Act by reason of Section 4(2) thereof.

(o) PUHCA. Neither WCG nor WCL is a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

Section 4.3 Representations and Warranties of WCG with respect to the Issuer and the Co-Issuer.

WCG makes the following representations and warranties with respect to the Issuer and the Co-Issuer to the other Parties as of the date hereof and as of the Closing Date, except as otherwise specified:

(a) Existence and Power. The Issuer is a business trust duly organized, validly existing and in good standing under the law of the State of Delaware and has all requisite trust powers and all Permits required to carry on its business as now conducted and as contemplated by the Transaction Documents. The Co-Issuer is a corporation duly incorporated, validly existing and in good standing under the law of the State of Delaware and has all requisite corporate powers and all material Permits required to carry on its business as now conducted and as contemplated by the Transaction Documents.

(b) Issuer and Co-Issuer Special Purpose Status. The Issuer has not engaged in any activities since its organization (other than those incidental to its organization and other appropriate steps in connection with the transactions contemplated by the Transaction Documents, including (i) arrangements for the payment of the fees of its trustee, (ii) the issuance and sale of the Senior Notes in exchange for the consideration received therefor, (iii) the issuance and sale of the WCL Interest in exchange for the consideration received therefor, (iv) the purchase and receipt of the WCG Note, (v) the preparation, execution and delivery of any applications with any Governmental Authority, (vi) the execution of the Transaction Documents to which it is a party executed on or prior to the date hereof and (vii) the other activities referred to in or contemplated by such Transaction Documents) and has not made any distributions since

its organization (other than those contemplated by the Transaction Documents). The Co-Issuer has not engaged in any activities since its incorporation (other than those incidental to its incorporation and other appropriate steps in connection with the transactions contemplated by the Transaction Documents, including the issuance of stock to the Issuer and arrangements for the payment of fees to its directors, the authorization and the issuance of the Senior Notes, the execution of the Transaction Documents to which it is a party executed on or prior to the date hereof and the activities referred to in or contemplated by such Transaction Documents) and has not paid any dividends or made any distributions since its incorporation.

(c) Trust and Corporate Authorization; No Contravention. The execution, delivery and performance by each of the Issuer and the Co-Issuer of each of the Transaction Documents to which it is a party (i) are within the Issuer's trust powers or the Co-Issuer's corporate powers, as the case may be, (ii) have been duly authorized by all necessary trust or corporate action, as the case may be, and (iii) do not contravene, or constitute a default under, any provision of Applicable Law in effect on the Closing Date or of the Issuer's or the Co-Issuer's Organizational Documents, as the case may be, or of any agreement or other instrument binding upon the Issuer or the Co-Issuer, as the case may be, or result in the creation or imposition of any Lien on any asset of the Issuer or the Co-Issuer, except for Permitted Liens of the type described in clause (iii) of the definition thereof.

(d) Binding Effect. Each of the Transaction Documents to which the Issuer or the Co-Issuer is a party has been or on the Closing Date will be duly executed and delivered by the Issuer and/or the Co-Issuer, as the case may be, and, subject to the due execution and delivery by the other parties thereto, each of the Transaction Documents to which the Issuer or the Co-Issuer is a party constitutes or will constitute a legal, valid and binding obligation of the Issuer or the Co-Issuer, as the case may be (or, in the case of the Senior Notes, when duly authenticated, issued, paid for and delivered in accordance with the Indenture and the Note Purchase Agreement, will be legally and validly offered and sold and will be entitled to the benefits afforded by the Indenture), enforceable against the Issuer or the Co-Issuer, as the case may be, in accordance with its terms except as the enforceability thereof may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and general equitable principles (whether enforcement is sought by proceedings in equity or at law) and (ii) in the case of the Remarketing and Support Agreement, the Note Purchase Agreement and the WCG Note Reset Remarketing Agreement, the effect of applicable public policy or the enforceability of provisions relating to contribution and indemnification.

(e) Security for the Senior Notes. The Grant (as defined in the Indenture) of Security for the Senior Notes securing on an equal and ratable basis the payment of the Secured Obligations (as defined in the Indenture) for the benefit of (x) the Indenture Trustee and the Noteholders and (y) Williams will constitute a valid, first priority, perfected security interest in the Security for the Senior Notes, free and clear of any Lien or claims of any Person (other than Permitted Liens set forth in clause (iii) of the definition thereof), to the extent perfection can occur under Article 8 and/or Article 9 of the New York UCC by possession, filing of a financing statement or control of a securities account. Following such perfection, such security interest

will be enforceable as such against all creditors of the Issuer and any Persons purporting to purchase any of the Security for the Senior Notes from the Issuer, except in each case as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and general equitable principles (whether enforcement is sought by proceedings in equity or at law) and other than as permitted by the Transaction Documents. Neither the Issuer nor the Co-Issuer has executed and/or filed any valid financing statement covering the Indenture Trustee's interest in the Security for the Senior Notes that is on file in any public office other than the financing statements, if any, filed pursuant to the Transaction Documents.

(f) No Consents. (i) The execution, delivery and performance by each of the Issuer and the Co-Issuer of each Transaction Document to which the Issuer and/or the Co-Issuer, as the case may be, is a party do not require the consent or the approval or authorization of, or any filing, registration or qualification with, any Person or any Governmental Authority on the part of either the Issuer or the Co-Issuer, as the case may be, as a condition to such execution, delivery and performance by it as and when required that has not been obtained, given or taken except (i) for filings of Uniform Commercial Code financing statements to perfect the security interests contemplated by the Transaction Documents and (ii) where the failure to obtain such consent, approval or authorization or make such filing, registration or qualification would not have an Issuer Material Adverse Effect.

(ii) The issuance of the Senior Notes by the Issuer and the Co-Issuer does not require the consent or the approval or authorization of, or any filing, registration or qualification with, any Person or any Governmental Authority on the part of the Issuer or the Co-Issuer, as the case may be, as a condition to such issuance by it as and when required that has not been obtained, given or taken, except for filings of financing statements to perfect the security interests contemplated by the Indenture. Neither the sale, issuance or delivery of the Senior Notes to the Initial Purchasers nor the consummation of any other of the transactions contemplated herein nor compliance with the provisions of the Indenture will conflict with or result in the breach of any material term or provision of any agreements to which the Issuer or the Co-Issuer, as the case may be, is a party or constitute a violation of any Applicable Law.

(g) Litigation. There is no Proceeding pending against, or, to the actual knowledge of WCG, threatened against the Issuer or the Co-Issuer before any Governmental Authority.

(h) Tax Claims. There is no Tax claim pending against, or to the actual knowledge of WCG, threatened against the Issuer or the Co-Issuer. Each of the Issuer and the Co-Issuer has paid all Taxes which it is required to have paid prior to the date hereof and prior to the Closing Date.

(i) Not an Investment Company. Neither the Issuer nor the Co-Issuer will be required to register as an "investment company" within the meaning of the Investment Company Act, and neither the Issuer nor the Co-Issuer will be so required as a result of the issuance and sale of the Senior Notes or the other transactions contemplated by the Transaction Documents.

(j) Liens. (i) There are no Liens of any kind (other than Permitted Liens described under clause (iii) of the definition thereof) affecting title to any of the assets or rights of the Issuer or the Co-Issuer under any Transaction Documents.

(k) Compliance. Neither the Issuer nor the Co-Issuer is in breach or violation of or in default (nor, to the actual knowledge of WCG has an event occurred that with notice or lapse of time or both would constitute a default) under the terms of (i) its Organizational Documents, (ii) any of the Transaction Documents, (iii) any other agreements to which the Issuer or the Co-Issuer, as the case may be, is a party or (iv) any Applicable Law.

(l) Margin Compliance. No part of the proceeds of the sale of the Senior Notes will be used, directly or indirectly, for the purpose of purchasing or carrying Margin Stock in violation of Regulations U and X of the Board of Governors of the Federal Reserve System.

(m) Indebtedness. Neither the Issuer nor the Co-Issuer has created, assumed or incurred any indebtedness in violation of its Organizational Documents or any other Transaction Document.

(n) Employees; Subsidiaries. The Issuer has no employees, and other than the Co-Issuer, no Subsidiaries and no place of business outside of the State of Delaware. The Co-Issuer has no employees, no Subsidiaries and no place of business outside of the State of Delaware.

(o) Compliance with Environmental Laws. Each of the Issuer and the Co-Issuer is in compliance with all, and is not subject to current liability under any, applicable Environmental Law.

(p) PUHCA. Neither the Issuer nor the Co-Issuer is subject to regulation as a "holding company" as such term is defined in the PUHCA.

(q) Securities Act. Assuming that the representations of the Initial Purchasers relating to matters of securities law set forth in the Note Purchase Agreement, and the representations of WCL relating to matters of securities law set forth in the Issuer Trust Agreement and any certificate required to be delivered thereunder are true and correct, and assuming compliance by the holders of the Senior Notes with the restrictive legends contained in the Senior Notes, the sale of (x) the Senior Notes by the Issuer and the Co-Issuer, in the manner contemplated by the Note Purchase Agreement and (y) the WCL Interest in the manner contemplated by this Agreement and the Issuer Trust Agreement, respectively, will be exempt from the registration requirements of the Securities Act by reason of Section 4(2) thereof.

(r) Title to Property. Immediately after giving effect to the transactions occurring as of the Closing Date, each of the Issuer and Co-Issuer will have good title to all of its properties and assets free and clear of all Liens, except Permitted Liens as described in clause (iii) of the definition thereof.

(s) No Trigger Event, Event of Default or WCG Note Event of Default. No Trigger Event, Event of Default or WCG Note Event of Default has occurred and is continuing and no condition, event or act has occurred and is continuing that with the giving of notice and/or the lapse of time and/or any determination or certification would constitute a Trigger Event, Event of Default or WCG Note Event of Default, in each case, on the part of the Issuer or the Co-Issuer.

(t) Indenture Representations. The representations and warranties of each of the Issuer and Co-Issuer set forth in Section 6.01 of the Indenture are true and correct.

Section 4.4 Representations and Warranties of Williams with respect to the Share Trust.

Williams makes the following representations and warranties with respect to the Share Trust to the other Parties as of the date hereof and as of the Closing Date, except as otherwise specified:

(a) Existence and Power. The Share Trust is a business trust duly organized, validly existing and in good standing under the law of the State of Delaware and has all requisite trust powers and all Permits required to carry on its business as now conducted and as contemplated by the Transaction Documents.

(b) Share Trust Special Purpose Status. The Share Trust has not engaged in any activities since its organization (other than those incidental to its organization and other appropriate steps in connection with the transactions contemplated by the Transaction Documents, including (i) arrangements for the payment of fees to its trustee, (ii) the issuance of a certificate of beneficial interest in the Share Trust to Williams pursuant to the Share Trust Agreement, (iii) the execution of the Transaction Documents to which it is a party executed on or prior to the date hereof and (iv) the other activities referred to in or contemplated by the Share Trust Agreement, this Agreement and the other Transaction Documents) and has not made any distributions since its organization.

(c) Trust and Governmental Authorization; No Contravention. The execution, delivery and performance by the Share Trust of each of the Transaction Documents to which it is a party (i) are within the Share Trust's trust powers, (ii) have been duly authorized by all necessary trust action, (iii) require, in respect of the Share Trust, no action by or in respect of, or filing with, any Governmental Authority that has not been taken or made and (iv) do not contravene, or constitute a default under, any provision of Applicable Law in effect on the Closing Date or of the Share Trust's Organizational Documents or any agreement or other instrument binding upon the Share Trust, or result in creation or imposition of any Lien on any asset of the Share Trust, except for Permitted Liens of the type described in clause (iii) of the definition thereof.

(d) Binding Effect. Each of the Transaction Documents to which the Share Trust is a party has been or on the Closing Date will be duly executed and delivered by such

Party, and, subject to the due execution and delivery by the other parties thereto, each of the Transaction Documents to which the Share Trust is a party constitutes or will constitute a legal, valid and binding obligation of the Share Trust enforceable against the Share Trust in accordance with its terms except as the enforceability thereof may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and general equitable principles (whether enforcement is sought by proceedings in equity or at law) or (ii) in the case of the Remarketing and Support Agreement, any applicable public policy on the enforceability of provisions relating to contribution and indemnification.

(e) No Consents. The execution, delivery and performance by the Share Trust of each Transaction Document to which the Share Trust is a party does not require the consent or the approval or authorization of, or any filing, registration or qualification with, any Person or any Governmental Authority on the part of such Party as a condition to such execution, delivery and performance by it as and when required that has not been obtained.

(f) Litigation. There is no Proceeding pending against or, to the actual knowledge of Williams, threatened against the Share Trust before any Governmental Authority.

(g) Tax Claims. There is no Tax claim pending, or to the actual knowledge of Williams, threatened against the Share Trust. The Share Trust has paid all Taxes which it is required to have paid prior to the date hereof and prior to the Closing Date.

(h) Not an Investment Company. The Share Trust will not be required to register as an "investment company" within the meaning of the Investment Company Act and will not become such as a result of the issuance and sale of the Senior Notes or the other transactions contemplated by the Transaction Documents.

(i) Liens. (i) There are no Liens of any kind (other than Permitted Liens described under clause (iii) of the definition thereof) affecting title to any of the assets or rights of the Share Trust under any Transaction Documents.

(j) Compliance. The Share Trust is not in breach or violation of or in default (nor, to the actual knowledge of Williams has an event occurred that with notice or lapse of time or both would constitute a default) under the terms of (i) its Organizational Documents, (ii) any of the Transaction Documents, (iii) any other agreements to which the Share Trust is a party or (iv) any Applicable Law.

(k) Indebtedness. The Share Trust has not created, assumed or incurred any indebtedness in violation of its Organizational Documents or any other Transaction Document.

(l) Employees; Subsidiaries. The Share Trust has no employees, no Subsidiaries and no place of business outside of the State of Delaware.

(m) Compliance with Environmental Laws. The Share Trust is in compliance with all, and is not subject to current liability under any, applicable Environmental Law.

(n) PUHCA. The Share Trust is not subject to regulation as a "holding company" as such term is defined in the PUHCA.

(o) No Trigger Event. No Trigger Event has occurred and is continuing and no condition, event or act has occurred and is continuing that with the giving of notice and/or the lapse of time and/or any determination or certification would constitute a Trigger Event or Event of Default, in each case, on the part of the Share Trust.

(p) Security for Collateral. The grant and pledge of Collateral (as defined in the Share Trust Security Agreement) securing the payment obligations of the Share Trust to the Issuer under the Share Trust Security Agreement will constitute a valid, first priority, perfected security interest in such Collateral, free and clear of any Lien or claims of any Person (other than Permitted Liens set forth in clause (iii) of the definition thereof), to the extent perfection can occur under Article 8 and/or Article 9 of the New York UCC by possession, filing of a financing statement or control of a securities account. Following such perfection, such security interest will be enforceable as such against all creditors of the Share Trust and any Persons purporting to purchase any of the Collateral from the Share Trust, except in each case as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and general equitable principles (whether enforcement is sought by proceedings in equity or at law) and other than as permitted by the Transaction Documents. The Share Trust has not executed and/or filed any valid financing statement covering its interest in the Collateral that is on file in any public office other than the financing statements, if any, filed pursuant to the Transaction Documents.

Section 4.5 Representations and Warranties of United States Trust Company of New York.

United States Trust Company of New York, in its individual capacity, makes the following representations and warranties on its own behalf to the other Parties as of the date hereof and as of the Closing Date:

(a) Corporate Existence and Power. United States Trust Company of New York is a banking corporation duly organized, validly existing and in good standing under the laws of the State of New York and has all requisite corporate powers and all material Permits required to carry on its business as now conducted and as contemplated by the Transaction Documents.

(b) Corporate Authorization; No Contravention. The execution, delivery and performance by United States Trust Company of New York, in its individual or trustee capacity, as applicable, of each of the Transaction Documents to which it is a party are within United States Trust Company of New York's corporate powers, have been duly authorized by all necessary corporate action and do not contravene, or constitute a default under, any provision of the Organizational Documents of United States Trust Company of New York.

(c) Binding Effect. Each of the Transaction Documents to which United States Trust Company of New York, in its individual or trustee capacity, is a party has been duly

executed and delivered by United States Trust Company of New York, and each such Transaction Document constitutes a legal, valid and binding agreement of United States Trust Company of New York enforceable against United States Trust Company of New York in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles (whether enforcement is sought by proceedings in equity or at law).

Section 4.6 Representations and Warranties of Wilmington Trust Company.

Wilmington Trust Company, in its individual capacity, hereby represents and warrants on its own behalf to the other Parties as of the date hereof and as of the Closing Date that:

(a) it is duly incorporated, validly existing and in good standing under the laws of the State of Delaware;

(b) it has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and each other Transaction Document to which it is a party, and this Agreement and each other Transaction Document to which it is a party have been duly authorized by it by all necessary corporate action;

(c) no authorization, consent or approval of any Governmental Authority regulatory body or other Person is required for the due authorization, execution, delivery or performance by it of this Agreement or any other Transaction Document to which it is a party;

(d) this Agreement and each other Transaction Document to which it is a party have been duly executed and delivered by it and (subject to the due execution and delivery by the other parties thereto) constitute its legal and binding obligations, enforceable against it in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereinafter in effect relating to the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a proceeding at law or in equity); and

(e) it complies with all the requirements of the Trust Act relating to the qualification of a trustee of a Delaware business trust.

ARTICLE V

COVENANTS; ACKNOWLEDGEMENTS; RIGHTS

Section 5.1 Covenants of Williams.

Williams covenants and agrees for itself, and for the Share Trust, from and after the Closing Date, for the benefit of the other Parties as follows, so long as any of the Senior Notes shall remain outstanding:

(a) Maintenance of Existence. (i) Williams shall preserve and maintain its corporate existence, rights, franchises and privileges under the laws of the State of Delaware, and qualify and remain qualified, as a foreign corporation in each jurisdiction in which qualification is necessary or desirable in view of its business and operations or the ownership of its properties; provided that this Section 5.1(a)(i) shall not apply to or prohibit any merger or consolidation or other act of similar effect where Williams is the survivor or the survivor assumes all of the obligations of Williams under the Transaction Documents to which Williams is a party and no Trigger Event or event that, with the giving of notice or lapse of time, or both, would become a Trigger Event shall have occurred and be continuing immediately after giving effect to such merger, consolidation or other act to similar effect.

(ii) Williams shall at all times cause the Share Trust to preserve and maintain its legal existence, rights (charter, if applicable, and statutory), franchises and privileges under the laws of the State of Delaware, except as otherwise provided in the Share Trust Agreement.

(b) Maintenance of Government Approvals and Permits. Williams shall cause the Share Trust to obtain and maintain, or cause to be obtained and maintained, in full force and effect all necessary Governmental Approvals and Permits required to be obtained in its name from time to time.

(c) Compliance with Laws. (i) Williams shall comply in all material respects with all Applicable Law, except where the failure to comply could not reasonably be expected to result in a Williams Material Adverse Effect.

(ii) Williams shall cause the Share Trust to comply with all Applicable Law and applicable Permits.

(d) Information. (i) Williams shall deliver to the Issuer, the Indenture Trustee and the Rating Agencies by making available on "EDGAR" (or any similar successor thereto) or Williams' home page on the "World Wide Web" at www.williams.com or otherwise transmitting to the Issuer, the Indenture Trustee and the Rating Agencies (1) promptly after the sending or filing thereof, a copy of each of Williams' reports on Form 8-K (or any comparable form), which shall also be sent pursuant to Section 7.2 hereof, (2) promptly after the filing or sending thereof and in any event within 60 days after the end of each of the first three fiscal quarters of each fiscal year of Williams, a copy of William's report on Form 10-Q (or any comparable form) for such quarter, which report will include Williams's quarterly unaudited consolidated financial

statements as of the end of and for such quarter, (3) promptly after the filing or sending thereof and in any event within 105 days after the end of each fiscal year of Williams, a copy of William's report on Form 10-K (or any comparable form) for such year, and (4) promptly after the filing or sending thereof and in any event within 120 days after the end of each fiscal year of Williams, a copy of William's annual report which it sends to its public security holders, which annual report will include William's annual audited consolidated financial statements as of the end of and for such year;

(ii) Williams shall deliver to WCG, WCL, the Issuer, the Indenture Trustee and the Rating Agencies, simultaneously with the furnishing of each of the annual or quarterly reports referred to in clause (i) above, a certificate of an Authorized Officer of Williams in a form reasonably acceptable to the Indenture Trustee stating whether, to the knowledge of Williams, there exists on the date of such certificate any Trigger Event, any Event of Default or any WCG Note Event of Default, and, if so, setting forth the details thereof and the action, if any, that Williams has taken and proposes to take with respect thereto; and

(iii) Williams shall deliver to WCG, WCL, the Issuer, the Indenture Trustee and the Rating Agencies (A) as soon as possible and in any event within the five Business Days after Williams obtains knowledge thereof, notice of the occurrence of any Trigger Event, any Event of Default or any WCG Note Event of Default, or any event which, with the giving of notice or lapse of time, or both, would constitute a Trigger Event, an Event of Default or a WCG Note Event of Default, continuing on the date of such notice and a statement of an Authorized Officer of Williams setting forth details of such Trigger Event, Event of Default or WCG Note Event of Default, and the action which Williams has taken and proposes to take with respect thereto; and (B) promptly and, in any event, within five Business Days after Williams obtains knowledge thereof, notice of a change in, or issuance of any rating of Williams' senior unsecured long-term debt by S&P, Moody's or Fitch which causes a reduction in, the rating level of such debt.

(e) Nature of Business. Williams shall not permit the Share Trust to engage in any business other than as expressly permitted by the terms of the Share Trust Agreement or the other Transaction Documents.

(f) Transactions with Affiliates. Williams shall not, and shall cause its Affiliates not to, enter into transactions with the Share Trust in violation of the Share Trust Agreement.

(g) Williams Demand Loans. Williams shall not amend any outstanding Williams Demand Loans without the consent of the Indenture Trustee.

(h) Replacement of Shares in Share Trust. In the event Williams consolidates or merges with or into any Person prior to the Reset Date, prior to, or upon the consummation of, such consolidation or merger, Williams shall, at its election, contribute to the Share Trust either (i) cash in an amount equal to the aggregate liquidation preference of the Williams Preferred Stock held by the Share Trust pursuant to the Share Trust Agreement or (ii) new shares of such surviving Person shall be contributed to the extent such new shares have an initial aggregate

liquidation preference equal to the aggregate liquidation preference of the Williams Preferred Stock held by the Share Trust pursuant to the Share Trust Agreement and have substantially the same rights and preferences as the Williams Preferred Stock; provided that Williams will not be required to make such contribution so long as Williams is the surviving entity and the Williams Preferred Stock remains duly authorized and validly issued, fully paid, non-assessable and not subject to any preemptive or similar right and convertible into Williams Common Stock in accordance with its terms.

(i) Instructions. Williams shall instruct the Share Trustee to perform the obligations of the Share Trust under the Transaction Documents.

Section 5.2 Covenants of WCG.

WCG covenants and agrees for itself, and for WCL, the Issuer and the Co-Issuer, from and after the Closing Date, for the benefit of the other Parties as follows, so long as any of the Senior Notes shall remain outstanding:

(a) Maintenance of Existence. (i) WCG shall, and shall cause WCL to (x) continue to engage in businesses of the same general type as now conducted or contemplated in its business plan and other businesses reasonably related thereto and (y) do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges, franchises, patents, copyrights, trademarks and trade names material to the conduct of its business; provided that this Section 5.1(a)(i) shall not apply to or prohibit any merger or consolidation or other act of similar effect where WCG or WCL, as the case may be, is the survivor or the survivor assumes all of the obligations of WCG under the Transaction Documents to which WCG or WCL, as the case may be, is a party and no Trigger Event, Event of Default or WCG Note Event of Default or event that, with the giving of notice or lapse of time, or both, would become a Trigger Event, Event of Default or WCG Note Event of Default shall have occurred and be continuing immediately after giving effect to such merger, consolidation or other act to similar effect.

(ii) WCG shall, through WCL, at all times cause each of the Issuer and Co-Issuer to preserve and maintain its legal existence, rights (charter, if applicable, and statutory), franchises and privileges under the law of the State of Delaware, except as otherwise provided in the Issuer Trust Agreement.

(b) Maintenance of Government Approvals and Permits. WCG shall cause (through WCL) each of the Issuer and the Co-Issuer to obtain and maintain, or cause to be obtained and maintained, in full force and effect all necessary Governmental Approvals and Permits required to be obtained in its name from time to time.

(c) Compliance with Laws. (i) WCG shall, and shall cause WCL to, comply with all Applicable Law (including, without limitation, all Environmental Laws and ERISA and the rules and regulations thereunder), except where the necessity of compliance therewith is contested in good faith by appropriate action and such failure to comply, individually or in the

aggregate, could not reasonably be expected to result in a WCG Material Adverse Effect or a WCL Material Adverse Effect, as the case may be.

(ii) WCG shall, through WCL, cause each of the Issuer and the Co-Issuer to comply with all Applicable Law and applicable Permits.

(d) Information. (i) WCG shall deliver to Williams, the Issuer, the Indenture Trustee and the Rating Agencies by making available on "EDGAR" (or any similar successor thereto) or WCG's home page on the "World Wide Web" at www.wilcom.com or otherwise transmitting to, Williams, the Issuer, the Indenture Trustee and the Rating Agencies (1) promptly after the sending or filing thereof, a copy of each of WCG's reports on Form 8-K (or any comparable form), which shall also be given pursuant to Section 7.2 hereof, (2) promptly after the filing or sending thereof and in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of WCG, a copy of WCG's report on Form 10-Q (or any comparable form) for such quarter, which report will include WCG's quarterly unaudited consolidated financial statements as of the end of and for such quarter, (3) promptly after the filing or sending thereof and in any event within 90 days after the end of each fiscal year of WCG, a copy of WCG's report on Form 10-K (or any comparable form) for such year, and (4) promptly after the filing or sending thereof and in any event within 120 days after the end of each fiscal year of WCG, a copy of WCG's annual report which it sends to its public security holders, which annual report will include WCG's annual audited consolidated financial statements as of the end of and for such year;

(ii) WCG shall deliver to Williams, the Issuer, the Indenture Trustee and the Rating Agencies, simultaneously with the furnishing of each of the annual or quarterly reports referred to in clause (i) above, a certificate of an Authorized Officer of WCG substantially in the form of Exhibit A hereto or in such other form that is reasonably acceptable to the Indenture Trustee, stating whether, to the knowledge of WCG, there exists on the date of such certificate any Trigger Event, any Event of Default or any WCG Note Event of Default, and, if so, setting forth the details thereof and the action that WCG has taken and proposes to take with respect thereto;

(iii) WCG shall deliver to Williams, the Issuer, the Indenture Trustee and the Rating Agencies as soon as possible and in any event within the five Business Days after WCG obtains knowledge thereof, notice of the occurrence of any Trigger Event, any Event of Default or any WCG Note Event of Default, or any event which, with the giving of notice or lapse of time, or both, would constitute a Trigger Event, an Event of Default or a WCG Note Event of Default, continuing on the date of such notice and a statement of an Authorized Officer of WCG setting forth details of such Trigger Event, Event of Default or WCG Note Event of Default, and the action, if any, which WCG has taken and proposes to take with respect thereto;

(v) WCG shall deliver or cause to be delivered to the Issuer, the Indenture Trustee and the Rating Agencies the information required by Rule 144A(d)(4)(i) and (ii) with respect to the Issuer and the Co-Issuer to enable the Issuer and the Co-Issuer to satisfy their obligations to furnish such information pursuant to Section 7.01(u) of the Indenture.

(e) Nature of Business. WCG, through WCL, shall not permit either the Issuer or the Co-Issuer to engage in any business other than as expressly permitted by the terms of the Issuer Trust Agreement or the other Transaction Documents.

(f) Transactions with Affiliates. WCG shall not, and shall cause WCL and its other Affiliates not to, enter into transactions with either the Issuer and/or the Co-Issuer in violation of the Issuer Trust Agreement or the other Transaction Documents.

(g) Fees to Williams. WCG shall pay to Williams: (i) a fee payable promptly after (x) any payment is made by or on behalf of Williams to the Indenture Trustee with respect to the Share Trust Remedy or (y) Williams exercises the Share Trust Release Option (but only if the Share Trust Amount at such time exceeds zero), in each case, other than as a result of an Issuer Only Payment Default, in the amount equal to the lesser of $110,000,000 or the portion thereof bearing the same proportion as the aggregate payments made by or on behalf of Williams pursuant to clause (x) or (y) bears to the initial aggregate principal amount of the Senior Notes; and (ii) a fee, payable on each semi-annual interest payment date for the WCG Note during the period commencing on the occurrence of a Failed Reset Sale (as defined in the WCG Note Reset Remarketing Agreement) or a Reset Sale of less than all of the WCG Note and ending on the earlier of (x) the earliest date on which the Issuer no longer holds all or any portion of the WCG Note and (y) the date on which the Reimbursement Obligations shall have been paid in full, in an amount that shall initially be equal to an annual rate of 0.25% (pro-rated, in the case of the initial payment of the fee described in this clause (ii), for the period elapsed since the date of such Failed Reset Sale (as defined in the WCG Note Reset Remarketing Agreement) or Reset Sale) of the aggregate principal amount outstanding on such semi-annual interest payment date of the unsold portion of the WCG Note, and shall increase an additional 0.25% per annum on each subsequent semi-annual interest payment date for the WCG Note (provided, that the fee described in this clause (ii) shall not exceed an annual rate of 14.00% minus the lower of (x) the Interest Rate Reset Cap (as defined in the WCG Note Indenture) and (y) the Reset Rate (as defined in the WCG Note Indenture) for the portion of the WCG Note sold pursuant to a Reset Sale).

ARTICLE VI

INDEMNIFICATION

[Reserved]

ARTICLE VII

MISCELLANEOUS

Section 7.1 Survival.

All agreements, representations, warranties and indemnities contained in this Agreement and in any agreement, document or certificate delivered pursuant hereto, or in connection herewith, shall survive and continue in effect following the execution and delivery of this Agreement and the Closing Date. Upon the payment in full of the Secured Obligations, pursuant to Section 10.01 of the Indenture, this Agreement shall terminate except as to those provisions, including, without limitation, Sections 7.8, 7.9, 7.10 and 7.11 hereof, expressly intended to survive such termination.

Section 7.2 Notices.

Except as otherwise expressly provided herein in any particular case, all notices, approvals, consents, requests and other communications hereunder shall be in writing and shall, if addressed as provided in the following sentence, be deemed to have been given, (i) when delivered by hand on a Business Day, (ii) one Business Day after being sent by a private nationally or internationally recognized overnight courier service or (iii) when sent on a Business Day by telecopy, if immediately after transmission the sender's facsimile machine records in writing the correct answer back. Actual receipt at the address of an addressee, regardless of whether in compliance with the foregoing, is effective notice hereunder. Until otherwise so notified by the respective parties, all notices, approvals, consents, requests and other communications shall be addressed to the following addresses:

If to Williams:

The Williams Companies, Inc.
One Williams Center, MD 50-4
Tulsa, Oklahoma 74172
Attention: Treasurer
Telecopier No.: 918-573-2065
Telephone No.: 918-573-5551

with copies to:

The Williams Companies, Inc.
One Williams Center
Suite 4900
Tulsa, Oklahoma 74172
Attention: General Counsel
Telecopier No.: 918-573-5942
Telephone No.: 918-573-2480

and

Skadden, Arps, Slate, Meagher & Flom LLP
(a) 1600 Smith Street, Suite 4460
Houston, Texas 77002-7348
Attention: Frank Bayouth
Telecopier No.: 713-655-5200
Telephone No.: 713-655-5100

(b) 4 Times Square
New York, New York 10036-6522
Attention: John Osborn
Telecopier No.: 212-735-2000
Telephone No.: 212-735-3000

If to WCG and WCL:

Williams Communications Group, Inc.
One Williams Center, MD 26-1
Tulsa, Oklahoma 74172
Attention: Chief Financial Officer
Telecopier No.: 918-573-6024
Telephone No.: 918-573-9001

with copies to:

Williams Communications Group, Inc.
One Williams Center, MD 41-3
Tulsa, Oklahoma 74172
Attention: General Counsel
Telecopier No.: 918-573-3005
Telephone No.: 918-573-5057

If to the Share Trust or the Share Trustee:

c/o Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration
Telecopier No.: 302-651-8882
Telephone No.: 302-651-1000

with copies to:

The Williams Companies, Inc.
One Williams Center, MD 50-4
Tulsa, Oklahoma 74172
Attention: Treasurer
Telecopier No.: 918-573-2065
Telephone No.: 918-573-5551

If to the Issuers or the Issuer Trustee:

c/o Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration
Telecopier No.: 302-651-8882
Telephone No.: 302-651-1000

and

Williams Communications Group, Inc.
One Williams Center, MD 26-1
Tulsa, Oklahoma 74172
Attention: Chief Financial Officer
Telecopier No.: 918-573-6024
Telephone No.: 918-573-9001

with copies to:

Williams Communications Group, Inc.
One Williams Center, MD 41-3
Tulsa, Oklahoma 74172
Attention: General Counsel
Telecopier No.: 918-573-3005
Telephone No.: 918-573-5057

If to the Indenture Trustee:

United States Trust Company of New York
114 West 47th Street, 25th Floor
New York, New York 10036-1532
Attention: Louis P. Young
Telecopier No.: 212-852-1626
Telephone No.: 212-852-1671

A duplicate copy of each notice, approval, consent, request or other communication given hereunder by each of the Parties to any one of the others or to the Indenture Trustee shall also be given to all of the others. However, failure to give notice to any Party shall not affect the effectiveness of notice to Parties as to whom notice has been given in accordance with the first two sentences of this Section 7.2. Each of the Parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, approvals, consents, requests or other communications shall be sent or persons to whose attention the same shall be directed.

Section 7.3 Severability of Provisions.

If any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof. To the extent permitted by Applicable Law, the Parties hereto hereby agree that any provision hereof that renders any other term or provision hereof invalid or unenforceable in any respect shall be modified, but only to the extent necessary to avoid rendering such other term or provision invalid or unenforceable, and such modification shall be accomplished in the manner that most nearly preserves the benefit of all Parties' bargain hereunder.

Section 7.4 Governing Law; Consent to Jurisdiction.

(a) THE RIGHTS AND OBLIGATIONS OF EACH OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(b) EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATING DIRECTLY OR INDIRECTLY TO ANY OF THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED EXPRESSLY OR OTHERWISE, THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HAVE BEEN INDUCED TO

ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.

(c) ANY PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK IN THE COMMERCIAL DIVISION OF THE SUPREME COURT, CIVIL BRANCH OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK OR THE EASTERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS IN RESPECT OF, BUT ONLY IN RESPECT OF, PROCEEDINGS WITH RESPECT TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT.

(d) EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS OR ANY OTHER TRANSACTION DOCUMENT BROUGHT IN THE COURTS REFERRED TO IN SECTION 7.4(c) HEREOF AND HEREBY FURTHER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(e) EACH OF THE ISSUER, THE CO-ISSUER AND THE SHARE TRUST HEREBY IRREVOCABLY DESIGNATES, APPOINTS AND EMPOWERS AND HEREBY CONFERS AN IRREVOCABLE SPECIAL POWER, AMPLE AND SUFFICIENT, TO CT CORPORATION SYSTEM, WITH OFFICES ON THE DATE HEREOF AT 111 EIGHTH AVENUE, NEW YORK, NY 10011 AS ITS DESIGNEE, APPOINTEE AND AGENT WITH RESPECT TO ANY SUCH PROCEEDING IN NEW YORK TO RECEIVE, ACCEPT AND ACKNOWLEDGE FOR AND ON ITS BEHALF, AND IN RESPECT OF ITS PROPERTY, SERVICE OF ANY AND ALL LEGAL PROCESS, SUMMONS, NOTICES AND DOCUMENTS WHICH MAY BE SERVED IN ANY SUCH PROCEEDING AND AGREES THAT THE FAILURE OF SUCH AGENT TO GIVE ANY ADVICE OF ANY SUCH SERVICE OF PROCESS TO THE ISSUER, THE CO-ISSUER AND THE SHARE TRUST, AS THE CASE MAY BE, SHALL NOT IMPAIR OR AFFECT THE VALIDITY OF SUCH SERVICE OR OF ANY CLAIM BASED THEREON. IF FOR ANY REASON SUCH DESIGNEE, APPOINTEE AND AGENT SHALL CEASE TO BE AVAILABLE TO ACT AS SUCH, EACH OF THE ISSUER, THE CO-ISSUER AND THE SHARE TRUST AGREES TO DESIGNATE A NEW DESIGNEE, APPOINTEE AND AGENT IN NEW YORK CITY ON THE TERMS AND FOR THE PURPOSES OF THIS PROVISION. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE ISSUER, THE CO-ISSUER AND THE SHARE TRUST HEREBY IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS WITH RESPECT TO ANY PROCEEDING (WHETHER OR NOT IN NEW

YORK), BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO SUCH PERSON, AT ITS RESPECTIVE ADDRESS SET FORTH IN SECTION 7.2 HEREOF, SUCH SERVICE TO BECOME EFFECTIVE 30 DAYS AFTER SUCH MAILING.

Section 7.5 Amendments, Waivers, Etc.

This Agreement may not be amended, discharged or terminated nor may any provision hereof be waived unless such amendment, discharge, termination or waiver is in writing and signed by each Party.

Section 7.6 Entire Agreement.

(i) This Agreement (including, without limitation, the appendices hereto) and the other Transaction Documents supersede all prior agreements, written or oral, between or among any of the Parties relating to the transactions contemplated hereby and thereby, and (ii) each of the Parties represents and warrants to the others that this Agreement and the other Transaction Documents constitute the entire agreement among the Parties relating to the transactions contemplated hereby and thereby.

Section 7.7 Benefit of Agreement.

All agreements, representations, warranties and indemnities in this Agreement and in any agreement, document or certificate delivered pursuant hereto shall be binding upon the Person making the same and its successors and assigns and shall inure to the benefit of and be enforceable by the Person for whom made and its successors and assigns; provided, however, none of Williams, WCG, WCL, the Issuer, the Co-Issuer or the Share Trust may assign or transfer any of its rights or obligations hereunder except as provided in the Transaction Documents without the prior written consent of, so long as any of the Senior Notes are outstanding, the Indenture Trustee and except pursuant to any merger permitted under (i) Section 5.1(a) hereof where Williams or such other entity is the survivor or the survivor assumes all the obligations of such entity under the Transaction Documents to which Williams is a party or (ii) Section 5.2(a) hereof where WCG or WCL, as the case may be, or such other entity is the survivor or the survivor assumes all the obligations of such entity under the Transaction Documents to which WCG or WCL, as the case may be, is a party. This Agreement is for the sole benefit of the Parties and their respective successors and assigns and their respective successors and assigns and is not for the benefit of any other Person.

Section 7.8 Expenses.

(a) Williams. All statements, reports, certificates, opinions and other documents or information required to be furnished by any Party to the Share Trust or the Share Trustee under this Agreement or any other Transaction Document shall be supplied without cost to the Share Trust or the Share Trustee. Williams shall pay, within 30 days after demand therefor, (a) any fees, expenses (including extraordinary expenses) and/or indemnities incurred by the Share Trust or due and payable to the Share Trustee in accordance with the Transaction

Documents to the extent such amounts are not paid pursuant to the Transaction Documents and (b) all reasonable and documented out-of-pocket costs and expenses of the Share Trust or the Share Trustee, incurred in connection with (i) the negotiation, preparation, execution and delivery of the Transaction Documents or any waiver or amendment of, or supplement or modification to, the Transaction Documents and (ii) the review of any of the other agreements, instruments or documents referred to in this Agreement or relating to the transactions contemplated hereby. In addition, Williams shall pay, or cause to be paid, within 30 days after demand therefor, all reasonable and documented out-of-pocket costs and expenses of the Share Trust or the Share Trustee (including the reasonable and documented fees and disbursements of counsel), incurred in connection with the enforcement or protection of its rights under the Transaction Documents, including in connection with any workout, restructuring or negotiations in respect thereof and including the exercise of the remedies of the Share Trust or the Share Trustee under the Transaction Documents following the occurrence of any condition, event or act that with the giving of notice and/or the lapse of time and/or any determination or certification would constitute a Trigger Event, an Event of Default or a Reset Event.

(b) WCG. All statements, reports, certificates, opinions and other documents or information required to be furnished by any Party to (i) the Indenture Trustee, the securities intermediary under the Indenture, the Issuer Trustee, the securities intermediary under the Issuer Trust Agreement, the Issuer or the WCG Note Indenture Trustee under this Agreement or any other Transaction Document shall be supplied without cost to the Indenture Trustee, the securities intermediary under the Indenture, the Issuer Trustee, the securities intermediary under the Issuer Trust Agreement, the Issuer or the WCG Note Indenture Trustee. WCG shall pay, within 30 days after demand therefor, (a) any Administrative Expenses incurred by the Issuer, the Co-Issuer, the securities intermediary under the Indenture, the Indenture Trustee, the Issuer Trustee, the securities intermediary under the Issuer Trust Agreement, or, in the case of the WCG Note Indenture Trustee, any fees, expenses (including extraordinary expenses) and/or indemnities due and payable to the WCG Note Indenture Trustee in accordance with the Transaction Documents, each to the extent such amounts are not paid pursuant to the Transaction Documents, and (b) all reasonable and documented out-of-pocket costs and expenses of the Issuer, the Co-Issuer, the securities intermediary under the Indenture, the Indenture Trustee, the Issuer Trustee, the securities intermediary under the Issuer Trust Agreement, or the WCG Note Indenture Trustee incurred in connection with (i) the negotiation, preparation, execution and delivery of the Transaction Documents or any waiver or amendment of, or supplement or modification to, the Transaction Documents and (ii) the review of any of the other agreements, instruments or documents referred to in this Agreement or relating to the transactions contemplated hereby. In addition, WCG shall pay, or cause to be paid, within 30 days after demand therefor, all reasonable and documented out-of-pocket costs and expenses of the Issuer, the Co-Issuer, the securities intermediary under the Indenture, the Indenture Trustee, the Issuer Trustee, the securities intermediary under the Issuer Trust Agreement, or the WCG Note Indenture Trustee (including the reasonable and documented fees and disbursements of counsel) incurred in connection with the enforcement or protection of its rights under the Transaction Documents, including in connection with any workout, restructuring or negotiations in respect thereof and including the exercise of the remedies of the Issuer, the Co-Issuer, the securities intermediary under the Indenture, the Indenture Trustee, the Issuer Trustee, the securities

intermediary under the Issuer Trust Agreement, or the WCG Note Indenture Trustee under the Transaction Documents following the occurrence of any condition, event or act that with the giving of notice and/or the lapse of time and/or any determination or certification would constitute a Trigger Event, an Event of Default or a Reset Event.

Section 7.9 No Bankruptcy Petitions.

(a) Williams. Williams covenants and agrees that, prior to the date that is a year and a day after the redemption or payment in full of the outstanding Senior Notes, it will not institute against, or join any other person in instituting against, the Issuer, the Co-Issuer or the Share Trust any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceeding under the laws of the United States or any state of the United States.

(b) WCG. WCG covenants and agrees that, prior to the date that is a year and a day after redemption or payment in full of the Senior Notes, it will not institute against, or join any other person in instituting against the Issuer, the Co-Issuer or the Share Trust any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceeding under the laws of the United States or any state of the United States.

Section 7.10 Limitation of Liability.

It is expressly understood and agreed by the parties hereto that, except with respect to Section 4.6, (a) this Agreement is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as the Issuer Trustee and the Share Trustee, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer and the Share Trust is made and intended not as personal representations, undertakings and agreements by Wilmington Trust Company but is made and intended for the purpose of binding only the Issuer and the Share Trust, respectively, and (c) under no circumstances shall Wilmington Trust Company be individually or personally liable for the payment of any indebtedness or expenses of the Issuer or the Share Trust or be liable for the breach of failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer or the Share Trust under this Agreement or any other related documents; provided, however, this Section 7.10 shall not limit any liability expressly assumed by Wilmington Trust Company under this Agreement or any other Transaction Document.

Section 7.11 General Limitation of Liability.

No Party to any Transaction Document shall be liable for any punitive, exemplary or treble damages, including without limitation for the inaccuracy of any representation or warranty made by such Party.

Section 7.12 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

[signature pages follow]

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed in its name and on its behalf as of the date first above written.

THE WILLIAMS COMPANIES, INC.

By: /s/ JAMES G. IVEY [STAMP]

Name: James G. Ivey
Title: Treasurer

WILLIAMS COMMUNICATIONS GROUP, INC.

By: /s/ HOWARD S. KALIKA

Name: Howard S. Kalika
Title: Vice President & Treasurer

WILLIAMS COMMUNICATIONS, LLC

By: /s/ HOWARD S. KALIKA

Name: Howard S. Kalika
Title: Vice President & Treasurer

WCG NOTE TRUST

By: WILMINGTON TRUST COMPANY,
not in its individual capacity but
solely in its capacity as Issuer
Trustee

By: /s/ JAMES P. LAWLER

Name: JAMES P. LAWLER
Title: Vice President

WCG NOTE CORP., INC.

By: /s/ HOWARD S. KALIKA

Name: Howard S. Kalika
Title: Vice President & Treasurer

WILLIAMS SHARE TRUST

By: WILMINGTON TRUST COMPANY,
not in its individual capacity but
solely in its capacity as Share
Trustee

By: /s/ JAMES P. LAWLER

Name: JAMES P. LAWLER
Title: Vice President

UNITED STATES TRUST COMPANY OF NEW YORK

By: /s/ LOUIS P. YOUNG

Name: LOUIS P. YOUNG
Title: VICE PRESIDENT

WILMINGTON TRUST COMPANY

By: /s/ JAMES P. LAWLER

Name: JAMES P. LAWLER
Title: Vice President

Exhibit A

CERTIFICATE OF WILLIAMS COMMUNICATIONS GROUP, INC.

This Certificate is being delivered by an Authorized Officer of Williams Communications Group, Inc. ("WCG") pursuant to Section 5.2(d)(ii) of the Participation Agreement dated as of March 22, 2001 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Participation Agreement"), among Williams, WCG, WCL, the Issuer, the Co-Issuer, the Share Trust, United States Trust Company of New York and Wilmington Trust Company. Capitalized terms used herein and not otherwise defined herein have the meanings assigned to such terms in Annex A to the Particpation Agreement.

WCG hereby certifies that, to the knowledge of WCG, there does not exist on the date of this Certificate any Trigger Event, any Event of Default or any WCG Note Event of Default [except for the following: _____ [if any Trigger Event, Event of Default or WCG Note Event of Default exists, describe the details thereof and the action that WCG has taken and proposes to take with respect thereto.]].

IN WITNESS WHEREOF, this certificate is executed and delivered this ____ day of _____, 200_.

WILLIAMS COMMUNICATIONS GROUP, INC.

By:

Name:
Title:

SECTION 1.01 Definitions. Capitalized terms used in this Annex A and, except as otherwise expressly provided in any Transaction Document with respect to specific capitalized or other terms used in such Transaction Document, capitalized terms used in the Transaction Documents and all appendices, schedules and exhibits thereto, shall in each case have the respective meanings given to them in this Section 1.01. Not all of the terms defined in this Annex A are used in any particular Transaction Document.

"Acceleration Trigger" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Additional Shares" means shares of Williams Common Stock or, if authorized by the Board of Directors of Williams or a committee thereof, Williams Preferred Stock, in each case to be issued by Williams following a Partial Remarketing pursuant to Section 8(f) of the Remarketing and Support Agreement.

"Administrative Expenses" means, without duplication: (a) any fees, expenses (including extraordinary expenses) and/or indemnities due or payable as of any Senior Note Payment Date to the Issuer Trustee or the Indenture Trustee, in each case, in accordance with the Transaction Documents, including all amounts set forth in the Administrative Expenses Certificate; (b) any fees and expenses due or payable as of any Senior Note Payment Date or any date upon which such fees and expenses are demanded from the holder of the WCL Interest to (i) each of the accountants and agents of and counsel for the Issuer and the Co-Issuer in connection with services rendered in accordance with the Transaction Documents, and (ii) each Rating Agency in connection with any rating or rating estimate of the Senior Notes as contemplated by the Transaction Documents (including costs related to the maintenance of such ratings); (c) any governmental fee, charge or tax, including Taxes, due or payable as of any Senior Note Payment Date by each of the Issuer and the Co-Issuer; provided, however, that Administrative Expenses shall not include any amounts due or accrued with respect to any actions taken on or in connection with the Closing Date which shall be paid on the Closing Date.

"Administrative Expenses Certificate" means the certificate of the Issuer dated as of the Closing Date and delivered to the Indenture Trustee setting forth the annual Administrative Expenses, as such certificate may be amended from time to time.

"Affiliate" means with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such Person. The term "control" (including the correlative term "controlled") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership

of voting stock, by contract, or otherwise. "Affiliate of Williams" means any Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under direct or indirect common control with Williams; provided that Williams retains, directly or indirectly, economic exposure to no less than 50% of the equity interest in such Person.

"After-Tax Basis" means, with respect to any payment to be made on an "After-Tax Basis", that such payment will be grossed-up by the payor to make the payee whole for the net amount of additional Taxes payable as a result of the receipt or accrual of such payment and such gross-up amount (taking into account all available credits or deductions attributable to the payment or accrual of such additional Taxes). In calculating the gross-up amount, the Tax rates used shall be the highest marginal Tax rates in effect for (and payable by) the payee (or in the case of a payee that is a pass-through entity for any Tax purposes, any Person who is required to take into account any items of income, gain, loss, deduction or credit with respect to such entity) on the date of such payment or accrual.

"Applicable Law" means, in respect of any Person, any law, statute, treaty, constitution, regulation, rule, ordinance, order or Governmental Approval, or other governmental restriction, requirement or determination, of or by any Governmental Authority, in each case that is legally binding upon such Person.

"Asset Remedy" has the meaning assigned to such term in Section 9.04(a)(ii) of the Indenture.

"Asset Remedy Standstill Period" has the meaning assigned to such term in Section 9.04(b)(ii) of the Indenture.

"Authorized Officer" means (a) in the case of Williams, WCG, WCL and the Co-Issuer, any chairman, vice-chairman, president, vice president, secretary, assistant secretary, treasurer, assistant treasurer, controller, assistant controller or any other authorized officer or agent as may from time to time be designated as such, and (b) in the case of the Indenture Trustee, the Issuer or the Share Trust, a Responsible Officer or such other Persons as may from time to time be designated as such.

"Bankruptcy" means, with respect to any Person, a Voluntary Bankruptcy or an Involuntary Bankruptcy.

"Benefit Plan Investor" has the meaning assigned to such term in the Plan Asset Regulations issued by the United States Department of Labor at 29 C.F.R. Section 2510.3-101.

"Business Day" means any day of the year except Saturday, Sunday and any day on which commercial banking institutions are authorized or obligated by law, regulation or executive order to close in New York, New York, Wilmington, Delaware or Tulsa, Oklahoma.

"Business Entity" means a corporation (or, when used as an adjective, corporate), limited liability company, partnership (whether general or limited), business trust, joint

stock company, unincorporated association, joint venture or other applicable business entity and any asset or group of assets that is or can be operated as or as part of a business unit, whether or not having distinct legal existence.

"Cash" means cash, amounts credited to deposit accounts and other immediately available funds that are denominated in Dollars.

"Cash Flow Event of Default" has the meaning assigned to such term in Section 9.01 of the Indenture.

"Certificate of Designation" means the Certificate of Designation adopted by the Board of Directors of Williams establishing the terms of the William Preferred Stock.

"Closing Costs" means (i) all fees, costs and expenses payable pursuant to the CSFB Fee Letter and, without duplication, the expenses and fees due and payable through the Closing Date of the Structuring Advisor (in each case, including, to the extent an invoice therefor has been delivered to Williams and WCG at least one Business Day before the Closing Date, the reasonable fees and expenses of counsel to the Structuring Advisor through the Closing Date and all fees, costs and expenses in connection with post-closing matters), (ii) all out-of-pocket costs and expenses of Williams, WCG and their respective Affiliates incurred in connection with the transactions contemplated in the Participation Agreement and the other Transaction Documents including Williams' and WCG's counsel and accountants fees, (iii) all fees, costs and expenses of the Issuer Trustee, the Share Trustee, the Indenture Trustee and the WCG Note Indenture Trustee, including their respective counsel fees, due and payable through the Closing Date and the trustee fees for the first year payable to (x) Wilmington Trust Company as the Trustee under each of the Issuer Trust Agreement and the Share Trust Agreement and (y) United States Trust Company of New York as the Indenture Trustee under the Indenture and as the WCG Note Indenture Trustee under the WCG Note Indenture and (iv) any other fees, costs and expenses with respect to the sale of the Senior Notes or the sale of the WCG Note incurred in connection with the transactions contemplated in the Participation Agreement and the other Transaction Documents.

"Closing Date" means March 28, 2001.

"Closing Price" for any Trading Day, means, for a security, an amount equal to the closing price for such security on such Trading Day as reported by Bloomberg L.P., or if not so reported by Bloomberg L.P., as reported by another recognized source selected by the Chief Executive Officer or Chief Financial Officer of Williams, or by the Remarketing Agents, if the Chief Executive Officer or Chief Financial Officer of Williams fails to make such selection promptly upon request by the Indenture Trustee.

"Code" means the United States Internal Revenue Code of 1986, as amended from time to time.

"Co-Issuer" means WCG Note Corp., Inc., a corporation organized under the law of the State of Delaware.

"Collateral Instructions Party" has the meaning assigned to such term in Section 9.04(h) of the Indenture.

"Collections" has the meaning assigned to such term in Article II of the Share Trust Agreement.

"Consolidated" refers, with respect to any Person, to the consolidation of accounts of such Person and its Subsidiaries in accordance with GAAP.

"Contractual Obligation" means, as to any Person, any security issued by, or Indebtedness of, such Person or any other agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound, or any provision of any of the foregoing.

"CSFB" means Credit Suisse First Boston Corporation or any successor entity.

"CSFB Fee Letter" means the engagement letter dated as of March 14, 2001 from CSFB to Williams.

"Delaware UCC" means the Uniform Commercial Code as in effect from time to time in the State of Delaware.

"Disposition" means, with respect to any property, any sale, assignment, gift, exchange, lease, conversion, transfer, pledge or other disposition or divestiture of such property, including any transfer by way of a capital contribution and the creation of any, or material increase in any existing, royalty, overriding royalty, reversionary interest, production payment or similar burden. "Dispose", "Disposing" and "Disposed" shall have correlative meanings.

"Distribution Agreement" means an underwriting, purchase, distribution or placement agency agreement to be entered into among Williams, the Share Trust, the Remarketing Agents and any other Persons engaged by Williams, the Share Trust or the Remarketing Agents to remarket or distribute the Shares pursuant to the provisions of the Remarketing and Support Agreement (such agreement to be in a form customary for Williams for a firm commitment underwritten public offering (in the case of an underwriting agreement), a firm commitment underwritten private offering (in the case of a purchase or distribution agreement) or a best efforts private placement (in the case of a placement agency agreement), including without limitation, representations and warranties, covenants, conditions precedent, indemnification and other provisions as are then customary for such agreements), and to be prepared, executed and delivered by Williams and the Share Trust to the Remarketing Agents on or prior to the Successful Repricing Date, as set forth in Section 12 of the Remarketing and Support Agreement.

"Documentary Taxes" means Taxes (other than income or franchise taxes) payable by reason of or in connection with the execution, delivery, filing, release, discharge, amendment or recording of any Transaction Document.

"Dollars" and the sign "$" each mean the lawful currency of the United States.

"Early Redemption" has the meaning assigned to such term in Section 14.01(a) of the Indenture.

"Early Redemption Date" has the meaning assigned to such term in Section 14.01(a) of the Indenture.

"Early Redemption Price" has the meaning assigned to such term in Section 14.01(b) of the Indenture.

"Environmental Law" means any Federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, writ, judgment, injunction, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Equity Interests" means, with respect to any Person (a) shares of capital stock of (or other ownership or profit interests, including partnership, member or trust interests, in) such Person, (b) warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or such other equity ownership or equity profit interests in) such Person, or (c) securities convertible into or exchangeable for shares of capital stock of (or such other equity ownership or equity profit interests in) such Person, or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other equity interests), in each case, whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"ERISA" means the United States Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued from time to time thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with Williams or WCG, as the case may be, is treated as a single employer under Section 414(b) or (c) of the Code, or solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Termination Event" means (a) a "reportable event", as such term is described in Section 4043 of ERISA (other than a "reportable event" not subject to the provision for 30-day notice to the PBGC) or (b) the withdrawal of Williams or any ERISA Affiliate of Williams or WCG or any ERISA Affiliate of WCG, as applicable, 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 Williams or any ERISA Affiliate of Williams or WCG or any ERISA Affiliate of WCG, as applicable, under Section 4064 of ERISA upon the termination of a Plan or Multiple Employer Plan or (c) 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 (d) the institution of proceedings to

terminate a Plan by the PBGC under Section 4042 of ERISA or (e) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"Events of Default" has the meaning assigned to such term in Section 9.01 of the Indenture.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Failed Remarketing" means the failure to sell the Shares required to be remarketed under Section 8 of the Remarketing and Support Agreement because of a Legal Impossibility.

"Financial Investments" means:

(a) Cash; and

(b) Direct general obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States or any agency or instrumentality thereof having maturities of not more than six months from the date of acquisition, but excluding any of such securities whose terms do not provide for payment of a fixed dollar amount upon maturity or call for redemption.

"Fitch" means Fitch, Inc. or any successor by merger, consolidation or otherwise to its business.

"GAAP" means consistently applied United States generally accepted accounting principles as in effect from time to time.

"Governmental Approval" means, with respect to any Person, any consent, license, approval, registration, permit, sanction or other authorization of any nature which is required to be granted by any Governmental Authority under Applicable Law (a) for the formation of such Person, (b) for the enforceability of any Transaction Document against such Person and such Person's making of any payments contemplated thereunder, and (c) for all such other matters as may be necessary in connection with the performance of such Person's material obligations under any Transaction Document.

"Governmental Authority" means any federal, national, state, provincial, municipal, local, territorial or other governmental department, commission, board, bureau, agency, regulatory authority, instrumentality or judicial or administrative body, whether domestic or foreign, having jurisdiction over the matter or matters in question.

"Hazardous Materials" means (a) petroleum or petroleum products and by-products or breakdown products thereof, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials

or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"Indebtedness" of any Person means, without duplication, (a) indebtedness of such Person for borrowed money, (b) obligations of such Person evidenced by bonds, debentures or notes, (c) obligations of such Person to pay the deferred purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of business), (d) monetary obligations of such Person as lessee under leases that are, in accordance with generally accepted accounting principles, recorded as capital leases, (e) 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 (a) through (d) of this definition and (f) indebtedness or obligations of others of the kinds referred to in clauses (a) through (e) of this definition secured by any Lien on or in respect of any property of such Person; provided, that (i) Indebtedness shall not include (i) Liens consisting of interests in receivables in connection with agreements for sales of receivables of any kind by Williams for cash or (ii) any monetary obligations or guaranties of monetary obligations of Persons as lessee under leases that are, in accordance with generally accepted accounting principles, recorded as operating leases.

"Indenture" means the Indenture dated as of March 28, 2001 among the Issuer, the Co-Issuer and United States Trust Company of New York as Indenture Trustee and securities intermediary.

"Indenture Interest Account" has the meaning assigned to such term in Section 5.01(a) of the Indenture.

"Indenture Redemption Account" has the meaning assigned to such term in Section 5.01(a) of the Indenture.

"Indenture Trustee" means United States Trust Company of New York, a New York banking corporation, in its capacity as trustee under the Indenture or any successor thereto under the Indenture.

"Independent Investment Banker" means CSFB or another independent investment banking institution of national standing appointed by the Issuer.

"Initial Purchasers" means CSFB, Lehman, Banc of America Securities LLC, Credit Lyonnais Securities (USA) Inc., Chase Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Salomon Smith Barney Inc.

"Initial Remarketing Agent" means CSFB.

"Initial Shares" has the meaning assigned to such term in the recitals to the Remarketing and Support Agreement.

"Interest Payment Date" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Interest Period" means, for any Interest Payment Date, the period from the immediately preceding Interest Payment Date to the day immediately preceding such Interest Payment Date, provided, however, for the Interest Payment Date on September 15, 2001, the Interest Period means the period from the Closing Date to the day immediately preceding such Interest Payment Date.

"Investment" means any investment in any Person, whether by means of share purchase, capital contribution, loan, time deposit or otherwise.

"Investment Certificate" means the investment certificate attached as Exhibit B to the Issuer Trust Agreement.

"Investment Company Act" means the United States Investment Company Act of 1940, as amended.

"Involuntary Bankruptcy" means, with respect to any Person, without the consent or acquiescence of such Person, the entering of an order for relief or approving a petition for relief or reorganization or any other petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or other similar relief under any present or future bankruptcy, insolvency or similar Applicable Law, or the filing of any such petition against such Person, that shall not be dismissed or stayed within 60 days, or, without the consent or acquiescence of such Person, the entering of an order appointing a trustee, custodian, receiver or liquidator of such Person or of all or any substantial part of the property of such Person that shall not be dismissed or stayed within 60 days.

"Issuer" means the WCG Note Trust, a special purpose statutory business trust created under the law of the State of Delaware.

"Issuer Material Adverse Effect" means (i) a material adverse change in the financial condition or operations of the Issuers, (ii) any event or occurrence of whatever nature that could reasonably be expected to materially and adversely affect the ability of the Issuers to perform their obligations under the Transaction Documents or (iii) the invalidity or unenforceability, in whole or in material part, of any Transaction Document to which any of WCG, WCL or the Issuer is a party.

"Issuer Only Payment Default" has the meaning assigned to such term in Section 9.04(i)(iv) of the Indenture.

"Issuer Trust Agreement" means the Amended and Restated Trust Agreement of WCG Note Trust dated as of the Closing Date among WCL, the Issuer and the Issuer Trustee.

"Issuer Trustee" means Wilmington Trust Company, a Delaware banking corporation, in its capacity as trustee under the Issuer Trust Agreement or any successor thereto under the Issuer Trust Agreement.

"Issuers" means the Issuer and the Co-Issuer.

"Legal Impossibility" has the meaning assigned to such term in Section 1 of the Remarketing and Support Agreement.

"Lehman" means Lehman Brothers Inc. or any successor entity.

"Lien" means any mortgage, lien, pledge, charge, deed of trust, security interest, encumbrance or other type of preferential arrangement to secure or provide for the payment of any obligation of any Person, whether arising by contract, operation of law or otherwise (including, without limitation, the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement).

"Liquidity Agreement" means the Liquidity and Reimbursement Agreement dated as of March 28, 2001 among Williams and the Issuer.

"Liquidity Option" has the meaning assigned to such term in Section 2 of the Liquidity Agreement.

"Liquidity Reimbursement Obligations" has the meaning assigned to such term in Section 3 of the Liquidity Agreement.

"Mandatory Redemption" has the meaning assigned to such term in Section 15.01(d) of the Indenture.

"Mandatory Redemption Date" has the meaning assigned to such term in Section 15.01(d) of the Indenture.

"Margin Stock" means "margin stock" as defined in Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Maturity Date" means March 15, 2004.

"Maturity Trigger" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Moody's" means Moody's Investors Service, Inc. or any successor by merger, consolidation or otherwise to its business.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which Williams or any ERISA Affiliate of Williams or WCG or any ERISA Affiliate of WCG, as applicable, is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means an employee benefit plan as defined in Section 3(2) of ERISA, other than a Multiemployer Plan, subject to Title IV of ERISA to which Williams or any ERISA Affiliate of Williams, and one or more employers other than

Williams or an ERISA Affiliate of Williams, is making or accruing an obligation to make contributions or, in the event that any such plan has been terminated, to which Williams or any ERISA Affiliate of Williams made or accrued an obligation to make contributions during any of the five plan years preceding the date of termination of such plan.

"New Series" means the shares of preferred stock or other equity securities of Williams, in each case which contemplate the mandatory issuance of shares of Williams Common Stock, or shares of Williams Common Stock, the registration and sale of which are permitted pursuant to Section 7(a) of the Remarketing and Support Agreement.

"New York UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York.

"Note Purchase Agreement" means the Senior Note Purchase Agreement dated March 22, 2001 among Williams, WCG, WCL, the Issuer, the Co-Issuer and CSFB and Lehman on behalf of the Initial Purchasers.

"Noteholders" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Obligation" means, with respect to any Person, any obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding.

"Offering Memorandum" means the Offering Memorandum dated March 22, 2001 relating to the issuance and sale of the Senior Notes, including all of the documents of Williams or WCG filed on or prior to the Closing Date with the SEC and incorporated by reference therein.

"Officer's Certificate" means a certificate of any Person signed by any Authorized Officer of such Person.

"Organizational Documents" means, with respect to any Person, any certificate of incorporation, charter, by-laws, memorandum of association, articles of association, partnership agreement, limited liability company agreement, certificate of formation of a limited liability company, certificate of limited partnership, certificate of trust, trust agreement or other agreement or instrument under which such Person is formed or organized, and which established the legal personality of such Person under Applicable Law, and any amendment to any of the foregoing.

"Partial Remarketing" has the meaning assigned to such term in Section 1 of the Remarketing and Support Agreement.

"Participation Agreement" means the agreement dated as of March 22, 2001 among Williams, WCG, WCL, the Issuer, the Co-Issuer, the Share Trust, United States Trust Company of New York and Wilmington Trust Company.

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor).

"Permit" means any approval, certificate of occupancy, consent, waiver, exemption, variance, franchise, order, permit, authorization, right or license of or from any Governmental Authority.

"Permitted Assets" means:

(i) the WCG Note;

(ii) Equity Interests in the Co-Issuer;

(iii) Financial Investments; and

(iv) any other assets which the Issuer may be required to own pursuant to the Transaction Documents to which it is a party.

"Permitted Liens" with respect to any Person means the following:

(i) Liens for taxes not yet delinquent or Liens for taxes being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of such Person) have been established;

(ii) Liens in respect of property or assets imposed by law which were incurred in the ordinary course of business, such as carriers', warehousemen's, materialmen's and mechanics' Liens and other similar Liens arising in the ordinary course of business, which do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of such Person or any Subsidiary of such Person;

(iii) Liens created under or contemplated by any Transaction Document;

(iv) Mechanic's Liens, carrier's Liens, and other Liens to secure the performance of tenders, statutory obligations, contract bids, government contracts, performance and return-of-money bonds and other similar obligations, incurred in the ordinary course of business (exclusive of obligations in respect of the payment for borrowed money), whether pursuant to statutory requirements, common law or consensual arrangements; and

(v) Liens in the nature of covenants, restrictions, rights, easements and minor irregularities in title that do not materially interfere with the business or operations of such Person as presently conducted.

"Permitted Redemption Sources" means (a) payments in respect of the WCG Note (including proceeds of a Reset Sale or a sale of the WCG Note under Section 9.04(i) of the Indenture); (b) amounts on deposit in the Pledged Share Trust Reserve Account; (c) proceeds received pursuant to the Remarketing and Support Agreement; and/or (d) Qualified Equity Proceeds as a result of the exercise by Williams of the Share Trust Release Option.

"Person" means any individual, trust, estate, association, Business Entity or other 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 contributions has accrued, during any of the five plan years preceding the date of termination of such plan by, Williams or any ERISA Affiliate of Williams or WCG or any ERISA Affiliate of WCG, as applicable, for employees of Williams or any ERISA Affiliate of Williams or WCG or any ERISA Affiliate of WCG, as applicable and covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code.

"Plan Asset Regulation" means 29 C.F.R. Section 2510.3-101(f).

"Pledged Share Trust Reserve Account" has the meaning assigned to such term in Section 5.01 of the Indenture.

"Preliminary Offering Memorandum" means the Preliminary Offering Memorandum dated March 13, 2001 relating to the issuance and sale of the Senior Notes.

"Pricing" means, with respect to any security, the determination of the price at which the underwriter(s) (in a firm commitment underwriting arrangement) or the purchaser(s) are willing to purchase, and the holder of such security (or issuer thereof, if such security is being newly issued) is willing to sell, such security.

"Principal Market" means the principal exchange on which the security in question is traded or the principal market on which such security is quoted, as determined by the board of directors of the issuer of such security from time to time.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"PUHCA" means the Public Utility Holding Company Act of 1935, as amended.

"Qualified Equity Proceeds" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Qualified Institutional Buyers" means certain "qualified institutional buyers" within the meaning of Rule 144A.

"Rating Agencies" means Moody's, S&P and Fitch, and "Rating Agency" means any of them.

"Redemption Proceeds" means any Collections in respect of the payment of the redemption price for the Williams Preferred Stock upon a Redemption Event in accordance with the Certificate of Designation.

"Regulation S" means Regulation S under the Securities Act.

"Reimbursement Obligations" means the Liquidity Reimbursement Obligations and the Share Trust Reimbursement Obligations.

"Remarketing Agents" has the meaning assigned to such term in Section 1 of the Remarketing and Support Agreement.

"Remarketing and Support Agreement" means the Williams Preferred Stock Remarketing, Registration Rights and Support Agreement dated as of the Closing Date among Williams, the Issuer, the Share Trust, the Indenture Trustee and the Initial Remarketing Agent.

"Required Holders" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Reset Date" has the meaning assigned to such term in Section 1 of the Remarketing and Support Agreement.

"Reset Event" has the meaning assigned to such term in Section 4.02 of the WCG Note Indenture.

"Reset Sale" has the meaning assigned to such term in Section 1.01 of the WCG Note Indenture.

"Responsible Officer" means (a) with respect to Williams, WCG and WCL, any officer of Williams, WCG or WCL, as the case may be, with knowledge of the financial matters of Williams, WCG or WCL, as the case may be, (b) with respect to the Issuer, the Issuer Trustee, the Share Trust or the Share Trustee, any officer of the Corporate Trust Administration group, or other officer who customarily performs similar functions of the Issuer Trustee or the Share Trustee, respectively, and who has direct responsibility for the administration of the related trust and (c) with respect to the Indenture Trustee, any officer assigned to the principal corporate trust office of the Indenture Trustee, including any managing director, vice president, assistant vice president, assistant treasurer, assistant secretary or any other officer of the Indenture Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of the Indenture, and also, with respect to a particular matter, any other officer, to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Rule 144A" means Rule 144A under the Securities Act.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor by merger, consolidation or otherwise to its business.

"SEC" means the Securities and Exchange Commission.

"Secured Obligations" has the meaning assigned to such term in Section 3.01 of the Indenture.

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

"Security for the Senior Notes" has the meaning assigned to such term in Section 3.01 of the Indenture.

"Semi-Annual Cash Flow" has the meaning assigned to such term in Section 5.02 of the Indenture.

"Senior Note Interest Amount" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Senior Note Payment Date" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Senior Note Rate" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Senior Notes" has the meaning assigned to such term in the Indenture.

"Share Trust" means the Williams Share Trust, a special purpose statutory business trust created under the law of the State of Delaware for the purpose of holding the Shares.

"Share Trust Agreement" means the Amended and Restated Share Trust Agreement dated as of the Closing Date among the Issuer, Williams, the Share Trust and the Share Trustee.

"Share Trust Amount" means, as of any date of determination, an amount equal to the excess, if any, of (a) an amount sufficient to redeem the Senior Notes on the applicable Mandatory Redemption Date (including any accrued and unpaid interest and/or any make-whole premium payable in accordance with Articles XIV and XV of the Indenture, as applicable) over (b) the sum of (i) any funds or the proceeds of the sale of any investments then held in the Indenture Interest Account and the Indenture Redemption Account and (ii) any funds then held in the Pledged Share Trust Reserve Account and, in each case in clauses (i) and (ii), available to the Indenture Trustee for the payment of the Senior Notes.

"Share Trust Contribution Account" has the meaning assigned to such term in Section 4.05(a) of the Share Trust Agreement.

"Share Trust Distribution Account" has the meaning assigned to such term in Section 4.02(a) of the Share Trust Agreement.

"Share Trust Reimbursement Obligations" has the meaning assigned to such term in Section 27 of the Remarketing and Support Agreement.

"Share Trust Release Option" has the meaning assigned to such term in Section 7(d) of the Remarketing and Support Agreement.

"Share Trust Remedy" has the meaning assigned to such term in Section 9.04(a)(i) of the Indenture.

"Share Trust Remedy Standstill Period" has the meaning assigned to such term in Section 9.04(b)(i) of the Indenture.

"Share Trust Reserve" has the meaning assigned to such term in Article II of the Share Trust Agreement.

"Share Trust Security Agreement" means the Share Trust Security Agreement dated as of March 28, 2001 between the Indenture Trustee and the Share Trust.

"Share Trustee" means Wilmington Trust Company, a Delaware banking corporation, in its capacity as trustee under the Share Trust Agreement or any successor thereto pursuant to the Share Trust Agreement.

"Shares" means the Initial Shares and the Additional Shares, or the portion thereof that is then required to be issued or available for remarketing, as the context requires.

"Special Default" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Spin-Off Notice" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Standstill Expiration Date" means the expiration date of any Standstill Period.

"Standstill Period" means an Asset Remedy Standstill Period or a Share Trust Remedy Standstill Period.

"Stock Price/Credit Downgrade Trigger" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Structuring Advisor" means CSFB.

"Subsidiary" means, as to any Person, any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital

stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the right or power to direct, in the case of any entity of which such Person or any of its Subsidiaries is a general partner, or both the beneficial ownership of and the right or power to direct, in any other case, such limited liability company, partnership or joint venture, or (c) the beneficial interest in such trust or estate, is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries; provided, however, that no such corporation, partnership, joint venture or other entity shall (i) constitute a Subsidiary of Williams, unless such entity is a Consolidated Subsidiary of Williams, or (ii) constitute a Subsidiary of any other Person unless such entity would appear as a consolidated subsidiary of such Person on a consolidated balance sheet of such Person prepared in accordance with GAAP.

"Successful Repricing Date" has the meaning assigned to such term in Section 1 of the Remarketing and Support Agreement.

"Tax" or "Taxes" means any and all taxes (including net income, gross income, franchise, value added, ad valorem, gross receipts, leasing, excise, fuel, excess profits, sales, use, property (personal or real, tangible or intangible) and stamp taxes), levies, imposts, duties, charges, assessments or withholdings of any nature whatsoever, general or special, ordinary or extraordinary, now existing or hereafter created or adopted, together with any and all interest, penalties, fines, additions to tax and interest thereon.

"Trading Day" means a day on which the Principal Market with respect to a security is regularly scheduled to be open for trading. For purposes of this definition, a day on which any such Principal Market is scheduled to close (as opposed to unexpectedly closing) prior to its regular closing time shall not constitute a Trading Day.

"Transaction Documents" means the Participation Agreement, the Issuer Trust Agreement, the Indenture, the Senior Notes, the Share Trust Agreement, the Remarketing and Support Agreement, the Share Trust Security Agreement, the Certificate of Designation, the Williams Demand Loans, the Note Purchase Agreement, the Liquidity Agreement, the WCG Note Indenture, the WCG Note, the WCG Note Reset Remarketing Agreement and any other documents required to be executed in order to satisfy, comply or evidence compliance with Section 2.3 of the Participation Agreement.

"Treasury Yield" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Trigger Event" means the occurrence of any of the following: (i) an Acceleration Trigger, (ii) a Maturity Trigger and (iii) a Stock Price/Credit Downgrade Trigger.

"Trust Act" means the Delaware Business Trust Act, Chapter 38 of Title 12 of the Delaware Code, 12 Del. Code Section 3801 et seq., as in effect from time to time.

"Voluntary Bankruptcy" means, with respect to any Person: (a) (i) the inability of such Person generally to pay its debts as such debts become due, (ii) the failure of such

Person generally to pay its debts as such debts become due or (iii) an admission in writing by such Person of its inability to pay its debts generally or a general assignment by such Person for the benefit of creditors; (b) the filing of any petition by such Person seeking to adjudicate it a bankrupt or insolvent, or seeking for itself any liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of such Person or its debts under any Applicable Law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking, consenting to, or acquiescing in the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for such Person or for any substantial part of its property or the filing of an answer or other pleading admitting or failing to contest the allegations of a petition filed against it in any proceeding of the foregoing nature; or (c) action taken by such Person to authorize any of the actions set forth above.

"WCG" means Williams Communications Group, Inc., a corporation organized under the law of the State of Delaware.

"WCG Material Adverse Effect" means (i) a material adverse effect on the business, property or financial condition of WCG and its consolidated Subsidiaries taken as a whole or (ii) the invalidity or unenforceability, in whole or in material part, of any Transaction Document to which WCG is a party.

"WCG Note" means the note of WCG in an aggregate original principal amount of $1,500,000,000 issued under the WCG Note Indenture and sold to the Issuer on the Closing Date.

"WCG Note Event of Default" means an "Event of Default" as such term is defined in the WCG Note Indenture.

"WCG Note Indenture" means the indenture dated as of the Closing Date between WCG and United States Trust Company of New York.

"WCG Note Indenture Trustee" means United States Trust Company of New York, in its capacity as trustee under the WCG Note Indenture or any successor thereto under the WCG Note Indenture.

"WCG Note Interest" means a rate of 8.25% per annum initially, as reset in accordance with the WCG Note Indenture.

"WCG Note Reset Remarketing Agreement" means the WCG Note Remarketing and Registration Rights Agreement dated as of March 28, 2001 among Williams, WCG, WCL, the Issuer, United States Trust Company of New York, as Indenture Trustee and WCG Note Indenture Trustee, and CSFB, as remarketing agent.

"WCG Payment Direction Letter" means the letter agreement among WCG, the Issuer and the Indenture Trustee dated as of the Closing Date directing WCG to make payments in respect of the WCG Note directly to the Indenture Trustee.

"WCL" means Williams Communications, LLC, a limited liability company organized under the law of the State of Delaware.

"WCL Credit Agreement" means the Credit Agreement dated as of September 8, 1999 among WCL, as Borrower, WCG, as Guarantor, the Lenders party thereto, Bank of America, N.A., as Administrative Agent, The Chase Manhattan Bank, as Syndication Agent, and Bank of Montreal and The Bank of New York, as Co-Documentation Agents, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time, including any agreement extending the maturity of, refinancing, renewing, refunding, replacing or otherwise restructuring (including, without limitation, increasing the amount of available borrowings thereunder, and all obligations with respect thereto, in each case, to the extent permitted therein or adding additional borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreement or any successor or replacement agreement and whether by the same or any other agent, lender or group of lenders.

"WCL Interest" has the meaning assigned to such term in Article II of the Issuer Trust Agreement.

"WCL Material Adverse Effect" means (i) a material adverse effect on the business, property or financial condition of WCL and its consolidated Subsidiaries taken as a whole or (ii) the invalidity or unenforceability, in whole or in material part, of any Transaction Document to which WCL is a party.

"Williams" means The Williams Companies, Inc., a corporation organized under the law of the State of Delaware.

"Williams Common Stock" means the common stock, par value $1.00 per share, of Williams.

"Williams Credit Agreement" means the Credit Agreement dated as of July 25, 2000 among Williams, Northwest Pipeline Corporation, a Delaware corporation, Transcontinental Gas Pipe Line Corporation, a Delaware corporation, Texas Gas Transmission Corporation, a Delaware corporation, the Banks party thereto, The Chase Manhattan Bank and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citibank, N.A., as Agent, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time, including any agreement extending the maturity of, refinancing, renewing, refunding, replacing or otherwise restructuring (including, without limitation, increasing the amount of available borrowings thereunder, and all obligations with respect thereto, in each case, to the extent permitted therein or adding additional borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreement or any successor or replacement agreement and whether by the same or any other agent, lender or group of lenders.

"Williams Demand Loans" means loans made from time to time by the Share Trust to, and at all times the obligor under which is, Williams or an affiliate of Williams

(provided that any loan to such affiliate is unconditionally guaranteed by Williams); provided that (i) the obligations of Williams with respect to such loan or such guarantee, as the case may be, rank at all times at least pari passu in priority of payment with all other senior unsecured Indebtedness of Williams, (ii) such loan is payable upon demand thereon but only to the extent of the amount demanded, (iii) such loan is denominated in Dollars, (iv) such loan is evidenced by a promissory note, the form of which is attached as Exhibit B to the Share Trust Agreement, (v) such loan bears interest at the fixed rate provided therein and (vi) each Williams Demand Loan shall provide that the principal and accrued interest thereon becomes due and payable upon the occurrence of any Trigger Event.

"Williams Event" has the meaning assigned to such term in Section 1.01 of the Indenture.

"Williams Material Adverse Effect" means (i) a material adverse effect on the business, assets, condition or operations of Williams and its consolidated Subsidiaries taken as a whole or (ii) the invalidity or unenforceability, in whole or in material part, of any Transaction Document to which Williams is a party.

"Williams Payment Direction Letter" means the letter agreement among the Share Trust, Williams and the Indenture Trustee dated as of the Closing Date directing Williams to make payments (or to cause any other obligor under a Williams Demand Loan to make payments) in respect of the Williams Demand Loan representing the Share Trust Reserve directly to the Indenture Trustee.

"Williams Preferred Stock" means the March 2001 Mandatorily Convertible Single Reset Preferred Stock, par value $1.00 per share, issued by Williams and having an initial liquidation preference, in the aggregate, of $1,400,000,000.

"Withdrawal Liability" has the meaning assigned to such term under Part 1 of Subtitle E of Title IV of ERISA.

SECTION 1.02 Rules of Construction. This Annex A and, except as otherwise expressly provided in any Transaction Document with respect to specific rules of construction for such Transaction Document, all Transaction Documents and all appendices, schedules and exhibits to the Transaction Documents shall be governed by, and construed in accordance with, the following rules of construction:

(a) Computation of Time Periods. In the computation of periods of time from a specified date to a later specified date, the word or phrase "from" and "commencing on" mean "from and including" and the words or phrase "to" and "until" and "ending on" mean "to but excluding".

(b) Accounting Terms. All accounting terms shall be construed in accordance with GAAP applied consistently, except to the extent otherwise specified in the provisions of Section 1.01 or 1.02 hereof.

(c) No Presumption Against Any Party. Neither any Transaction Document nor any uncertainty or ambiguity therein shall be construed against any particular party, whether under any rule of construction or otherwise. On the contrary, each Transaction Document has been reviewed by each of the parties thereto and their respective counsel and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties thereto.

(d) Use of Certain Terms. Unless the context of any Transaction Document requires otherwise, the plural includes the singular, the singular includes the plural, and "including" has the inclusive meaning of "including without limitation". The words "hereof", "herein", "hereby", "hereunder", and other similar terms of any Transaction Document refer to such Transaction Document (including this Annex A to the extent incorporated or referred to therein (whether or not actually attached thereto) and all other annexes, schedules and exhibits attached thereto) as a whole and not exclusively to any particular provision of such Transaction Document. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the identity of the Person or Persons may require.

(e) Headings and References. Article, Section and other headings are for reference only, and are not intended to describe, interpret, define or limit the scope, extent or intent of any Transaction Document or any provision thereof. References in any Transaction Document to Articles, Sections, Annexes, Schedules and Exhibits refer to Articles, Sections, Annexes, Schedules, and Exhibits of or to such Transaction Document, and references in Sections of such Transaction Document to any clause refer to such clause of such Section. Whether or not specified in any Transaction Document or in this Annex A, references in such Transaction Document or in this Annex A to such Transaction Document, any other Transaction Document or any other agreement include, unless otherwise provided in such Transaction Document or in this Annex A, this Annex A, such Transaction Document, the other Transaction Documents and such other agreements, as the case may be, as the same may be amended, restated, supplemented or otherwise modified from time to time pursuant to the provisions thereof and of any other Transaction Documents applicable thereto. In the event that any term is defined by reference to a Transaction Document and such Transaction Document is terminated, such term has the meaning assigned to it in such Transaction Document immediately prior to the termination thereof. Whether or not specified in any Transaction Document or in this Annex A, a reference to any Applicable Law or law (as the case may be) as at any time shall mean that Applicable Law or law (as the case may be) as it may have been amended, restated, supplemented or otherwise modified from time to time, and any successor Applicable Law or law (as the case may be). A reference to a Person includes the successors and assigns of such Person, but such reference shall not increase, decrease or otherwise modify in any way the provisions in this Annex A or any Transaction Document governing the assignment of rights and

obligations under, or the binding effect, of any provision of this Annex A or any Transaction Document.

(f) Revised Annex A. On and after the Closing Date, all references to this Annex A in this Agreement or any other Transaction Document shall, without any further act by any Person, be deemed to refer to such Annex A as so revised on or prior to the Closing Date and as amended, supplemented, amended and restated or otherwise modified from time to time after the Closing Date in accordance with the Transaction Documents.

EXHIBIT 10(b)

EXECUTION COPY

THE WILLIAMS COMPANIES, INC.
(a Delaware Corporation)

WILLIAMS SHARE TRUST
(a Delaware Trust)

WCG NOTE TRUST
(a Delaware Trust)

UNITED STATES TRUST COMPANY OF NEW YORK,
as Indenture Trustee

and

CREDIT SUISSE FIRST BOSTON CORPORATION

as
Initial Remarketing Agent

WILLIAMS PREFERRED STOCK REMARKETING, REGISTRATION RIGHTS AND SUPPORT AGREEMENT

Dated as of March 28, 2001

TABLE OF CONTENTS

WILLIAMS PREFERRED STOCK REMARKETING, REGISTRATION RIGHTS AND SUPPORT AGREEMENT, dated as of March 28, 2001 (this "Agreement"), among (i) The Williams Companies, Inc., a Delaware corporation; (ii) Williams Share Trust, a statutory business trust formed under the Trust Act; (iii) WCG Note Trust, a statutory business trust formed under the Trust Act; (iv) United States Trust Company of New York, as Indenture Trustee; and (v) Credit Suisse First Boston Corporation. Capitalized terms used herein without definition have the meanings assigned to such terms in Section 1.

WHEREAS, Williams has issued 14,000 shares of Williams Preferred Stock with an aggregate liquidation preference of $1,400,000,000 to the Share Trust (the "Initial Shares");

WHEREAS, Williams has issued the shares of Williams Preferred Stock referenced in the preceding Whereas clause to the Share Trust in exchange for certificates of beneficial ownership interest and cash pursuant to the Share Trust Agreement and has reserved for issuance 110,000,000 shares of Williams Common Stock into which such Initial Shares of Williams Preferred Stock will be convertible;

WHEREAS, each share of Williams Preferred Stock has been issued with a liquidation preference of $100,000 plus accrued and unpaid dividends thereon with mandatory and optional conversion provisions as provided in the Certificate of Designation, which conversion provisions adjust upon the Reset Date;

WHEREAS, Williams and the Share Trust have requested CSFB to act as Remarketing Agent with respect to the Shares under this Agreement for the purpose of (i) using its commercially reasonable efforts upon a Trigger Event to recommend to Williams the terms and quantity of shares of Williams equity securities which, if sold by Williams, would generate net proceeds at least equal to the Share Trust Amount and (ii) using its commercially reasonable efforts following a Remarketing Event to remarket a sufficient amount of the Shares held by the Share Trust to generate net proceeds at least equal to the Share Trust Amount, including paying (or causing payment of) the purchase price for the Shares subject to such remarketing to the Indenture Trustee in accordance with this Agreement, each in collaboration with the other Remarketing Agent(s), if any;

WHEREAS, the parties hereto agree that it is advisable, in connection with the remarketing activities to be undertaken by the Remarketing Agents, for the resale of the Shares held by the Share Trust to be registered with the SEC under the Securities Act;

WHEREAS, the Issuer has issued the Senior Notes as of the date hereof, and the Indenture Trustee's rights hereunder will support the Issuer's repayment obligations with respect to the Senior Notes;

WHEREAS, each of the parties herein is willing to assume the duties ascribed to it hereunder on the terms and conditions expressly set forth herein; and

WHEREAS, this Agreement is being entered into pursuant to the terms of the Participation Agreement;

NOW, THEREFORE, for and in consideration of the covenants made herein and in the Participation Agreement and subject to the conditions herein set forth, the parties hereto agree as follows:

SECTION 1. Definitions. Capitalized terms used and not defined in this Agreement shall have the meanings assigned to them in Annex A to the Participation Agreement dated as of March 22, 2001 among Williams, the Issuer, the Co-Issuer, WCG, WCL, the Share Trust, United States Trust Company of New York and Wilmington Trust Company (each as defined therein). In addition, as used herein:

"Additional Registration Statement" has the meaning set forth in Section 3(a)(ii).

"Cash Flow Default" means the occurrence of a Cash Flow Event of Default.

"Conditions Precedent" has the meaning set forth in Section 12.

"Effectiveness Period" means, with respect to any Registration Statement, the period that begins on the date of effectiveness of such Registration Statement and extends to the earlier of (i) the date on which all Shares registered thereunder have been remarketed under such Registration Statement, (ii) the date on which all of the Senior Notes cease to be outstanding and (iii) the date on which the obligations of Williams hereunder are deemed satisfied in whole pursuant to Section 7(d).

"Eligible Remarketing Agent" means any nationally or internationally recognized investment banking firm listed on Schedule III hereto; provided that Schedule III hereto may be amended by Williams at any time and from time to time to add any investment banking firm that is ranked among the top ten placement agents or underwriters for all domestic equity-related securities offerings (by either aggregate dollar value of such offerings or by number of issues credited to the lead manager) according to the rankings most recently published by Investment Dealers' Digest or any equivalent publication or to subtract any investment banking firm that does not make a market in Williams Common Stock at such time.

"Failed Registration" means a failure by Williams to (i) file a Registration Statement no later than 21 days following a Trigger Event or, if a Shelf Registration Statement is then not legally permitted, provide no later than 21 days following a Trigger Event to the Remarketing Agents written assurance, reasonably acceptable to the Remarketing Agents, that the Registration Statement will be declared, or will otherwise become, effective promptly after a Pricing of the Shares, or otherwise have an effective Registration Statement available in accordance with Section 3(a); (ii) use its reasonable best efforts to diligently pursue the registration of the Shares (and the underlying Williams Common Stock, to the extent applicable) when so required by this Agreement; (iii) use its reasonable best efforts to cause the Registration Statement to be declared effective no later than 90 days following a Trigger Event; or (iv) satisfy the applicable Conditions Precedent specified in Section 12 within the time periods set forth therein.

"Failed Repricing" means a failure to establish a Remarketed Price on any Repricing Date, including due to the failure to satisfy the applicable Conditions Precedent specified in Section 12 within the time periods set forth therein.

"Failed Repricing Date" means any Repricing Date on which a Failed Repricing occurs.

"Filed Documents" means all documents filed by Williams with the SEC under the Securities Act or the Exchange Act that are, or are required to be, incorporated by reference into the Registration Statement or Prospectus or any applicable private placement memorandum.

"Final Sale Date" means the date on which the Share Trust shall have sold Shares generating aggregate net proceeds at least equal to the Share Trust Amount.

"Initial Remarketing Agent" means CSFB in its capacity as a remarketing agent hereunder.

"Initial Repricing Date" means, (a) with respect to a public offering of the Shares, the later of (i) the date on which the Registration Statement is declared effective or, if a Shelf Registration Statement is then not legally permitted, the first date on which Williams provides the Remarketing Agents written assurance, reasonably acceptable to the Remarketing Agents, that the Registration Statement will be declared, or will otherwise become, effective promptly after a Pricing of the Shares in accordance with applicable securities laws and (ii) the tenth Trading Day following the Remarketing Notification Date and (b) if a Failed Registration has occurred, the earliest date upon which Milbank, Tweed, Hadley & McCloy LLP or other national or international securities counsel selected by the Remarketing Agents and approved by Williams advises, in writing, that a private placement of the Shares may be commenced in compliance with applicable securities laws.

"Inspectors" has the meaning set forth in Section 6(h).

"Legal Impossibility" means (i) with respect to the remarketing of the Initial Shares (A) on or at any time after the Initial Repricing Date it is legally impossible to remarket the Initial Shares, including, without limitation, due to the failure of Williams to have a sufficient number of additional shares of authorized but unissued Williams Common Stock for conversion of the Initial Shares that have not been reserved for other purposes as of any date on which any Initial Shares are sold or (B) on or after a Trigger Event a material breach by Williams of its obligations hereunder has occurred, including, without limitation, due to the failure of Williams to satisfy the Conditions Precedent specified in Sections 12(b) and 12(c) (but excluding Section 12(d)) within the time periods set forth therein except for any breach by Williams which pursuant to the terms hereof would result in a Failed Registration and (ii) with respect to the remarketing of Additional Shares (A) on or at any time after the Reset Date it is legally impossible to remarket the Additional Shares, including, without limitation, due to the failure of Williams to have a sufficient number of additional shares of authorized but unissued Williams Common Stock for conversion of the Additional Shares that have not been reserved for other purposes as of any date on which any Additional Shares are sold or (B) the Remarketing Agents are unable to sell sufficient Additional Shares as contemplated by Section 8(f) within 180 days from the earlier of (1) a Partial Remarketing of the Initial Shares or (2) 120 days following any Trigger Event.

"Marketing Materials" has the meaning set forth in Section 13(a).

"NASD" means the National Association of Securities Dealers, Inc.

"Nasdaq" has the meaning assigned to such term in Section 6(k).

"New Series Distribution Agreement" means an underwriting, purchase, distribution or placement agency agreement to be entered into among Williams, the Remarketing Agents and any other Persons engaged by Williams (including the lead underwriters if Williams elects not to have one or more of the Remarketing Agents as the lead underwriters) or the Remarketing Agents (with the approval of Williams, such approval not to be unreasonably withheld or delayed) to market and sell the New Series as contemplated herein (such agreement to be in a form customary for Williams for a firm commitment underwritten public offering (in the case of an underwriting agreement), a firm commitment underwritten private offering (in the case of a purchase or distribution agreement) or a best efforts private placement (in the case of a placement agency agreement), including, without limitation, representations and warranties, covenants, conditions precedent, indemnification and other provisions as are then customary for such agreements) and to be prepared, executed and delivered by Williams to the Remarketing Agents on or prior to the Pricing of the New Series.

"Offerors" means Williams and the Share Trust.

"Partial Remarketing" means a remarketing of all of the Shares then available as to which, although a Failed Remarketing has not occurred, net proceeds at least equal to the Share Trust Amount are not generated and paid to the Indenture Trustee.

"Prospectus" means any preliminary or final prospectus or prospectus supplement or other offering document to be used by the Remarketing Agents in connection with a public offering of the Shares.

"Records" has the meaning set forth in Section 6(h).

"Registration Expenses" means any and all expenses incident to the performance of or compliance by Williams and the Share Trust with this Agreement, including, without limitation: (i) all SEC, stock exchange or NASD registration and filing fees, (ii) all necessary fees and expenses reasonably incurred in connection with compliance with state securities or "blue sky" laws (including reasonable fees and disbursements of counsel for the Remarketing Agents in connection with blue sky qualification of any of the Shares or the New Series (and the Williams Common Stock into which such Shares or the New Series are convertible, to the extent applicable)) and compliance with the rules of the NASD, (iii) all expenses authorized by Williams or the Share Trust of any Persons in preparing or assisting in preparing, word processing, printing and distributing any Remarketing Documents and any amendments or supplements thereto and in preparing or assisting in preparing, printing and distributing the Distribution Agreement and any other agreements or documents relating to the performance and compliance by the Remarketing Agents with this Agreement, (iv) all rating agency fees incurred in connection with the remarketing process, (v) the fees and disbursements of counsel for Williams and the Share Trust and of the independent certified public accountants of Williams, including the expenses of any "comfort letters" required by or incident to such performance and compliance, (vi) the fees and expenses of the Share Trustee and any transfer agent or custodian

for the Shares (and the Williams Common Stock into which such Shares are convertible, to the extent applicable), (vii) all fees and expenses incurred in connection with the listing, if any, of any of the Shares or the New Series (and the Williams Common Stock into which such Shares or New Series are convertible, to the extent applicable) on any securities exchange or quotation system and (viii) the reasonable fees and expenses of any special experts retained by Williams in connection with any Shelf Registration Statement, including reasonable fees of counsel to the Remarketing Agents.

"Registration Statement" means any registration statement of Williams for the registration of the Shares then available for sale (and the underlying Williams Common Stock, to the extent applicable) with the SEC pursuant to the provisions of this Agreement and all amendments and supplements to any such Registration Statement, including post-effective amendments and in each case including the Prospectus contained therein (if any), all exhibits thereto and all information incorporated by reference therein, and, if no Prospectus is required to be delivered at the time of such registration, any term sheet or other document prescribed by the SEC to describe the securities to be sold thereunder.

"Remarketed Price" means the price at which the Remarketing Agents, using commercially reasonable efforts, can sell the fewest number of Shares then available that will generate net proceeds that are at least equal to the Share Trust Amount or, if the Remarketing Agents cannot generate net proceeds that are at least equal to the Share Trust Amount through the sale of all of the Shares then available, then the highest price at which the Remarketing Agents, using commercially reasonable efforts, can sell all of the Shares then available.

"Remarketing Agent" means the Initial Remarketing Agent and/or any Eligible Remarketing Agent that, in each case, is appointed and agrees to act as a remarketing agent pursuant to the terms of this Agreement.

"Remarketing Conditions" has the meaning set forth in Section 8(c)(i).

"Remarketing Documents" means any documents prepared by or at the direction of or in conjunction with Williams and/or the Share Trust that are intended to be used by the Remarketing Agents in the remarketing of the Shares, including, without limitation (i) in the case of a public offering, the Registration Statement and all exhibits thereto and any Prospectus, (ii) any private placement memoranda and (iii) any Filed Document incorporated by reference with respect to any of the foregoing.

"Remarketing Event" has the meaning set forth in Section 7(b).

"Remarketing Notification Date" means the date on which the Remarketing Agents receive notice pursuant to Section 8(a) from the Share Trustee or the Indenture Trustee of their obligation to commence the remarketing of the Initial Shares.

"Remarketing Period" means the period beginning on and including the Remarketing Notification Date and continuing until and including the Reset Date.

"Repricing Date" means the Initial Repricing Date and each Trading Day thereafter until the Reset Date.

"Reset Date" means the earlier of (i) the date of the consummation of the remarketing (including a Partial Remarketing) of the Shares then being remarketed (which is expected to be on or about the third Trading Day following the Successful Repricing Date) or (ii) the date a Failed Remarketing is declared.

"Restriction Termination Date" has the meaning set forth in Section 3(e).

"Share Trust Release Option" has the meaning set forth in Section 7(d).

"Shelf Registration Statement" means one or more "shelf" Registration Statements of Williams pursuant to the provisions of Section 3 which registers the continuous offer and sale by the Share Trust and, to the extent required, Williams of the Shares (and the underlying Williams Common Stock, to the extent applicable) on an appropriate form under Rule 415 under the Securities Act or any similar or successor rule that may be adopted by the SEC and all amendments and supplements to such registration statement(s), including post-effective amendments, in each case including the Prospectus contained therein (if any), all exhibits thereto and all information incorporated by reference therein. Unless the context otherwise requires, the term "Shelf Registration Statement" includes any Shelf Registration Statement and/or Additional Registration Statement filed pursuant to Section 3(a) and any Subsequent Shelf Registration Statement filed pursuant to Section 3(c).

"Subsequent Shelf Registration Statement" has the meaning set forth in Section 3(c).

"Successful Repricing Date" means the Repricing Date on which the Pricing by the Remarketing Agents of the Shares at the Remarketed Price occurs.

"Williams Group" has the meaning set forth in Section 3(e).

The rules of construction set forth in Annex A to the Participation Agreement shall apply to this Agreement as if set forth herein.

SECTION 2. Appointment of Remarketing Agents.

(a) Williams hereby appoints CSFB, and CSFB hereby accepts such appointment, as Remarketing Agent (subject to Section 10), for the purpose of, acting together with any other Remarketing Agent(s), (i) using its commercially reasonable efforts upon a Trigger Event to recommend to Williams the terms and quantity of the New Series that would generate net proceeds in an amount reasonably expected to be at least equal to the Share Trust Amount and, subject to Section 7, to market and sell such New Series pursuant to the New Series Distribution Agreement and/or (ii) using its commercially reasonable efforts following a Remarketing Event to remarket and sell a sufficient amount of the Shares then held by the Share Trust to generate net proceeds at least equal to the Share Trust Amount (to the extent not discharged following the offering of the New Series), in each case subject to the terms and conditions herein, including paying (or, in the case of a purchase by Persons other than the Remarketing Agent(s), causing payment of) the purchase price (up to the Share Trust Amount) for the New Series or the Shares subject to such remarketing to the Indenture Trustee.

(b) Each Remarketing Agent agrees, in consultation with the other Remarketing Agent(s):

(i) to use its commercially reasonable efforts to recommend the applicable terms of the New Series and the Pricing thereof in order to generate net proceeds in an amount reasonably expected to be at least equal to the Share Trust Amount and to market such New Series in accordance with the New Series Distribution Agreement;

(ii) to use its commercially reasonable efforts to remarket the Shares during the Remarketing Period to the extent necessary;

(iii) to use its commercially reasonable efforts to establish the Remarketed Price on each Repricing Date until (and including) the Successful Repricing Date;

(iv) to notify Williams, the Share Trustee, the Indenture Trustee and the Issuer promptly of the Remarketed Price and of the occurrence of a Successful Repricing Date or of a Failed Remarketing; and

(v) to accept Shares for remarketing and to pay (or to cause payment of) the purchase price for remarketed Shares to the Indenture Trustee.

SECTION 3. Agreement to Register Shares.

(a) Unless an effective Registration Statement of Williams would permit the remarketing and resale of Shares as contemplated by this Agreement,

(i) Williams shall prepare and file with the SEC, as soon as practicable following a Trigger Event (taking into account the legal requirements for registration at such time) but in any event no later than 21 days following such Trigger Event, a Shelf Registration Statement for an offering to be made by the Share Trust on a continuous basis covering the Initial Shares and the Williams Common Stock into which any such Initial Shares are convertible, and

(ii) if Williams is required to issue Additional Shares pursuant to Section 8(f), Williams shall prepare and file with the SEC, as soon as practicable (taking into account the legal requirements for registration at such time) but in any event no later than five days (or, if such fifth day is not a Business Day, by the next succeeding Business Day) following the Partial Remarketing of the Initial Shares and the determination of such amount and terms of the Additional Shares, an additional registration statement (the "Additional Registration Statement") for an offering to be made by the Share Trust on a continuous basis covering the Additional Shares and to the extent applicable any Williams Common Stock into which such Additional Shares are convertible.

Any Shelf Registration Statement shall be filed on Form S-3 or another appropriate form permitting registration of the offer and sale of such Shares by the Share Trust for remarketing in the manner designated herein (unless a Shelf Registration Statement is then not legally permitted, in which case Williams shall provide no later than 21 days following a Trigger Event to the Remarketing Agents written assurance, reasonably acceptable to the

Remarketing Agents, that an appropriate Registration Statement will be declared, or will otherwise become, effective promptly after a Pricing of the Initial Shares and, if applicable, the Additional Shares). Williams and the Share Trust shall undertake no offer or sale of Shares under any such outstanding Shelf Registration Statement such that the Remarketing Agents can no longer rely on such outstanding Shelf Registration Statement to remarket and resell the Initial Shares and, if applicable, the Additional Shares.

(b) Williams shall use its reasonable best efforts to cause any Shelf Registration Statement to be declared effective under the Securities Act as soon as practicable (taking into account the legal requirements for registration at such time) but in any event no later than 90 days following a Trigger Event and to keep any such Shelf Registration Statement continuously effective under the Securities Act during its Effectiveness Period.

(c) If any Shelf Registration Statement ceases to be effective for any reason at any time during the Effectiveness Period, Williams shall use its reasonable best efforts to obtain the prompt withdrawal of any order suspending the effectiveness thereof and in any event shall within 30 days of such cessation of effectiveness (or such longer period as is reasonably necessary to comply with the requirements of this sentence, provided that Williams is diligently pursuing the earliest possible compliance therewith) amend such 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 (a "Subsequent Shelf Registration Statement"). If a Subsequent Shelf Registration Statement is filed, Williams shall use its reasonable best efforts to cause its effectiveness as soon as practicable after such filing and to keep the Subsequent Shelf Registration Statement continuously effective under the Securities Act during its Effectiveness Period.

(d) A Shelf Registration Statement pursuant to this Section 3 will be deemed effective when declared effective by the SEC; provided that, if, after it has been declared effective, the offering of Shares pursuant to a Shelf Registration Statement is subject to any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court, such Shelf Registration Statement will be deemed not to have been effective during the period of such interference until the offering of Shares pursuant to such Shelf Registration Statement may legally resume. Williams will be deemed not to have used its reasonable best efforts to cause the Shelf Registration Statement to become or to remain effective during the requisite period if Williams voluntarily takes any action knowing that it would result in any such Shelf Registration Statement not being declared effective or in the Remarketing Agents not being able to remarket such Shares during the applicable period unless (i) such action is required by Applicable Law or (ii) such failure of the Shelf Registration Statement to be declared or remain effective or to provide for the continuous marketing of the Shares is the result of the occurrence of a merger, acquisition or similar event requiring disclosure of financial or other information with respect to such transaction; provided that Williams is diligently pursuing the earliest possible provision thereof.

(e) Williams and the Share Trust agree not to issue, sell or offer for sale (or permit the offer or sale in any manner that would require the consent or participation of Williams), or engage in marketing efforts in respect of, any securities that are exchangeable for or convertible into equity securities of Williams (whether as a term of, or pursuant to an

agreement or commitment in respect of, any such security or by means of a unit or combination of any one or more securities or financial instruments) or permit the issue, offer or sale of, or marketing efforts in respect of, any security of any trust in which Williams or any Subsidiary of Williams (collectively, the "Williams Group") has an interest if such security is guaranteed by any member of the Williams Group and is exchangeable for or convertible into equity securities of Williams, from the date of any Trigger Event to a date (the "Restriction Termination Date") which is the earlier of (x) 10 days after the Reset Date and (y) the date on which an amount equal to the Share Trust Amount has been deposited with the Indenture Trustee, without the prior written consent of the Indenture Trustee (given solely at the written direction of the Required Holders); provided, however, that the foregoing shall not restrict any of the following: (i) the issue, offer, sale or marketing efforts in respect of the New Series, the Initial Shares or the Additional Shares in accordance with this Agreement, (ii) the issue, offer, sale or marketing efforts in respect of securities of any member of the Williams Group that are not exchangeable for or convertible into equity securities of Williams (whether as a term of, or pursuant to an agreement or commitment in respect of, any such security or by means of a unit or combination of any one or more securities or financial instruments), (iii) any member of the Williams Group from complying with any of its obligations pursuant to arrangements entered into before the Closing Date described on Schedule I hereto, (iv) any member of the Williams Group or any third party from consummating a sale or issuance (or any related offer or marketing efforts) of any such securities if the Pricing of such securities has occurred prior to the date of any Trigger Event, (v) the offer, issuance or sale of a security, including any related marketing efforts, consisting of the conversion, exercise or exchange of another security in accordance with its terms, which original security has been issued either in a registered public offering or as consideration for an acquisition or merger, (vi) the filing of a registration statement and any sale, offer, issuance or marketing effort in connection with any employee benefit plan or other compensatory plan of any member of the Williams Group or any direct stock purchase or dividend reinvestment plan of any member of the Williams Group, (vii) any filing or processing of any registration statement in respect of any security with the SEC or any state securities regulator that does not involve the issuance, sale or marketing efforts by any member of the Williams Group of (or in respect of) any equity security prior to the Restriction Termination Date or (viii) any issuance, sale or offer in connection with a shareholder rights plan, as such term is commonly used. Williams further agrees that it shall not enter into any agreement that would require it or permit any third party to contravene the provisions of this Section 3(e).

(f) In the event that, at any time a Shelf Registration Statement is required to be effective hereunder, the shelf registration procedures set forth in Rule 415 or any successor rule are not available to Williams and the Share Trust, Williams shall use its reasonable best efforts to cause another appropriate Registration Statement with regard to the Shares (and the Williams Common Stock into which such Shares are convertible, to the extent applicable) and the remarketing of the Shares hereunder to be effective on each subsequent Repricing Date.

(g) Williams shall, to the extent required by the remarketing of the Shares hereunder and by any listing or quotation of the Shares (and the Williams Common Stock into which such Shares are convertible, to the extent applicable) reasonably requested by the Remarketing Agents, file a registration statement with the SEC under the Exchange Act.

(h) Williams shall, to the extent permitted by Applicable Law (i) and subject to further approval by the Board of Directors of Williams and to the rules of any exchange on which the Williams Common Stock may then be listed or quoted, authorize and issue such amount of the New Series as shall be necessary to generate aggregate net proceeds in an amount reasonably expected to be at least equal to the Share Trust Amount, in accordance with Section 7(a), and (ii) upon a Partial Remarketing and upon such further approval by the Board of Directors of Williams as may be required, issue to the Share Trust such amount of Additional Shares as shall be necessary to generate aggregate net proceeds reasonably expected to be at least equal to the Share Trust Amount, in accordance with Section 8(f); provided that Williams' obligation to issue Additional Shares shall be limited based upon the number of the then authorized but unissued shares of Williams Common Stock that have not been reserved for other purposes. Williams shall maintain the reservation of 110,000,000 shares of Williams Common Stock into which the Williams Preferred Stock may be convertible, as such number of shares may be adjusted from time to time in accordance with adjustments to the "Optional Conversion Rate" as defined in the Certificate of Designation and subject to the limitations set forth in Section 6(7) of the Certificate of Designation, until the Reset Date, at which time Williams shall increase or decrease such reservation so as to at least equal the number of shares of Williams Common Stock into which the Williams Preferred Stock is then convertible; provided that the reservation of shares of Williams Common Stock issuable upon conversion of the Williams Preferred Stock may be revoked by the Board of Directors of Williams effective one year and one day following the consummation of the sale of the New Series and the application of the proceeds thereof, if such proceeds are at least equal to the Share Trust Amount. Williams shall also reserve for issuance a sufficient number of shares of Williams Common Stock issuable upon conversion or exercise of the New Series and the Additional Shares (other than any such Shares consisting of Williams Common Stock) in connection with the issuance of, and at the time of issuance of, such New Series or Additional Shares (in the case of the Additional Shares, such number of shares to be reserved based on the same methodology applicable to the Williams Preferred Stock set forth above).

(i) Williams shall provide a copy of each Registration Statement filed pursuant to this Agreement, any amendment thereto, any Prospectus included therein and any supplement to any such Prospectus to the Indenture Trustee and the Issuer promptly following the filing or use thereof.

SECTION 4. Additional Covenants of Williams. Williams covenants with the Remarketing Agents as follows:

(a) Williams will provide prompt notice to the Remarketing Agents of any notification by a Rating Agency to Williams of any change downwards, or the placing on credit watch with negative implications (or comparable status), with respect to the ratings of Williams' senior unsecured long-term debt.

(b) Williams will, as promptly as reasonably possible after a Trigger Event, furnish to the Remarketing Agents:

(i) after the same have been prepared by Williams, the Remarketing Documents (including in each case any amendment or supplement thereto and each document

incorporated therein by reference); provided, however, that, with respect to any Filed Documents that are included in such Remarketing Documents, Williams shall not be obligated to furnish such Filed Documents prior to the time they are filed with the SEC and such delivery requirements shall be deemed to be satisfied by making any such Filed Documents available either through the SEC's EDGAR electronic filing system (or any successor electronic filing system which makes such Filed Documents generally available to the public electronically) or on Williams' home page on the "World Wide Web" at www.williams.com;

(ii) each Filed Document filed after the date of this Agreement; provided, however, that such delivery requirements shall be deemed to be satisfied by making any such Filed Documents available either through the SEC's EDGAR electronic filing system (or any successor electronic filing system which makes such Filed Documents generally available to the public electronically) or on Williams' home page on the "World Wide Web" at www.williams.com;

(iii) notice of the occurrence of any events that would reasonably be expected to cause the conditions precedent set forth herein or in the Distribution Agreement not to be fulfilled within the time period specified herein or therein or, if no time period is specified, then within a reasonable period of time; and

(iv) in connection with the remarketing of Shares, such other information as each of the Remarketing Agents may reasonably request from time to time.

Williams agrees to provide each of the Remarketing Agents with as many copies of the foregoing written materials referred to in (i) and other information as the Remarketing Agents may reasonably request for use in connection with the remarketing of Shares and consents to the use thereof for such purpose.

(c) If, at any time after a Trigger Event during which the Remarketing Agents would be obligated to take any action under this Agreement, any event or condition known to Williams relating to or affecting Williams, any Subsidiary thereof or the Shares (and the Williams Common Stock into which such Shares are convertible, to the extent applicable) shall occur that would reasonably be expected to affect the accuracy or completeness of any statement of a material fact contained in the Remarketing Documents, Williams shall promptly notify the Remarketing Agents in writing of the circumstances and details of such event or condition.

(d) If, at any time when the Prospectus is required by the Securities Act to be delivered in connection with the remarketing of the Shares contemplated by this Agreement, any event relating to or affecting Williams or the Share Trust or of which Williams shall be advised in writing by the Remarketing Agents shall occur that in the reasonable view of counsel for the Remarketing Agents or counsel for Williams should be set forth in a supplement to, or an amendment of, the Prospectus in order to make the Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser, Williams will, at its expense, amend or supplement the Prospectus by either (i) preparing and furnishing to the Remarketing Agents at Williams' expense a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Prospectus or (ii) making an appropriate filing pursuant to

Section 13 of the Exchange Act, which will supplement or amend the Prospectus so that, as supplemented or amended, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading.

(e) Williams will notify the Remarketing Agents of its intention to file or prepare any amendment or supplement to any Remarketing Document (including any post-effective amendment and any revised prospectus which Williams proposes for use by the Remarketing Agents in connection with the remarketing of the Shares which differs from the prospectus on file at the SEC at the time the Registration Statement becomes effective, whether or not such revised prospectus is required to be filed pursuant to Rule 424(b) under the Securities Act) other than Filed Documents and will not file or use any such amendment or supplement or other documents other than Filed Documents in a form to which the Remarketing Agents or counsel to the Remarketing Agents shall reasonably object.

(f) Williams, during the period when the Prospectus is required to be delivered under the Securities Act, will file promptly all documents required to be filed by Williams with the SEC pursuant to Section 13 or 14 of the Exchange Act.

(g) Williams will provide to the Share Trustee and the Issuer copies of all notices and reports and all other information received by it from the Remarketing Agents in connection with the remarketing process under this Agreement.

(h) Williams will not grant on or after the date hereof registration rights to any Person under which such Person could request registration of its securities on any Registration Statement used to register any of the Shares (and the Williams Common Stock into which such Shares are convertible, to the extent applicable).

SECTION 5. Representations, Warranties and Agreements of the Offerors. Williams represents and warrants, with respect to itself, the Issuer and the Share Trust, to, and agrees with, the Remarketing Agents as of the date hereof, as follows:

(a) Any Filed Documents will, when they are filed, conform in all material respects with the requirements of the Securities Act or the Exchange Act, as applicable, and the rules and regulations thereunder; and no such document, when it is filed, will contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that this representation and warranty does not apply to statements or omissions in the Registration Statement or Prospectus or private placement memorandum (or in amendments or supplements thereto) based upon information relating to the Remarketing Agents furnished to Williams in writing by the Remarketing Agents or the representatives of the Remarketing Agents expressly for use therein.

(b) The Initial Shares have been duly authorized and validly issued and are fully paid and non-assessable and not subject to any preemptive or similar rights and conform in all material respects as to legal matters to the description thereof contained in the Offering Memorandum and any amendment or supplement thereto; upon issuance to the Share Trust and

payment by the Share Trust of cash in an amount at least equal to the aggregate par value of Additional Shares, any and all Additional Shares will be duly authorized and validly issued, fully paid and non-assessable and not subject to any preemptive or similar rights and will conform in all material respects as to legal matters to the description thereof contained in the Offering Memorandum and any amendment or supplement thereto; the Williams Common Stock into which such Initial Shares are convertible on the date hereof have been duly authorized and upon any adjustment to the conversion rate, additional shares of Williams Common Stock will be duly authorized in accordance with Section 3(h), and when issued upon conversion of the Initial Shares all such shares of Williams Common Stock will be validly issued, fully paid and non-assessable and will not be subject to any preemptive or similar rights; and the Williams Common Stock into which such Additional Shares (that are shares of Williams Preferred Stock) are convertible, if any, will be duly authorized upon issuance of such Additional Shares to the Share Trust, and, when such Williams Common Stock is issued upon conversion of such Additional Shares, such Common Stock will be validly issued, fully paid and non-assessable and will not be subject to any preemptive or similar rights. There are no outstanding subscriptions, rights, warrants, options, calls, convertible securities, commitments of sale or Liens granted or issued by Williams relating to or entitling any person to purchase or otherwise to acquire any shares of the Williams Preferred Stock except as otherwise disclosed in the Offering Memorandum or contemplated in the Transaction Documents and except for such subscriptions, rights, warrants, options, calls, convertible securities, commitments of sale or Liens granted or issued by Williams that are not required to be disclosed in the Filed Documents.

(c) Each of the Share Trust Agreement and this Agreement has been duly authorized by all necessary corporate or trust action, as applicable, by each of Williams and the Share Trust, other than the issuance of the New Series and any Additional Shares (and, to the extent applicable, Williams Common Stock into which such New Series or Additional Shares are convertible) which may require future approval by the Board of Directors or shareholders of Williams, and has been duly executed and delivered by each of Williams and the Share Trust, and, subject to the due execution and delivery by the other parties to such document, such document constitutes the legal, valid and binding obligations of Williams and the Share Trust, enforceable against Williams and the Share Trust in accordance with its terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally or by general principles of equity (whether enforcement is sought by proceedings in equity or at law) or, with respect to this Agreement, any applicable public policy on the enforceability of provisions relating to contribution and indemnification.

(d) The Share Trust has been duly organized and is validly existing and in good standing as a business trust under the Trust Act with all requisite trust powers and all material Permits required to carry on its business as now conducted and as contemplated by the Transaction Documents; the Share Trust is not a party to any agreement other than the Transaction Documents to which it is a party and has not engaged in any activities since its organization (other than those incidental to its organization and other appropriate steps including arrangement for the payment of fees to its trustees, the authorization and issuance of certificates of beneficial interest, the execution of the Transaction Documents to which it is a party executed on or prior to the date hereof and the activities referred to in or contemplated by such Transaction Documents) and has not made any distributions since its organization; and the Share

Trust is not and will not be subject to United States Federal, state or local income or franchise taxes.

(e) Williams is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and possesses all corporate powers and other authorizations and licenses necessary to engage in its business and operations as now conducted and as contemplated by the Offering Memorandum, except for those authorizations and licenses the failure to obtain or maintain which could not reasonably be expected to have a Williams Material Adverse Effect. Williams is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or the ownership or leasing of property requires such qualification, except where the failure to be so qualified would not reasonably be expected to result in a Williams Material Adverse Effect.

(f) (i) Williams is (x) in compliance with all laws, rules, regulations and orders of any governmental authority applicable to it or its property, except where the failure to so comply, individually or in the aggregate, would not, in the reasonable judgment of Williams, be expected to result in a Williams Material Adverse Effect, (y) not in violation of its charter or bylaws, and (z) not in default in the performance of any obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument that is material to Williams and its subsidiaries taken as a whole, to which Williams is a party or by which Williams or any of its properties is bound, except to the extent a default would not reasonably be expected to result in a Williams Material Adverse Effect; and (ii) the Share Trust is not in breach or violation of or in default (nor, after reasonable inquiry, to the actual knowledge of any Responsible Officer of Williams, has an event occurred that with notice or lapse of time or both would constitute a default) under the terms of (A) its Organizational Documents, (B) any of the Transaction Documents or any other agreements to which the Share Trust is a party, or (C) any Applicable Law.

(g) None of the due execution, delivery or performance by each of Williams and the Share Trust of each Transaction Document to which it is a party (i) requires any authorization or approval or other action by, or any notice or filing with, any Governmental Authority except (A) those that have been made, (B) those that may be required under Federal or state securities or blue sky laws in connection with the sale of the Shares or the New Series or under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, in connection with a private placement of any shares in connection herewith and (C) in the case of Williams, those that are necessary to comply with laws, rules, regulations and orders required in the ordinary course to comply with its ongoing obligations under the Transaction Documents; provided that all authorizations, approvals, actions, notices and filings described in this clause (C) that are necessary to have been obtained or made on or prior to the Closing Date for the consummation by Williams of the transactions contemplated by this Agreement and the other Transaction Documents or are required to have been obtained or made on or prior to the Closing Date have been obtained or made on or prior to the Closing Date, (ii) contravenes, or constitutes a default under, its Organizational Documents or any Applicable Law in effect on the Closing Date or any material contractual restriction or, in the case of the Share Trust, any agreement or instrument binding on or affecting it, (iii) results in the imposition or creation of any Lien on any of its assets except Permitted Liens (in the case of the Share Trust, of the type described in clause (iii) of the definition thereof) or (iv) results in the termination, suspension or revocation of any

material permit, license, covenant, exemption, franchise, authorization or other approval (each, an "Authorization") of Williams or the Share Trust or results in any other material impairment of the rights of the holder of any such Authorization.

(h) None of Williams, the Issuer and the Share Trust is, and after giving effect to the issuance of the Shares to the Share Trust none of Williams, the Issuer and the Share Trust will be, required to register as an "investment company," as such term is defined in the Investment Company Act of 1940, as amended.

(i) Williams is not a "holding company" or a "subsidiary company" of a "holding company" within the meaning of PUHCA. Neither the Issuer nor the Share Trust is subject to regulation as a "holding company" or a "subsidiary company" or an "affiliate" of a "holding company," in each case as such terms are defined in the PUHCA.

(j) The Share Trust is the beneficial owner of the Initial Shares and, upon issuance of the Additional Shares, if any, will be the beneficial owner of such Additional Shares, free and clear of any Lien or claims of any Person, except as otherwise provided in the Transaction Documents.

(k) Except as disclosed in Williams' Form 10-K for the year ended December 31, 2000, (i) there is no Proceeding pending or, to the knowledge of any Responsible Officer of Williams, threatened against or involving Williams or any Subsidiary of Williams in any court or before any arbitrator of any kind or before or by any governmental body, which, in the reasonable judgment of Williams (taking into account the exhaustion of all appeals), would reasonably be expected to have a Williams Material Adverse Effect or which, despite any such disclosure, purports to affect the legality, validity, binding effect or enforceability against Williams of any Transaction Document to which it is a party, and (ii) there is no Proceeding pending against or, after reasonable inquiry, to the actual knowledge of any Responsible Officer of Williams, threatened against the Share Trust before any Governmental Authority.

(l) Other than as disclosed in Schedule II hereto, there are no contracts, agreements or understandings (other than this Agreement) between Williams and any Person granting such Person the right to register any securities of Williams pursuant to any Registration Statement used to register the Shares (and, to the extent applicable, the Williams Common Stock into which such Shares are convertible).

(m) Other than as disclosed in Schedule I hereto, there are no contracts, agreements or understandings between Williams and any Person which would require Williams to issue securities that are exchangeable for or convertible into equity securities of Williams that, if entered into after the date of this Agreement, would cause Williams or a third party to contravene the provisions of Section 3(e).

SECTION 6. Registration Procedures. In connection with the obligations of Williams with respect to any Shelf Registration Statement pursuant to Sections 3(a) and 3(c) or a Registration Statement pursuant to Section 3(f), Williams shall after any Trigger Event:

(a) as far in advance as practical before filing any Registration Statement or any amendment thereto, provide the Remarketing Agents and their counsel with reasonably complete

drafts of all such documents proposed to be filed (including exhibits), and the Remarketing Agents shall have the opportunity to object to any information pertaining to the Remarketing Agents that is contained therein and to make comments and suggestions as to the presentation of the information therein, and Williams will make the corrections and other changes reasonably requested by the Remarketing Agents with respect to such information prior to filing any such Registration Statement (including any amendment thereto) unless it has a reasonable basis not to do so;

(b) prepare and file with the SEC as soon as reasonably practicable such amendments and supplements to each Registration Statement as may be necessary to keep such Registration Statement continuously effective for its Effectiveness Period and to any Prospectus used in connection therewith as may be necessary to maintain the effectiveness of such Registration Statement or the accurateness or completeness of the information contained therein and to comply with the provisions of the Securities Act with respect to the disposition of all Shares covered by such Registration Statement in accordance with the remarketing procedures set forth herein, until the end of the Effectiveness Period;

(c) promptly notify the Remarketing Agents and their counsel:

(i) when any Registration Statement or any Prospectus to be used hereunder, or any amendment or supplement thereto, has been filed and, with respect to such Registration Statement or any post-effective amendment thereto, when the same has become effective;

(ii) of any written comments from the SEC with respect to any filing referred to in clause (i) and of any written request by the SEC for amendments or supplements to such Registration Statement or Prospectus;

(iii) of the notification to Williams by the SEC of (x) its initiation of any proceeding with respect to the issuance by the SEC or (y) the issuance by the SEC of any stop order suspending the effectiveness of such Registration Statement;

(iv) of the receipt by Williams of any notification with respect to the suspension of the qualification of the Shares for sale under the applicable securities or blue sky laws of any jurisdiction;

(v) of the happening of any event that makes any statement of a material fact made in such Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue or that requires the making of any changes in such Registration Statement, Prospectus or related documents so that, in the case of the Registration Statement, it will 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, in the case of the Prospectus, it will 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; and

(vi) of the reasonable determination by Williams that a post-effective amendment to such Registration Statement would be appropriate;

(d) furnish such proper information as may be lawfully required and otherwise cooperate in qualifying and registering the Shares (and the Williams Common Stock into which such Shares are convertible, to the extent applicable) for offer and sale under the blue-sky laws of such jurisdictions in the United States as the Remarketing Agents may designate and such other governmental agencies or authorities within the United States as may be necessary to enable the Remarketing Agents to remarket the Shares in accordance with the remarketing procedures set forth herein, provided that neither Williams nor the Share Trust shall be required to qualify as a foreign corporation, trust or other entity or dealer in securities, to file any consents to service of process under the laws of any jurisdiction or to meet any other requirements deemed by Williams to be unduly burdensome;

(e) use its reasonable best efforts to prevent the issuance of any order suspending the effectiveness of a Registration Statement and to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement as soon as practicable;

(f) cooperate with the Share Trustee to facilitate the timely delivery of certificates representing Shares to be remarketed that do not bear any restrictive legends (to the extent appropriate) and cause such Shares to be issued in such denominations and registered in such names as the Remarketing Agents may reasonably request within two Trading Days following the applicable Successful Repricing Date or such later time as agreed between Williams and the Remarketing Agents;

(g) upon the occurrence of any circumstance contemplated by Sections 3(c), 4(d), 6(c)(iii) (if such circumstance can be remedied as provided in this Section 6(g)), 6(c)(v) or 6(c)(vi), use its reasonable best efforts to amend or supplement the Registration Statement or the Prospectus by either (i) preparing and furnishing to the Remarketing Agents at Williams' expense a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Prospectus or (ii) making an appropriate filing pursuant to Section 13 of the Exchange Act, which will supplement or amend the Prospectus so that, as supplemented or amended, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading; and Williams agrees to notify the Remarketing Agents as promptly as practicable after the occurrence of such an event; and each Remarketing Agent agrees that, following such notice, it will suspend use of the Prospectus until Williams has amended or supplemented the Prospectus to correct such misstatement or omission;

(h) make available for inspection by the Remarketing Agents and any attorney, accountant or other agent retained by the Remarketing Agents (collectively, the "Inspectors"), during reasonable business hours during the Remarketing Period, all financial and other records, pertinent corporate documents and properties of the Offerors (collectively, the "Records") as shall be reasonably necessary to enable them to exercise any applicable due diligence responsibilities or prepare for any potential due diligence defense and cause the officers, directors and employees of the Offerors to supply all information in each case reasonably requested by any such Inspector in connection with the Shelf Registration Statement; provided,

however, that Records which Williams determines, in good faith, to be confidential and any Records which it notifies the Inspectors are confidential shall not be disclosed by the Inspectors; provided that the Inspectors may disclose any information in such Records (A) as has become generally available to the public through no fault of the Inspectors or the Remarketing Agents, (B) in the opinion of Inspectors' counsel, as may be required under compulsion of legal process (in which case such Records shall be disclosed to the extent and for the limited purpose so required), (C) in the opinion of the Inspectors' counsel, in order to comply with any Applicable Law applicable to the Inspectors or the Remarketing Agents and (D) as may be necessary for the Remarketing Agents to comply with the Transaction Documents; and each Remarketing Agent will be required to agree further that it will, if such confidential Records are disclosed to the Inspectors, cause the Inspectors to keep such Records confidential except in the circumstances described in this paragraph and, upon learning that disclosure of such Records is, in the opinion of the Inspectors' counsel, required pursuant to clauses (B) or (C) above, unless otherwise prohibited by such legal process or Applicable Law, cause the Inspectors to give prompt written notice of such requirement to disclose to Williams as soon as reasonably practicable and, unless otherwise prohibited by such legal process or Applicable Law, cause the Inspectors to refrain from disclosing such information until Williams shall have a reasonable opportunity, at its expense, to undertake appropriate action to prevent disclosure of the Records determined or notified by Williams to be confidential;

(i) following any public offering of remarketed Shares, make generally available to its securityholders an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 45 days after the end of any 12-month period (or 90 days after the end of any 12-month period if such period is a fiscal year) commencing at the end of the fiscal quarter in which the Reset Date occurs;

(j) cooperate with the Remarketing Agents and any other Person, if any, participating in the remarketing and/or the disposition of the Shares and their respective counsel in connection with filings, if any, required to be made with the NASD;

(k) if so requested by the Remarketing Agents, use its reasonable best efforts to cause the Initial Shares and, if required to be issued, any Additional Shares (and the Williams Common Stock into which such Shares are convertible, to the extent applicable) to be listed or quoted on the New York Stock Exchange ("NYSE"), the National Association of Securities Dealers Automated Quotation ("Nasdaq") National Market System or any other exchange or quotation system (with the choice of such exchange or market to be at the election of Williams) on or before the Initial Repricing Date with respect to the Initial Shares or the Successful Repricing Date for such Additional Shares, subject to official notice of issuance; and

(l) use its reasonable best efforts to take all other steps necessary to effect the registration of the Shares (and the Williams Common Stock into which such Shares are convertible, to the extent applicable) in connection with the remarketing thereof as contemplated herein.

Each Remarketing Agent hereby agrees that, upon receipt of any notice from Williams or the Share Trust of the happening of any event of the kind described in Section

6(c)(iii), 6(c)(v) or 6(c)(vi), such Remarketing Agent will forthwith discontinue its remarketing of Shares pursuant to the Registration Statement relating thereto until such Remarketing Agent shall have received copies of the supplemented or amended Prospectus contemplated by Section 6(g) and, if so directed by Williams, will deliver to Williams (at the expense of Williams) all copies, other than permanent file copies, then in its possession of the Prospectus relating to the Shares at the time of receipt of such notice.

SECTION 7. New Series; Remarketing Events; Share Trust Release Option.

(a) If a Trigger Event shall have occurred,

(i) (A) Subject to further approval by the Board of Directors of Williams in accordance with Section 3(h), if required, Williams shall have the right to offer and sell as soon as practicable such number of shares of the New Series in accordance with the New Series Distribution Agreement in order to generate net proceeds in an amount reasonably expected to be at least equal to the Share Trust Amount and (B) to the extent permitted under Applicable Law, the Offerors shall comply with the provisions of this Agreement with respect to the registration of the Initial Shares (and the Williams Common Stock into which such Initial Shares are convertible).

(ii) The Remarketing Agents shall use their commercially reasonable efforts to recommend to Williams the terms and quantity of shares of the New Series that would generate net proceeds in an amount reasonably expected to be at least equal to the Share Trust Amount. If any Remarketing Agent advises Williams that in its opinion the shares of the New Series authorized for sale by Williams cannot be marketed to receive net proceeds in an amount reasonably expected to be at least equal to the Share Trust Amount, such Remarketing Agent will have no obligation to market the New Series or to enter into the New Series Distribution Agreement. In the event one or more Remarketing Agents so advises Williams, Williams shall have the right (in addition to its rights under Section 10(f)) to appoint one or more Eligible Remarketing Agents to join with the remaining Remarketing Agents to market the New Series on its behalf, and each such replacement Eligible Remarketing Agent shall enter into the New Series Distribution Agreement or a similar distribution agreement with respect to the offering and sale of the New Series but shall not become a Remarketing Agent for any other purpose under this Agreement. In any event, Williams shall have the right to designate which Remarketing Agents shall act as lead managers, bookrunners or, if applicable, global coordinators with respect to the New Series.

(iii) Upon the sale of the New Series, Williams shall cause all of the net proceeds thereof (if less than or equal to the Share Trust Amount) or a portion of the net proceeds thereof equal to the Share Trust Amount (if such proceeds are greater than the Share Trust Amount) to be deposited into the Share Trust Proceeds Account. The Indenture Trustee hereby agrees to apply such net proceeds to the redemption of the Senior Notes in accordance with the Indenture.

(iv) If the amount of net proceeds of the marketing of the New Series to be deposited with the Indenture Trustee pursuant to clause (iii) above is at least equal to the

Share Trust Amount, the Share Trustee shall be authorized to release and, if requested by Williams, shall release all or a portion of the Initial Shares (A) first, to the Remarketing Agents to permit the sale of such amount of the New Series to be settled by delivery of such amount of Initial Shares, but only if the New Series Distribution Agreement with respect to the offering of the New Series requires a firm commitment underwriting and provides that net proceeds equal to the Share Trust Amount shall be paid directly to the Indenture Trustee on behalf of Williams and the Share Trust for deposit and application in accordance with clause (iii) above and (B) second, to Williams, upon consummation of the sale of the New Series, all or such portion of the Initial Shares not released pursuant to clause (A) above.

(b) If Williams fails to consummate a sale of the New Series in accordance with Section 7(a) that has resulted in net proceeds therefrom in an amount at least equal to the Share Trust Amount being deposited into the Share Trust Proceeds Account within 60 days following a Trigger Event, (i) the Share Trustee hereby agrees for the benefit of the Indenture Trustee to undertake to offer and sell all or a portion of the Initial Shares held by the Share Trust through the remarketing procedures set forth herein (a "Remarketing Event"); (ii) the Remarketing Agents shall notify the Indenture Trustee and the Issuer of such Remarketing Event; (iii) the Indenture Trustee shall exercise its rights under this Agreement to cause the Share Trust to sell all or a portion of the Initial Shares held by the Share Trust through the remarketing procedures set forth herein; (iv) upon any such remarketing, the Share Trust hereby agrees to distribute or cause to be distributed the net proceeds thereof up to an amount equal to the Share Trust Amount to the Indenture Trustee; and (v) the Indenture Trustee hereby agrees to deposit such net proceeds immediately upon receipt in the Share Trust Proceeds Account and to apply such net proceeds received by it to the redemption of the Senior Notes in accordance with the Indenture (which redemption may be on the Maturity Date unless the relevant Transaction Documents require or permit otherwise).

(c) Prior to the occurrence of a Trigger Event, Williams shall have the right to appoint any one or more Eligible Remarketing Agents to offer and sell all or a portion of the Initial Shares. The Share Trustee shall be authorized to release and, if requested by Williams, shall release such amount of Initial Shares being sold to such Eligible Remarketing Agents against payment therefor to permit the settlement of such sale by delivery of such amount of Initial Shares, but only if the underwriting, purchase or similar distribution agreement with respect to the offering of such Initial Shares requires a firm commitment underwriting and provides that net proceeds equal to the Share Trust Amount shall be paid directly to the Indenture Trustee on behalf of the Share Trust; and the Indenture Trustee hereby agrees to deposit such net proceeds immediately upon receipt in the Share Trust Proceeds Account and to apply such net proceeds to the repayment or redemption of the Senior Notes in accordance with the Indenture (which repayment or redemption may be on the Maturity Date unless the relevant Transaction Documents require or permit otherwise).

(d) Williams shall have the right, during the periods described below, to satisfy its obligations, in whole or in part, with respect to the registration and sale of the New Series or the Shares pursuant to this Agreement in connection with the Indenture Trustee's right to exercise the Share Trust Remedy (the "Share Trust Release Option") by delivering cash from Permitted Redemption Sources which, together with any amounts on deposit with the Indenture Trustee, is sufficient to repay or redeem the Senior Notes, in whole or in part (as specified further below) on the applicable Mandatory Redemption Date to the Indenture

Trustee together with a certificate of Williams certifying that the amount of such funds constitutes Permitted Redemption Sources or that the Share Trust Amount (not including such funds) is equal to zero.

(i) If (x) no Trigger Event has occurred, Williams may exercise the Share Trust Release Option no earlier than 150 days prior to the Maturity Date, or (y) a Trigger Event has occurred, Williams may exercise the Share Trust Release Option at any time following the occurrence of such Trigger Event until the Standstill Expiration Date with respect to the Share Trust Remedy following such Trigger Event.

(ii) In the event that Williams exercises the Share Trust Release Option prior to the occurrence of the Maturity Trigger when no Trigger Event shall have occurred, then (A) the amount of cash delivered by Williams must be equal to the Share Trust Amount assuming a Mandatory Redemption in connection with a Maturity Trigger on the Maturity Date, (B) the Indenture Trustee shall (x) deposit such funds in the Share Trust Proceeds Account, (y) invest such funds in Financial Investments maturing no later than the Maturity Date and (z) withdraw such funds on the Maturity Date to repay the Senior Notes in accordance with Section 5.05(c) of the Indenture, and (C) Williams must provide to the Indenture Trustee an unconditional undertaking to deposit additional funds with the Indenture Trustee if the total amount invested in such eligible Financial Investments is insufficient to cover the required payments on the Senior Notes at any time (including upon a Mandatory Redemption if a Trigger Event should subsequently occur). Following an exercise of the Share Trust Release Option in accordance with this Section 7(d)(ii), the obligations of Williams with respect to the registration and sale of the New Series or the Shares hereunder shall be deemed satisfied so long as the Share Trust Amount remains zero.

(iii) In the event that Williams exercises the Share Trust Release Option following the occurrence of a Trigger Event, then (A) the Indenture Trustee shall (x) deposit such funds in the Share Trust Proceeds Account and (y) apply such funds to a Mandatory Redemption of all or such portion of the Senior Notes as may be redeemed at the applicable Mandatory Redemption Price (as defined in the Indenture) in accordance with Section 15.01(d) of the Indenture, and (B) if the Share Trust Release Option is exercised otherwise than as result of the occurrence of the Acceleration Trigger or the Stock Price/Credit Downgrade Trigger, Williams must provide to the Indenture Trustee an unconditional undertaking to deposit additional funds with the Indenture Trustee if the total amount invested in eligible Financial Investments in accordance with the Indenture is insufficient to cover the required payments on the Senior Notes at any time (including upon a Mandatory Redemption (as defined in the Indenture) if another Trigger Event should subsequently occur). Following an exercise of the Share Trust Release Option in accordance with this Section 7(d)(iii) and the partial or full redemption of the Senior Notes in accordance with the Indenture, the obligations of Williams with respect to the registration and sale of the New Series or the Shares hereunder shall be reduced in proportion to, and deemed satisfied to the extent of, the principal amount of Senior Notes that have been so redeemed.

SECTION 8. Remarketing Procedures; Additional Shares.

(a) Upon a Remarketing Event, the Share Trustee or the Indenture Trustee, as the case may be, shall deliver to the Offerors and each of the Remarketing Agents a written notice to commence the process of remarketing the Initial Shares (and, to the extent required pursuant to Section 8(f), the Additional Shares). The following remarketing procedures shall apply in each case to the Shares then available for marketing and shall be subject to the right of the Remarketing Agents under Section 12 to declare in good faith a Failed Remarketing, with the consequences set forth in said Section 12 and Section 8(g).

(b) If the Conditions Precedent to a public offering of the Shares have been met pursuant to Section 12, the Remarketing Agents shall be obligated to commence such public offering in accordance with the following remarketing procedures. If a Failed Registration has occurred, then any actions undertaken with respect to a public offering of the Shares shall cease, and the Remarketing Agents shall be obligated to commence a private placement of the Shares in accordance with the following remarketing procedures; provided that (x) no actions shall be undertaken by the Remarketing Agents with respect to such private placement until the earliest date upon which Milbank, Tweed, Hadley & McCloy LLP or other national or international securities counsel selected by the Remarketing Agents and approved by Williams advises, in writing, that a private placement of the Shares may be commenced in compliance with applicable securities law and (y) the Share Trustee and the Remarketing Agents shall cause such private placement to be consummated as and upon the terms directed by the Indenture Trustee.

(c) In determining the Remarketed Price for the Shares, the Remarketing Agents will, after taking into account market conditions as reflected in the prevailing yields on mandatorily convertible preferred stock and/or common stock of other comparable issuers:

(i) consider, among other things, (A) short-term and long-term market rates and indices of such short-term and long-term rates, (B) market supply and demand for short-term and long-term securities, (C) yield curves for short-term and long-term securities comparable to the Shares (considering the terms applicable thereto on and after the Reset Date), (D) industry and financial conditions that may affect the Shares, including without limitation the condition (financial or otherwise), results of operations, business affairs, management and prospects of Williams as described in the Remarketing Documents (including any Filed Documents incorporated by reference therein), as applicable, relating to the offering of Shares, (E) the number of Shares to be remarketed, (F) the number of potential purchasers, (G) the current ratings by nationally recognized statistical rating organizations of long-term subordinated debt and preferred securities of Williams, (H) the market price of the Williams Common Stock, (I) the discount appropriate for a private placement of the Shares, if applicable, and (J) the terms and Pricing of the New Series and the market reactions to the marketing of the New Series, if applicable (collectively, the "Remarketing Conditions"); and

(ii) contact, by telephone or otherwise, prospective purchasers and ascertain the prices at which they would be willing to hold or purchase such Shares.

(d) On or prior to the Initial Repricing Date, the Indenture Trustee, upon the written request of the Remarketing Agents, shall deliver to the Remarketing Agents and Williams an Officer's Certificate setting forth the amounts available in the Share Trust Proceeds Account, the Indenture Interest Account and, to the extent applicable, the Pledged Share Trust Reserve Account, to be used in determining the Share Trust Amount, and shall undertake to notify the Remarketing Agents and Williams if any such amount should change prior to the Reset Date.

(e) By approximately 1:00 p.m., New York City time, on the Initial Repricing Date, the Remarketing Agents will notify Williams, the Share Trustee, the Issuer and the Indenture Trustee by telephone, confirmed in writing, of (i) whether the Remarketing Agents were able to establish a Remarketed Price and (ii) if so, the Remarketed Price, the Reset Date and the number of Shares to be remarketed. If, on such Initial Repricing Date or any succeeding Repricing Date, a Failed Repricing has occurred but there has not occurred a Failed Remarketing, then the Remarketing Agents will continue to seek to establish a Remarketed Price on the next succeeding Repricing Date (subject to Section 12). Williams, the Share Trust and the Remarketing Agents shall enter into the Distribution Agreement upon a Successful Repricing Date.

(f) Upon a Partial Remarketing of the Initial Shares, Williams shall issue to the Share Trust Additional Shares in accordance with Section 3(h) (subject to payment by the Share Trust of cash in an amount at least equal to the aggregate par value thereof as provided in the Share Trust Agreement) in an amount which, when remarketed by the Remarketing Agents pursuant to this Agreement, shall be sufficient to generate net proceeds that, together with the net proceeds of such Partial Remarketing, are in an amount reasonably expected to be at least equal to the Share Trust Amount. The Remarketing Agents shall use their commercially reasonable efforts to remarket Additional Shares (in accordance with the remarketing procedures set forth herein) as soon as practicable upon such terms as will result in the generation of such net proceeds or the largest portion thereof as shall be practicable (including, at Williams' discretion, by inclusion in any Shelf Registration Statement any number of Additional Shares that the Remarketing Agents believe in their good faith judgment and in light of then prevailing market conditions after consultation with Williams (and that are permitted to be included pursuant to the rules of the SEC) may be necessary to assure that a sufficient number of Shares is available to cause the proceeds of the sale of such Shares pursuant to such Shelf Registration Statement to at least equal the Share Trust Amount).

(g) In the event of a Failed Remarketing, the Remarketing Agents shall promptly notify Williams, the Share Trustee, the Issuer and the Indenture Trustee of such Failed Remarketing. The Remarketing Agents may consult with counsel in making such determination and may conclusively rely on the advice or opinion of any such counsel with respect thereto. In the event of a Failed Remarketing, (i) Williams shall immediately pay to the Indenture Trustee for deposit in the Share Trust Proceeds Account an amount equal to the Share Trust Amount (without duplication of the net proceeds of any sale of the New Series or remarketing of Shares used to pay any portion of the Senior Notes and any other amounts due and owing to the Noteholders under the Indenture) and (ii) until Williams has complied with clause (i) above, the Remarketing Agents shall, upon the direction of the Indenture Trustee, continue to seek a Pricing of the Shares at the Remarketed Price and consummate the sale of such Shares as soon as

practicable in accordance with such direction. In addition, upon a Failed Remarketing, the obligation of Williams to make payment as provided above is absolute and unconditional, irrespective of whether the Remarketing Agents shall continue to seek a Pricing of the Shares at the Remarketed Price. Any amount that Williams is obligated to pay under this Section 8(g) shall be paid without set-off, deduction or counterclaim.

(h) On the date of the consummation of any sale of Shares, the Remarketing Agents will make payment (or arrange for payment to be made in accordance with the Distribution Agreement) of the purchase price for such Shares that have been sold in the remarketing to the Indenture Trustee, on behalf of the Share Trust, by the close of business on such date, against delivery through DTC or otherwise of such Shares. The Indenture Trustee hereby agrees to deposit such purchase price immediately upon receipt in the Share Trust Proceeds Account and to apply such purchase price to the redemption of the Senior Notes in accordance with the Indenture.

(i) In the event of a private placement of the Shares, the offer and sale of the Shares shall be done in a manner that will not require approval by the shareholders of Williams pursuant to the provisions of Rule 312 of the rules published in the New York Stock Exchange Listed Company Manual or any successor rule or other requirement of the New York Stock Exchange, if applicable at the time of such private placement.

SECTION 9. Fees and Expenses.

(a) For their services in performing their duties set forth hereunder with respect to remarketing the Shares, on the Reset Date, the Remarketing Agents will receive from Williams a commission of 3.0% of the gross sales proceeds of Shares actually remarketed and sold, payable by wire transfer in same day funds.

(b) In addition to its obligation under Section 9(a) and in addition to its obligations under Section 13, Williams shall, from time to time upon the request of the Remarketing Agents, pay the reasonable fees and expenses of counsel incurred by the Remarketing Agents after a Trigger Event in connection with the performance of their duties hereunder. The obligations of Williams to make the payments required by this Section 9 shall survive the termination of this Agreement or the termination of the obligations of the Remarketing Agents hereunder and remain in full force and effect until all such payments shall have been made in full.

(c) Without limiting the effect of the foregoing, Williams shall pay all Registration Expenses in connection with the registration pursuant to Section 3 and will reimburse the Remarketing Agents for the reasonable fees and disbursements of its counsel incurred in connection with a Shelf Registration Statement hereunder.

SECTION 10. Resignation and Removal of the Remarketing Agents; Additional Agents.

(a) Each Remarketing Agent may resign and be discharged from its duties and obligations hereunder at any time, such resignation to be effective 30 days after delivery of notice to Williams, the Share Trustee, the Issuer and the Indenture Trustee of such resignation,

subject to the provisions of this Section 10 (and, with respect to the New Series, subject to Section 7(a)(ii)). Williams may remove any Remarketing Agent for cause at any time, such removal to be effective 30 days after delivery of notice of such removal to the Share Trustee, the Issuer, the Indenture Trustee and the Remarketing Agents, subject to the provisions of this Section 10 (and, with respect to the New Series, subject to Section 7(a)(ii)). In each such case (other than a discharge with respect to the New Series pursuant to Section 7(a)(ii)), Williams will use its reasonable best efforts to appoint a successor Remarketing Agent from among the Eligible Remarketing Agents and to cause such successor Remarketing Agent to enter into this Agreement by executing a supplement hereto as soon as reasonably practicable. It shall be the sole obligation of Williams to appoint a successor Remarketing Agent, but the resigning or removed Remarketing Agent will reasonably cooperate in handing over the responsibilities of Remarketing Agent to such successor. For purposes of this Section 10(a), "cause" means that a voluntary or involuntary proceeding under any bankruptcy or insolvency law seeking liquidation, reorganization or other relief with respect to such Remarketing Agent has been commenced and such proceeding has not been terminated within 60 days after commencement.

(b) The Indenture Trustee may replace any Remarketing Agent for cause upon the written direction of the Required Holders, with the successor Remarketing Agent to be an Eligible Remarketing Agent. For purposes of this Section 10(b), "cause" means the failure of such Remarketing Agent to comply with its obligations under clauses (ii) and (iii) of Section 2(b) following the Remarketing Notification Date.

(c) Following any notice of removal or resignation of any Remarketing Agent, Williams or the Indenture Trustee, as the case may be, shall endeavor to cause an Eligible Remarketing Agent to be appointed as a replacement by executing a supplement hereto within 60 days of the delivery of such notice and shall notify the existing Remarketing Agent(s) of such appointment as promptly as practicable.

(d) No resignation or removal of any Remarketing Agent pursuant to this Section 10 shall become effective until Williams or the Indenture Trustee, as the case may be, shall have appointed an Eligible Remarketing Agent as successor Remarketing Agent and such successor Remarketing Agent shall have become a party to this Agreement or entered into a new remarketing agreement substantially in the form of this Agreement in which it has agreed to conduct the remarketing in accordance with the terms and conditions described herein.

(e) Williams shall have the right to designate which Remarketing Agents shall act as co-managers, together with the Initial Remarketing Agent, with respect to the Shares. The Remarketing Agents may, at their discretion and expense, make arrangements to be assisted by any co-marketing agent or any broker-dealer or underwriting firm in connection with the remarketing of the Shares (and, if appropriate, to have such Persons become parties to the Distribution Agreement), in each case with the consent of Williams, which consent shall not be unreasonably withheld or delayed, with such compensation therefor, if any, as may be agreed between the Remarketing Agents and such Person, after consultation with Williams (which compensation shall be included within, and not in addition to, the commission referred to Section 9(a)). In addition, if so requested by Williams or the Indenture Trustee, one or more additional Remarketing Agents may be appointed hereunder and may be made parties to the Distribution Agreement with each Remarketing Agent to be given responsibility for remarketing a specified

amount of Shares as such Remarketing Agents may decide in consultation with Williams and the Indenture Trustee (or failing agreement between such Remarketing Agents, by Williams or the Indenture Trustee), in which case all references herein shall be deemed to apply, mutatis mutandis, to all Remarketing Agents severally but not jointly, and in such case the compensation to be paid by Williams to the Remarketing Agents hereunder shall be split among all such Remarketing Agents in the manner agreed to by such Remarketing Agents, with the consent of Williams (such consent not to be unreasonably withheld or delayed).

(f) If so requested by Williams, one or more Eligible Remarketing Agents (including the lead underwriters if Williams elects not to have one or more of the Remarketing Agents as the lead underwriters) may be appointed hereunder solely for the purpose of recommending the terms of and marketing the New Series in conjunction with the Remarketing Agents originally appointed hereunder and shall be made parties to the New Series Distribution Agreement, with each Remarketing Agent to be given responsibility for marketing a specified amount of the New Series as the Remarketing Agents may decide in consultation with Williams (or, failing agreement between such Remarketing Agents, by Williams), in which case all references herein shall be deemed to apply, mutatis mutandis, to all Remarketing Agents severally but not jointly (to the extent applicable).

(g) Notwithstanding the foregoing provisions of this Section 10, if, prior to the occurrence of a Trigger Event, Williams has appointed any Eligible Remarketing Agent (other than the Initial Remarketing Agent or any successor Remarketing Agents appointed pursuant to Section 10(d)) to sell any Williams equity securities (including pursuant to Sections 7(a)(ii) and 7(c)) and subsequently a Trigger Event occurs before the consummation or abandonment of such sale, (i) Williams shall cause each such Eligible Remarketing Agent to become a Remarketing Agent with respect to the Initial Shares and the Additional Shares pursuant to the terms of this Agreement by executing a supplement hereto within ten Business Days following the occurrence of such Trigger Event and to enter into the Distribution Agreement required pursuant hereto, upon which the Initial Remarketing Agent may resign and be discharged in accordance with the provisions of Section 10(d), and (ii) if Williams fails (although it is not responsible for the failure of such Eligible Remarketing Agent to comply with the preceding clause (i)) to comply with the preceding clause (i), such failure shall result in a Legal Impossibility.

SECTION 11. Dealing in Williams Securities. Each Remarketing Agent, when acting as a Remarketing Agent or in its individual or any other capacity, may, to the extent permitted by Applicable Law, buy, sell, hold and deal in any of the New Series, the Williams Preferred Stock or the Williams Common Stock. Notwithstanding the foregoing, each Remarketing Agent is not obligated to purchase any Shares that would otherwise remain unsold in a remarketing unless required pursuant to a Distribution Agreement or New Series Distribution Agreement. To the extent permitted by Applicable Law, each Remarketing Agent, as a holder of any of the New Series, the Williams Preferred Stock or the Williams Common Stock, may exercise any vote or join as a holder in any action which any holder of such securities may be entitled to exercise or take pursuant to the terms thereof with like effect as if it did not act in any capacity hereunder. To the extent permitted by Applicable Law, each Remarketing Agent, in its capacity either as principal or agent, may also engage in or have an interest in any financial or other transaction with Williams as freely as if it did not act in any capacity hereunder to the extent permitted by Applicable Law.

SECTION 12. Conditions to Remarketing Agents' Obligations. The obligations of the Remarketing Agents under this Agreement have been undertaken in reliance on, and shall be subject to, compliance with the conditions precedent set forth in the following paragraphs (a) through (d) (the "Conditions Precedent") on or prior to the indicated dates (with respect to the Shares then available for marketing).

(a) On the Initial Repricing Date and upon each successive Repricing Date:

(i) Williams and the Share Trust shall have complied in all material respects with their respective obligations and agreements as set forth in this Agreement; and

(ii) with respect to a public offering of the Shares, Williams and the Share Trust shall have filed a Registration Statement covering the Shares (and, to the extent applicable, the Williams Common Stock into which such Shares represented thereby are convertible) and the remarketing thereof, which Registration Statement shall have been declared effective by the SEC, and no stop order suspending the effectiveness thereof shall have been issued and not withdrawn or revoked under the Securities Act and no proceedings therefor shall have been initiated or threatened by the SEC.

If the Remarketing Agents shall reasonably determine in their sole discretion that the Conditions Precedent set forth in this paragraph (a) are not fulfilled, the Remarketing Agents shall declare a Failed Repricing with regard to such Repricing Date and shall not be obligated to remarket the Shares until the next succeeding Repricing Date in accordance with the provisions of Section 8(e); provided that, if such a Failed Repricing has occurred and continues for a period of five Trading Days thereafter, then the Remarketing Agents shall declare a Failed Registration with regard to such Repricing Date and shall not be obligated to remarket the Shares until such time as either the Conditions Precedent are satisfied or a private placement of such shares may be commenced in accordance with the provisions of Section 8(b).

(b) On any Repricing Date on which the Remarketing Agents have established a Remarketed Price:

(i) Williams and the Share Trust shall enter into the Distribution Agreement;

(ii) Williams and the Share Trust shall have complied in all material respects with their respective obligations and agreements set forth herein and in the Distribution Agreement; and

(iii) Williams and the Share Trust shall make the representations and warranties contained in Section 5 hereof, and such representations and warranties and the representations and warranties in the Distribution Agreement shall be true, complete and correct in all material respects as if made on such date except as otherwise disclosed in the Remarketing Documents.

If the Remarketing Agents shall reasonably determine in their sole discretion that the Conditions Precedent set forth in this paragraph (b) are not fulfilled, then the Remarketing Agents shall declare a Failed Repricing with regard to such Repricing Date and shall not be obligated to remarket the Shares until the next succeeding Repricing Date in accordance with the provisions

of Section 8(e); provided that, if such a Failed Repricing has occurred and continues for a period of five Trading Days thereafter or if Williams intentionally fails to comply with the Conditions Precedent set forth in this paragraph (b), then the Remarketing Agents shall declare a Failed Remarketing, with the consequences set forth in Section 8(g); provided that no such Failed Remarketing may be declared prior to the time a Remarketing Event could occur under Section 7(b).

(c) Following the execution of any Distribution Agreement, in addition to the Conditions Precedent set forth in paragraph (b) above, the conditions precedent set forth in the Distribution Agreement shall have been fulfilled and the sale of the Shares thereunder shall have been consummated on the closing date set forth in the Distribution Agreement. If the Remarketing Agents shall reasonably determine in their sole discretion that the Conditions Precedent set forth in this paragraph (c) are not fulfilled, then the Remarketing Agents shall declare a Failed Remarketing, with the consequences set forth in Section 8(g).

(d) (i) Promptly upon request following a Trigger Event, Williams and the Share Trust shall deliver to the Remarketing Agents such current or updated Remarketing Documents and other current information and other materials as the Remarketing Agents shall reasonably request and (ii) at all times during the Remarketing Period (subject to the last sentence of this Section 12(d)) and prior to the Successful Repricing Date, none of the following events shall have occurred:

(x)(1) trading in securities generally on the New York Stock Exchange or the American Stock Exchange, or trading in any securities of Williams on any exchange located in the United States or Europe, shall have been suspended or minimum prices shall have been established on any such exchange by the SEC, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (2) a general banking moratorium in New York shall have been declared by Federal or New York state authorities, (3) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or (4) there shall have occurred a change in general economic, political or financial conditions (or the effect of international conditions on the financial markets in the United States shall be such) that in the judgment of the Remarketing Agents is material and adverse; and

(y) in the case of any of the events specified in clauses (x)(1) through (x)(4) above, such event, singly or together with any other such event, makes it, in the judgment of the Remarketing Agents, impracticable or inadvisable to proceed with the offering or delivery of the Shares being delivered on the applicable Reset Date on the terms and in the manner contemplated in the Remarketing Documents.

If on any Repricing Date the Remarketing Agents shall reasonably determine in their sole discretion that the Conditions Precedent set forth in this paragraph (d) are not fulfilled, then the Remarketing Agents shall declare a Failed Repricing with regard to such Repricing Date and shall not be obligated to remarket the Shares until the next succeeding Repricing Date in accordance with the provisions of Section 8(e); provided that, if all Conditions Precedent other

than those set forth in this paragraph (d) are met by the fifth Repricing Date after the Initial Repricing Date, the Conditions Precedent set forth in this paragraph (d) shall no longer be applicable and shall not prevent the establishment of a Remarketed Price.

(e) The Remarketing Agents may consult with counsel in making any determination which may be made by them pursuant to this Section 12 and may conclusively rely on the advice or opinion of any such counsel with respect thereto.

SECTION 13. Indemnification.

(a) Each of the Share Trust and Williams jointly and severally shall indemnify and hold harmless each Remarketing Agent, its officers and employees and each person, if any, who controls any Remarketing Agent within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which that Remarketing Agent, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) all remarketing activity undertaken by the Remarketing Agents or any of their respective officers, employees and agents in respect of the Shares, and any other action taken by the Remarketing Agents or any of their respective officers, employees and agents in furtherance of this Agreement, (ii) any untrue statement or alleged untrue statement of a material fact contained in (A) any Remarketing Document or in any Filed Document or in any amendment or supplement thereto or (B) in any materials or information provided to investors by, or with the approval of, the Offerors in connection with the marketing of the offering of the Shares ("Marketing Materials"), including any roadshow or investor presentations made to investors by the Offerors (whether in person or electronically) or (iii) the omission or alleged omission to state in any Remarketing Document or in any Filed Document, or in any amendment or supplement thereto, or in any Marketing Materials, any material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse each Remarketing Agent and each such officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Remarketing Agent, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Offerors shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, (x) the gross negligence or willful misconduct of such Remarketing Agent in connection with clause (i) above or (y) any untrue statement or alleged untrue statement or omission or alleged omission made in any Remarketing Document or in any Filed Document, or in any such amendment or supplement, in reliance upon and in conformity with written information concerning such Remarketing Agent furnished to the Offerors by or on behalf of any Remarketing Agent specifically for inclusion therein; and, provided further, that the Offerors will not be liable to any Remarketing Agent with respect to any preliminary Remarketing Document to the extent the Offerors shall sustain the burden of proving that any such loss, claim, damage or liability resulted from the fact that such Remarketing Agent, in contravention of a requirement of applicable law, remarketed Shares to a person to whom such Remarketing Agent failed to send or give, at or prior to the settlement date for such sale of Shares, a copy of a final Remarketing Document, as then amended or supplemented, if: (i) the Offerors have previously furnished copies thereof (in sufficient quantity and sufficiently in advance of such settlement date to allow

for distribution by such settlement date) to such Remarketing Agent and the loss, claim, damage or liability of such Remarketing Agent resulted from an untrue statement or omission of a material fact contained in or omitted from the preliminary Remarketing Document which was corrected in a final Remarketing Document as, if applicable, amended or supplemented prior to such settlement date and such final Remarketing Document was required by law to be delivered at or prior to the written confirmation of sale to such person and (ii) such failure to give or send such final Remarketing Document by such settlement date to the party or parties asserting such loss, claim, damage or liability would have constituted the sole defense to the claim asserted by such person. The foregoing indemnity agreement is in addition to any liability which the Offerors may otherwise have to any Remarketing Agent or to any officer, employee or controlling person of that Remarketing Agent.

(b) Each Remarketing Agent, severally and not jointly, shall indemnify and hold harmless the Share Trust, the Share Trustee, Williams, its officers and employees, each of its directors, and each person, if any, who controls Williams within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Share Trust, the Share Trustee, Williams or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Remarketing Document or in any Filed Document or in any amendment or supplement thereto, or (ii) the omission or alleged omission to state in any Remarketing Document or in any Filed Document, or in any amendment or supplement thereto, any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Remarketing Agent furnished to the Offerors by or on behalf of that Remarketing Agent specifically for inclusion therein, and shall reimburse the Share Trust, the Share Trustee, Williams and any such director, officer or controlling person for any legal or other expenses reasonably incurred by the Share Trust, the Share Trustee, Williams or any such director, officer or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Remarketing Agent may otherwise have to the Share Trust, the Share Trustee, Williams or any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 13 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 13, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 13 except to the extent it has been materially prejudiced by such failure and, provided further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 13. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying

party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 13 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the Remarketing Agents or any controlling Person shall have the right to employ counsel to represent jointly the Remarketing Agents and their respective officers, employees and controlling Persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Remarketing Agents against Williams or the Share Trust under this Section 13 if (i) the employment of such counsel has been expressly authorized in writing by Williams; (ii) Williams has not assumed the defense of and employed counsel reasonably satisfactory to the indemnified party within a reasonable time after notice of the commencement of such action or (iii) the named parties to any such action or proceeding (including impleaded parties) include both the Remarketing Agents or such controlling Person and the Share Trust or Williams and the Remarketing Agents or such controlling party shall have been advised in writing by counsel that there may be one or more legal defenses available to such indemnified party, which are different from or additional to those available to the Share Trust or Williams, and such counsel's representation of the Remarketing Agents or such controlling Person and the Share Trust or Williams in such action or proceeding would give rise to a conflict of interest which would make it improper for such counsel to represent both the Remarketing Agents or such controlling Person and the Share Trust or Williams (in which case Williams shall not have the right to assume the defense of such action or proceeding on behalf of such indemnified party). Williams shall not, in connection with any one such action or proceeding, or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm for the Remarketing Agents and controlling Persons (in addition to any local counsel), which firm will be designated by Credit Suisse First Boston Corporation, and Williams shall reimburse all such reasonable fees and expenses as they are billed. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 13 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 13(a) or 13(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss,

claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Share Trust and Williams on the one hand and the Remarketing Agents on the other from the offering of the Shares 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 Share Trust and Williams on the one hand and the Remarketing Agents on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Share Trust and Williams on the one hand and the Remarketing Agents on the other from the offering of the Shares (if a remarketing of the Shares hereunder has occurred) shall be deemed to be in the same proportion as the total net proceeds from the offering of the Shares (before deducting expenses) received by the Share Trust, on the one hand, and the total compensation received by the Remarketing Agents under Section 9(a) hereof. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Offerors or the Remarketing Agents, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Share Trust, Williams and the Remarketing Agents agree that it would not be just and equitable if contributions pursuant to this Section 13 were to be determined by pro rata allocation (even if the Remarketing Agents were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section shall be deemed to include, for purposes of this Section 13(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 13(d), no Remarketing Agent shall be required to contribute any amount in excess of the amount by which the total sales proceeds of the Shares remarketed by it exceeds the amount of any damages which such Remarketing Agent has otherwise paid or become liable to pay by reason of any 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. The Remarketing Agents' obligations to contribute as provided in this Section 13(d) are several in proportion to the respective number of Shares remarketed by each Remarketing Agent and not joint.

(e) The indemnity and contribution agreements contained in this Section 13 and the representations and warranties of the Share Trust and Williams set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Remarketing Agents or any Person controlling the Remarketing Agents, the Share Trust, the Share Trustee, Williams, its directors or officers, or any Person controlling Williams, (ii) acceptance of any Shares and payment therefor hereunder and (iii) any termination of this Agreement. A successor to any Remarketing Agent or any Person controlling the Remarketing Agents, or to the Share Trust, the Share Trustee, Williams, its directors or officers, or any Person controlling Williams, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreement contains in this Section 13.

(f) The remedies provided for in this Section 13 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

SECTION 14. Termination of Obligations of Remarketing Agents. The obligations of each Remarketing Agent shall terminate upon the removal or resignation of such Remarketing Agent and the appointment of a successor Remarketing Agent in accordance with the provisions of Sections 10 and 7(a)(ii); provided that, in any such case, the rights of such Remarketing Agent under Sections 9 and 13 with regard to remarketing activity already carried out in accordance with the terms of this Agreement shall continue and remain in full force and effect.

SECTION 15. Remarketing Agents' Performance; Duty of Care; Liability.

(a) The duties and obligations of each Remarketing Agent shall be determined solely by the express provisions of this Agreement. No implied covenants or obligations of or against the Remarketing Agents shall be read into this Agreement. In the absence of bad faith on the part of the Remarketing Agents, the Remarketing Agents may conclusively rely upon any document furnished to them, which purports to conform to the requirements of this Agreement, as to the truth of the statements expressed in any of such documents. The Remarketing Agents shall be protected in acting upon any document or communication reasonably believed by it to have been signed, presented or made by the proper party or parties. Each Remarketing Agent shall incur no liability to any of Williams, the Share Trust, the Issuer, the Indenture Trustee or the purchasers of Shares in its individual capacity or as Remarketing Agent for any action or failure to act in connection with a remarketing or otherwise, except as a result of gross negligence, willful misconduct or willful breach of this Agreement on its part.

(b) Each Remarketing Agent may consult with counsel, accountants and other skilled Persons to be selected and employed by it, and it shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled Persons. Each Remarketing Agent shall not be required to take any action under this Agreement if such Remarketing Agent shall reasonably determine or shall have been advised by counsel that such action is contrary to the terms of this Agreement or is otherwise contrary to Applicable Law. Each Remarketing Agent shall incur no liability if, by reason of any provision of any future Applicable Law, such Remarketing Agent shall be prevented or forbidden from doing or performing any act or thing which the terms of this Agreement provide shall or may be done or performed by it.

(c) Except as otherwise provided in Section 13, each Remarketing Agent shall be under no obligation to appear in, prosecute or defend any action or take, suffer or omit from taking any action under this Agreement which in its opinion may require it to incur any out-of-pocket expense or any liability, unless it shall be furnished with security and indemnity reasonably satisfactory to it against such expense or liability as it may require, and any reasonable out-of-pocket cost of such Remarketing Agent as a result of such actions shall be paid by Williams.

(d) The parties hereto acknowledge that any sale of the Shares pursuant to this Agreement and the Distribution Agreement may be at prices and on terms less favorable to Williams than those obtainable in a public or private offering by Williams under different circumstances. Subject to Sections 2(b)(ii) and 2(b)(iii), the Remarketing Agents shall incur no liability as a result of the sale of the Shares, including any Partial Remarketing, made in accordance with this Agreement and the Distribution Agreement. Williams, the Share Trust, the Issuer and the Indenture Trustee each hereby waives any claims against the Remarketing Agents arising by reason of the fact that the price at which any Shares may have been sold was less than the price that might have been obtained at a sale thereof by Williams, the Share Trust, the Issuer, the Indenture Trustee or any third party in different circumstances or was less than the Share Trust Amount, even if the Remarketing Agents accept the first offer received and do not offer the Shares to more than one offeree.

SECTION 16. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 17. Term of Agreement. Unless otherwise terminated in accordance with the provisions hereof, this Agreement shall remain in full force and effect until one year and one day after the earliest to occur of the following events: (i) the Shares shall have been successfully remarketed on the Reset Date, provided that a Partial Remarketing has not occurred, (ii) Williams shall have delivered an amount equal to the Share Trust Amount to the Indenture Trustee in accordance with Section 8(g) or (iii) the Share Trust Amount shall be zero; provided, that the obligations of the parties hereto shall continue to be effective or shall be automatically reinstated, as the case may be, if and to the extent that any payment by or on behalf of the Issuers in respect of the Senior Notes is rescinded or must be otherwise restored by any Noteholder, not later than one year and one day after the payment in full of the Senior Notes, as a result of any proceedings in bankruptcy or reorganization relating to the Issuers, WCL or WCG. Regardless of any termination of this Agreement pursuant to any of the provisions hereof, (x) the obligations of Williams pursuant to Sections 9 and 13 with regard to remarketing activity already carried out in accordance with the terms of this Agreement shall continue and remain in full force and effect and (y) the obligations of the Issuer pursuant to Section 27 shall continue and remain in full force and effect until the Reimbursement Obligations shall have been paid in full. After the payment or redemption in full of the Senior Notes, any proceeds with respect to the sale of the Shares received by the Remarketing Agents (net of any amounts due and payable by Williams pursuant to Sections 9 and 13) shall be paid promptly to Williams.

SECTION 18. Successors and Assigns. The rights and obligations of Williams hereunder may not be assigned or delegated to any other Person without the prior written consent of the Remarketing Agents. The rights and obligations of the Remarketing Agents hereunder may not be assigned or delegated to any other Person without the prior written consent of Williams, the Share Trustee and the Indenture Trustee. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns and will not confer any benefit upon any other Person other than Persons, if any, which are entitled to indemnity or contribution to the extent provided in Section 13. The terms "successors" and "assigns" shall not include any purchaser of any Shares merely because of such purchase.

SECTION 19. Headings. Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

SECTION 20. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any or all jurisdictions because it conflicts with any provision of any constitution, statute, rule or public policy or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case, circumstance or jurisdiction or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatsoever.

SECTION 21. Remarketing Agents Not Acting as Underwriter.

(a) It is expressly understood and agreed by all parties hereto that each Remarketing Agent's only obligations hereunder are as set forth in Sections 2(b), 6(h), 6 (last paragraph), 7(a)(ii), 7(b)(ii), 8, 10, 12, 13 and 15 of this Agreement. When engaged in remarketing any Shares, each Remarketing Agent shall act only as agent for and on behalf of the Share Trust. Each Remarketing Agent shall not act as underwriter for the Shares (except if and to the extent otherwise agreed in the Distribution Agreement or the New Series Distribution Agreement) and shall in no way be obligated to advance or use its own funds to purchase any Shares (except for those Shares it shall, in its sole discretion, elect to purchase in its individual capacity in accordance with Section 11 or to the extent otherwise agreed in the Distribution Agreement or the New Series Distribution Agreement) or to otherwise expend or risk its own funds or incur or become exposed to financial liability in the performance of its duties hereunder.

(b) It is expressly understood and agreed by all parties hereto that the obligation of the Remarketing Agents with respect to the New Series are limited to those set forth in Sections 2(b)(i) and 7(a) and those expressly set forth in the New Series Distribution Agreement. Each Remarketing Agent shall not act as underwriter for the New Series (except if and to the extent otherwise agreed in the New Series Distribution Agreement) and shall in no way be obligated to advance or use its own funds to purchase any shares of the New Series (except for those Shares it shall, in its sole discretion, elect to purchase in its individual capacity in accordance with Section 11 or to the extent otherwise agreed in the Distribution Agreement or the New Series Distribution Agreement) or to otherwise expend or risk its own funds or incur or become exposed to financial liability in the performance of its duties hereunder.

(c) It is expressly understood and agreed by all parties hereto that the obligation of the Remarketing Agents to remarket the Shares or market the New Series is undertaken on a "best-efforts" basis only (except if and to the extent otherwise agreed in the Distribution Agreement or the New Series Distribution Agreement, respectively), and the Remarketing Agents shall incur no liability to any Person in connection with a failure to remarket the Shares or market the New Series in accordance with the provisions of this Agreement.

SECTION 22. Amendments. This Agreement may be amended by any instrument in writing signed by all of the parties hereto so long as this Agreement as amended is

not inconsistent with the Share Trust Agreement or the Participation Agreement or Section 7.01(s) and Article XII of the Indenture in effect as of the date of any such amendment.

SECTION 23. Notices. Except as otherwise expressly provided herein in any particular case, all notices, approvals, consents, requests and other communications hereunder shall be in writing and shall, if addressed as provided in the following sentence, be deemed to have been given (i) when delivered by hand, (ii) one Business Day after being sent by a private nationally or internationally recognized overnight courier service or (iii) when sent by telecopy, if immediately after transmission the sender's facsimile machine records in writing the correct answer back. Actual receipt at the address of an addressee, regardless of whether in compliance with the foregoing, is effective notice hereunder. Until otherwise so notified by the respective parties, all notices, approvals, consents, requests and other communications shall be addressed to the following addresses:

If to Williams, the Issuer, the Share Trust (or the Share Trustee) or the Indenture Trustee:

To the respective addresses set forth for each such Person in Section 7.2 of the Participation Agreement.

If to the Initial Remarketing Agent:

Credit Suisse First Boston Corporation
Eleven Madison Avenue
New York, NY 10010
Attention: James Fields
Telecopier No.: (212) 538-0885
Telephone No.: (212) 538-2263

A duplicate copy of each notice, approval, consent, request or other communication given hereunder by each of the parties hereto to any one of the others shall also be given to all of the others. However, failure to give notice to any party hereto shall not affect effectiveness of notice to parties as to whom notice has been given in accordance with the first two sentences of this Section 23. Each of the parties hereto may, by notice given hereunder, designate any further or different addresses to which subsequent notices, approvals, consents, requests or other communications shall be sent or persons to whose attention the same shall be directed.

SECTION 24. Counterparts. This Agreement may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same document.

SECTION 25. Regarding the Indenture Trustee. The Indenture Trustee shall be afforded all of the rights, powers, immunities and indemnities set forth in the Indenture as if such rights, powers, immunities and indemnities were specifically set forth herein.

SECTION 26. Limitation of Liability of Wilmington Trust Company. It is expressly understood and agreed by the parties hereto with respect to the Issuer and the Share

Trust (a) this Agreement is executed and delivered by Wilmington Trust Company, not individually or personally but solely as trustee of the Issuer and the Share Trust, in the exercise of the powers and authority conferred and vested in it under the Issuer Trust Agreement and the Share Trust Agreement, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer and the Share Trust is made and intended not as personal representations, undertaking and agreements by Wilmington Trust Company but is made and intended for the purpose of binding only the Issuer and the Share Trust and (c) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer and the Share Trust or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer or the Share Trust under this Agreement or the other related documents; provided, however, this Section shall not limit the liability expressly assumed by Wilmington Trust Company under this Agreement, the Issuer Trust Agreement or the Share Trust Agreement, respectively.

SECTION 27. Issuer's Reimbursement Obligation.

(a) In the event that (i) Williams exercises the Share Trust Release Option at a time when the Share Trust Amount exceeds zero, (ii) all or any portion of the Share Trust Amount is paid to the Indenture Trustee as a result of (x) the sale of the New Series and/or the Shares or (y) a payment by Williams following a Failed Remarketing or (iii) the Indenture Trustee draws upon the Share Trust Reserve to make payments in respect of the Senior Notes at any time in accordance with the Indenture, the Issuer shall reimburse Williams for the amounts received by the Indenture Trustee pursuant to any of clauses (i) through (iii) above, together with the reasonable costs and expenses incurred by Williams in connection with such events (the "Share Trust Reimbursement Obligations"). The Issuer hereby agrees that such Share Trust Reimbursement Obligations shall be secured under the Indenture as provided therein. Williams and the Issuer hereby agree that payment of such Share Trust Reimbursement Obligations shall be made only after the payment in full of the Senior Notes, and shall be made by the Indenture Trustee on behalf of the Issuer to Williams in accordance with the priority set forth in Sections 5.05(c), (d) and (e) of the Indenture. Williams hereby agrees that upon its receipt of payment in full of the Reimbursement Obligations, it shall give notice to the Issuer and the Indenture Trustee that the Reimbursement Obligations have been paid in full and satisfied.

(b) Notwithstanding any other term of this Agreement, any other Transaction Document or otherwise, the obligations of the Issuer under this Agreement are senior secured limited recourse obligations of the Issuer, payable solely from the Security for the Senior Notes, and, following realization on the Security for the Senior Notes and application of the proceeds thereof in accordance with the terms of the Indenture, neither Williams nor any of the other parties to the Transaction Documents shall be entitled to take any further action to recover any sums due but remaining unpaid hereunder or thereunder, all claims in respect of which shall be extinguished. In particular, neither Williams nor any other party to a Transaction Document shall be entitled to petition or take any other action for the winding up or bankruptcy of either the Issuer or the Co-Issuer or shall have any claim in respect of any assets of either of the Issuers other than the Security for the Senior Notes. No recourse shall be had for the payment of any amount owing in respect of the Share Trust Reimbursement Obligations or any other obligations of the Issuer hereunder against any trustee, trust officer, limited partner, general partner, holder of a beneficial interest, officer, director, employee, shareholder or incorporator of the Issuer, the Co-Issuer, the Noteholders, the Indenture Trustee, the Initial Purchasers, their respective

Affiliates or any of their respective successors or assigns It is understood that the foregoing provisions of this paragraph (b) shall not (i) prevent recourse to the Security for the Senior Notes for the sums due or to become due under any security, instrument or agreement which is part of the Security for the Senior Notes or (ii) except as specifically provided therein, constitute a waiver, release or discharge of any indebtedness or obligation secured by the Indenture. It is further understood that the foregoing provisions of this paragraph (b) shall not limit the right of any Person to name the Issuers as party defendants in any Proceeding or in the exercise of any other remedy under this Agreement or the Indenture, so long as no judgment in the nature of a deficiency judgment or seeking personal liability shall be asked for or (if obtained) enforced against any such Person.

SECTION 28. Cash Flow Default. Upon the occurrence of a Cash Flow Default, Williams shall be obligated to cause the Williams Demand Loan held in the Pledged Share Trust Reserve Account to be immediately paid in full to the Indenture Trustee.

[signature pages follow]

IN WITNESS WHEREOF, each of Williams, the Share Trust, the Issuer, the Indenture Trustee and the Initial Remarketing Agent has caused this Agreement to be executed in its name and on its behalf by one of its duly authorized officers as of the date first above written.

THE WILLIAMS COMPANIES, INC.

By /s/ DEBORAH S. FLEMING

Name: Deborah S. Fleming
Title: Assistant Treasurer

WILLIAMS SHARE TRUST

By: WILMINGTON TRUST COMPANY, not in its individual capacity but solely in its capacity as Share Trustee

By /s/ JAMES P. LAWLER

Name: James P. Lawler
Title: Vice President

WCG NOTE TRUST

By: WILMINGTON TRUST COMPANY, not in its individual capacity but solely in its capacity as Issuer Trustee

By /s/ JAMES P. LAWLER

Name: James P. Lawler
Title: Vice President

UNITED STATES TRUST COMPANY OF NEW YORK, not in its individual capacity, but solely as Indenture Trustee

By /s/ LOUIS P. YOUNG

Name: Louis P. Young
Title: Vice President

CREDIT SUISSE FIRST BOSTON CORPORATION

By /s/ JAMES FIELDS

Name: James Fields
Title: Managing Director

Schedule I

Certain transactions described in
Section 3(e)

Securities issued pursuant to the certificate of designation for the December 2000 Cumulative Convertible Preferred Stock ($1.00 par value) of The Williams Companies, Inc., dated December 28, 2000.

Schedule II

Registration Rights described in
Section 5(l)

None.

Schedule III

List of Eligible Remarketing Agents

Banc of America Securities LLC
Chase Securities Inc.
Credit Lyonnais Securities (USA) Inc.
Credit Suisse First Boston Corporation
Goldman, Sachs & Co.
Lehman Brothers Inc.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Morgan Stanley & Co. Incorporated
Salomon Smith Barney Inc.
UBS Warburg LLC

Exhibit 10(c)

FORM OF

SECOND AMENDED AND RESTATED
GUARANTY AGREEMENT

dated as of August 17, 2000

between

THE WILLIAMS COMPANIES, INC.

and

STATE STREET BANK AND TRUST COMPANY
OF CONNECTICUT, NATIONAL ASSOCIATION,
in its individual capacity as its interests may
appear in the Operative Documents, but otherwise
not in its individual capacity
but solely as Trustee

and

STATE STREET BANK AND TRUST COMPANY,
not in its individual capacity,
but solely as Collateral Agent

and

CITIBANK, N.A.,
as Agent,

and

CITIBANK, N.A.,
as APA Agent

TABLE OF CONTENTS

SECOND AMENDED AND RESTATED GUARANTY AGREEMENT

SECOND AMENDED AND RESTATED GUARANTY AGREEMENT, dated as of August 17, 2000 by and between The Williams Companies, Inc., a Delaware corporation, successor in interest by merger dated July 31, 1999 to Williams Holdings of Delaware, Inc. (the "Guarantor"), State Street Bank and Trust Company of Connecticut, National Association, a national banking association, in its individual capacity as its interests may appear in the Operative Documents (as defined below), but otherwise not in its individual capacity but solely as Trustee (the "Trustee"), State Street Bank and Trust Company, not in its individual capacity, but solely as collateral agent for the Purchasers (as defined below) (the "Collateral Agent"), and Citibank, N.A., a national banking association as agent for the Purchasers (the "Agent"), and Citibank, N.A., a national banking association as agent for CXC (as defined below) and the APA Purchasers (as defined below) (the "APA Agent").

Preliminary Statement

A. On the Original Initial Funding Date, as contemplated by the Original Participation Agreement, the Guarantor executed a Guaranty in favor of the Trustee, the Collateral Agent and the Agent for their benefit and for the benefit of the Original Note Holders and Original Certificate Holders (the "Original Guaranty"). In connection with amending and restating the May Participation Agreement (as defined below), the Guarantor amended and restated the Original Guaranty.

B. On the Initial Funding Date, as contemplated in the Participation Agreement, the Guarantor executed the Amended and Restated Guaranty Agreement (the "Amended Guaranty") as an inducement for (i) the Trustee, the Collateral Agent and the Agent to enter into the transactions contemplated by the Operative Documents, (ii) the Note Holders to purchase the Interim Notes, (iii) the Certificate Holders to make Investments, (iv) CXC to make CXC Advances to the SPV under the Finance Facility and (v) CXC, the SPV, the APA Agent, the APA Purchasers and CNAI and Citicorp North America, Inc., as agent for CXC and the APA Purchasers with respect to the Residual Credit Enhancement (as defined in the APA) to enter into the APA, all of which the Trustee, the Collateral Agent, the Agent, the Note Holders, the Certificate Holders, the APA Agent, CXC and the APA Purchasers would have been unwilling to do if the Guarantor did not execute and deliver the Amended Guaranty.

C. The Guarantor intends this Guaranty to amend and restate the Amended Guaranty to reflect certain terms set forth in the Credit Agreement (as defined below).

In consideration of the mutual covenants and agreements set forth herein and intending to be legally bound by this Agreement, the Guarantor, the Trustee, the Collateral Agent, the Agent and the APA Agent hereby agree as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

Section 1.01 Definitions. As used in this Agreement, terms defined in the preceding paragraphs or in other sections of this Agreement shall have the meanings specified therein, the terms defined in Appendix A to the Participation Agreement (as defined below), and not otherwise defined herein, shall have the meanings set forth therein, and the following terms shall have the meanings set forth below:

"Agreement" means this Second Amended and Restated Guaranty Agreement.

"American Soda" means American Soda, L.L.P., a Colorado limited liability partnership.

"Bank" means the lenders listed on the signature pages of the Credit Agreement and each other Person that becomes a Bank pursuant to the last sentence of Section 8.06(a) of the Credit Agreement.

"Cash Holdings" of any Person means the total investment of such Person at the time of determination in:

(a) demand deposits and time deposits maturing within one year with a Bank (or other commercial banking institution of the stature referred to in clause (d)(i));

(b) any note or other evidence of indebtedness, maturing not more than one year after such time, issued or guaranteed by the United States Government or by a government of another country which carries a long-term rating of Aaa by Moody's or AAA by S & P;

(c) commercial paper maturing not more than nine months from the date of issue, which is issued by:

(i) a corporation (other than an affiliate of the Guarantor) rated (x) A-1 by S&P, P-1 by Moody's or F-1 by Fitch or (y) lower than set forth in clause (x) above, provided that the value of all such commercial paper shall not exceed 10% of the total value of all commercial paper comprising "Cash Holdings;" or

(ii) any Bank (or its holding company) with a rating on its long-term unsecured debt of at least AA by S&P or Aa by Moody's;

(d) any certificate of deposit or bankers acceptance, maturing not more than three years after such time, which is issued by either:

(i) a commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than $1,000,000,000; or

(ii) any Bank with a rating on its long-term unsecured debt of at least AA by S&P or Aa by Moody's;

(e) notes or other evidences of indebtedness, maturing not more than three years after such time, issued by:

(i) a corporation (other than an affiliate of the Guarantor) rated AA by S&P or Aa by Moody's; or

(ii) any Bank (or its holding company) with a rating on its long-term unsecured debt of at least AA by S&P or Aa by Moody's;

(f) any repurchase agreement entered into with any Bank (or other commercial banking institution of the stature referred to in clause (d)(i)) which:

(i) is secured by a fully perfected security interest in any obligation of the type described in any of clauses (a) through (d); and

(ii) has a market value at the time such repurchase agreement is entered into of not less than 100% of the repurchase obligation of such Bank (or other commercial banking institution) thereunder; and

(g) money market preferred instruments by participation in a Dutch auction (or the equivalent) where the investment is rated no lower than Aa by Moody's or AA by S&P.

"Consolidated" refers to the consolidation of the accounts of any Person and its Subsidiaries in accordance with GAAP; provided that, unless otherwise provided, in the case of the Guarantor, "Consolidated" shall mean the consolidation of the accounts of the Guarantor and its Subsidiaries and shall not include any accounts of the WCG Subsidiaries; provided that for purposes of the Consolidated financial statements required to be delivered pursuant to Sections 3.01(e), 4.01(b)(ii) and 4.01(b)(iii) and where otherwise provided, the consolidation of the accounts of the Guarantor and its Subsidiaries shall include the WCG Subsidiaries.

"Consolidated Net Worth" of any Person means the Net Worth of such Person and its Subsidiaries on a Consolidated basis plus, in the case of the Guarantor, the Designated Minority Interests to the extent not otherwise included; provided that, in no event shall the value ascribed to Designated Minority Interests exceed $136,892,000 in the aggregate.

"Consolidating" refers to, with respect to the balance sheets and statements of income and cash flows required by Sections 3.01(e), 4.01(b)(ii) and 4.01(b)(iii), the consolidation of the accounts of the Guarantor and its Subsidiaries in

accordance with the following format: (i) the WCG Subsidiaries, (ii) the Guarantor and its Subsidiaries (which term does not include the WCG Subsidiaries), (iii) consolidation adjustments, and (iv) Consolidated financial statements of the Guarantor and each Subsidiary of the Guarantor, including the WCG Subsidiaries.

"Credit Agreement" means the Credit Agreement dated as of July 25, 2000 among The Williams Companies, Inc., Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, Texas Gas Transmission Corporation, as Borrowers, the Banks named therein, as Banks, and Citibank, N.A., as Agent, as in effect on the date of this Agreement.

"Debt" means, in the case of any Person, (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 not overdue by more than 60 days incurred in the ordinary course of business), (iv) monetary obligations of such Person as lessee under leases that are, in accordance with GAAP, recorded as capital leases, (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, and (vi) indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) of this definition secured by any Lien on or in respect of any property of such Person; provided, however, that Debt shall not include any obligation under or resulting from any agreement referred to in paragraph (y) of Schedule I or resulting from any sale and leaseback referred to in paragraph (aa) of Schedule I; and provided further, it is the understanding of the parties hereto that Debt shall not include any monetary obligations of Persons as lessee under leases that are in accordance with GAAP, recorded as operating leases.

"Designated Minority Interests" of the Guarantor means, as of any date of determination, the total of the minority interests in the following Subsidiaries of the Guarantor: (i) El Furrial, (ii) PIGAP II, (iii) Nebraska Energy, (iv) Seminole, (v) American Soda, and (vi) other Subsidiaries of the Guarantor, as presented in its Consolidating balance sheet, in an amount not to exceed in the aggregate $9,000,000 for such other Subsidiaries not referred to in clauses (i) through (v); provided that minority interests which provide for a stated preferred cumulative return shall not be included in "Designated Minority Interests."

"EDGAR" means "Electronic Data Gathering, Analysis and Retrieval" system, a database maintained by the Securities and Exchange Commission containing electronic filings of issues of certain securities.

"El Furrial" means WilPro Energy Services (El Furrial) Limited, a Cayman Islands corporation.

"Environmental Protection Statutes" means any United States local, state of federal or any foreign Law or agreement arising from or in connection with or relating

to the protection or regulation of the environment (as defined in 42 U.S.C. ss.9601(8) as of the date of the Credit Agreement), including, those Laws or agreements relating to the disposal, cleanup, production, storing, refining, handling, transferring, processing or transporting of Hazardous Waste, Hazardous Substances or any pollutant or contaminant, wherever located.

"Fitch" means Fitch, Inc.

"Guaranteed Instruments" means:

(i) If the Lessee shall have delivered an Offer to Purchase pursuant to the Lease or the Lessor shall have delivered a Termination Notice pursuant to the Lease, then the "Guaranteed Instruments" shall be all the Instruments;

(ii) If the Lessee has not delivered an Offer to Purchase and the Lessor has not delivered a Termination Notice, then (A) if no Event of Default has occurred and is continuing at such time, the "Guaranteed Instruments" shall be the A-Notes and B-Notes, to the extent of the Residual Value Amount; (B) if an Event of Default under Section 6.01(p) or 6.01(q)(i) of the Participation Agreement has occurred and is continuing at such time, the "Guaranteed Instruments" shall be the A-Notes and B-Notes, to the extent of the Residual Value Amount; (C) on or after the Completion Date, if an Event of Default (other than under Section 6.01(p) or 6.01(q)(i) of the Participation Agreement or an Event of Default relating to fraud, misapplication of funds, illegal acts, or willful misconduct on the part of the Lessee) has occurred and is continuing at such time, the "Guaranteed Instruments" shall be the A-Notes and B-Notes; (D) prior to the Completion Date, if an Event of Default (other than under Section 6.01(g) or 6.01(h) of the Participation Agreement or an Event of Default relating to fraud, misapplication of funds, illegal acts, or willful misconduct on the part of the Lessee) has occurred and is continuing at such time, the "Guaranteed Instruments" shall be the A-Notes and B-Notes, to the extent of the Residual Value Amount; and (E) prior to the Completion Date, if an Event of Default under Section 6.01(g) or 6.01(h) of the Participation Agreement has occurred and is continuing at such time, or to the extent of any claims brought by the Lessor relating to fraud, misapplication of funds, illegal acts, or willful misconduct on the part of the Lessee, the "Guaranteed Instruments" shall be the A-Notes and the B-Notes.

"Guaranteed Obligations" means, collectively the obligations described in clauses (i) through (v) of Section 2.01(a), in each case, whether arising under the Operative Documents referred to in the May Participation Agreement or under the Operative Documents referred to in the Participation Agreement.

"Guaranteed Parties" means each of the Agent, the Trustee, the Collateral Agent, the APA Agent, the Purchasers, the APA Purchasers, CXC and CXC's Credit Enhancer.

"Guaranty Default" means any one or more of the following events or conditions occurs or exists:

(a) the Guarantor shall fail to pay, satisfy and perform the Guaranteed Obligations pursuant to Section 2.01 (after the passage of any applicable grace or cure period with respect thereto under the Operative Documents); or

(b) any certification, representation or warranty made by the Guarantor herein or by the Guarantor (or any officer of the Guarantor) in writing under or in connection with this Agreement or under any other Operative Document (including, without limitation, representations and warranties made or deemed made pursuant to Section 3.01 or 3.02) shall prove to have been incorrect in any material respect when made or deemed made; or

(c) the Guarantor shall fail to perform or observe (i) any term, covenant or agreement contained in Section 4.01(b) on its part to be performed or observed and such failure shall continue for ten Business Days after the earlier of the date notice thereof shall have been given to the Guarantor by the Agent or any Bank or the date the Guarantor shall have knowledge of such failure, or (ii) any term, covenant or agreement contained in this Agreement (other than a term, covenant or agreement contained in Section 4.01(b) or 2.01) or in any other Operative Document or on its part to be performed or observed and such failure shall continue for five Business Days after the earlier of the date notice thereof shall have been given to the Guarantor by the Agent or any Purchaser or the date the Guarantor shall have knowledge of such failure; or

(d) the Guarantor or any Subsidiary of the Guarantor shall fail to pay any principal of or premium or interest on any Debt which is outstanding in a principal amount of at least $60,000,000 in the aggregate of the Guarantor or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment or as required pursuant to an illegality event of the type set forth in Section 2.12 of the Credit Agreement), prior to the stated maturity thereof; provided, however, that the provisions of this subsection (d) shall not apply to any Non-Recourse Debt of any Non-Borrowing Subsidiary (as defined in the Credit Agreement) of the Guarantor under the Credit Agreement; or

(e) the Guarantor or any Material Subsidiary of the Guarantor shall generally not pay its debts as such debts become due, or 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 Guarantor or any Material Subsidiary of the Guarantor seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), shall remain undismissed or unstayed for a period of 60 days; or the Guarantor or any Material Subsidiary of the Guarantor shall take any action to authorize any of the actions set forth above in this subsection (e); or

(f) any judgment or order for the payment of money in excess of $60,000,000 shall be rendered against the Guarantor or any Material Subsidiary of the Guarantor and remain unsatisfied and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) any Termination Event with respect to a Plan shall have occurred and, 30 days after notice thereof shall have been given to the Guarantor by the Agent, (i) such Termination Event shall still exist and (ii) the sum (determined as of the date of occurrence of such Termination Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which a Termination Event shall have occurred and then exist (or in the case of a Plan with respect to which a Termination Event described in clause (ii) of the definition of Termination Event shall have occurred and then exist, the liability related thereto) is equal to or greater than $75,000,000; or

(h) the Guarantor or any ERISA Affiliate of the Guarantor shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans in connection with Withdrawal Liabilities (determined as of the date of such notification), exceeds $75,000,000 in the aggregate or requires payments exceeding $50,000,000 per annum; or

(i) the Guarantor or any ERISA Affiliate of the Guarantor shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Guarantor and its ERISA Affiliates to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the

respective plan years which include the date hereof by an amount exceeding $75,000,000;

(j) any Event of Default under the Credit Agreement occurs and is continuing.

"Hazardous Substance" has the meaning set forth in 42 U.S.C. ss.9601(14) and shall also include each other substance considered to be a hazardous substance under any Environmental Protection Statute.

"Hazardous Waste" has the meaning set forth in 42 U.S.C.ss.6903(5) and shall also include each other substance considered to be a hazardous waste under any Environmental Protection Statute (including 40 C.F.R.ss.261.3)

"Material Subsidiary" means, with respect to the Guarantor, each Relevant Subsidiary and each "significant subsidiary" of the Guarantor (or its Subsidiaries) as such term is defined in Rule 405 under the Securities Act, excluding the WCG Subsidiaries.

"May Participation Agreement" means the Participation Agreement dated as of May 6, 1998, as amended, among Williams Communications, Inc., the Trustee, Citibank N.A. as the Agent and the Collateral Agent, and the financial institutions named therein as Purchasers, as it may be amended, modified, restated or supplemented from time to time in accordance with the terms thereof.

"Nebraska Energy" means Nebraska Energy, L.L.C., a Kansas limited liability company.

"Net Debt" means for any Person, as of any date of determination, the excess of (x) the aggregate amount of all Debt of such Person and its Subsidiaries on a Consolidated basis, excluding Non-Recourse Debt, over (y) the sum of the Cash Holdings of such Person and its Subsidiaries on a Consolidated basis.

"Net Worth" of any Person means, as of any date of determination, the excess of total assets of such Person over total liabilities of such Person, total assets and total liabilities each to be determined in accordance with GAAP.

"Non-Recourse Debt" means Debt incurred by any non-material, Non-Borrowing Subsidiary (as defined in the Credit Agreement) to finance the acquisition (other than any acquisition from the Guarantor or any Subsidiary) or construction of a project, which Debt does not permit or provide for recourse against the Guarantor or any Subsidiary of the Guarantor (other than the Subsidiary that is to acquire or construct such project) or any property or asset of the Guarantor or any Subsidiary of the Guarantor (other than property or assets of the Subsidiary that is to acquire or construct such project). For purposes of this definition, a "non-material Subsidiary" shall mean any Subsidiary of the Guarantor which, as of the date of the most recent Consolidating balance sheet of the Guarantor delivered pursuant to Section 4.01 as described in clause (ii) of the definition of "Consolidating," has total assets which account for less than five percent (5%) of the total assets of the Guarantor and its Subsidiaries, as shown in the

column described in clause (ii) of the definition of "Consolidating" of such Consolidating balance sheet; provided that, the total aggregate assets of non-material Subsidiaries shall not comprise at any time more than ten percent (10%) of the total assets of the Guarantor and its Subsidiaries, as shown in such column of such Consolidating balance sheet.

"Participation Agreement" means the Amended and Restated Participation Agreement dated as of the date hereof among the Company, the Trustee, the Persons named therein as Note Holders, Certificate Holders and APA Purchasers, the Collateral Agent and the Agent.

"Permitted Liens" means, with respect to the Guarantor or any Subsidiary of the Guarantor, Liens specifically described on Schedule I.

"PIGAP II" means WilPro Energy Services (PIGAP II) Limited, a Cayman Islands corporation.

"Public Filings" means the Guarantor's Annual Report on Form 10-K/A for the year ended December 31, 1999 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2000.

"Related Party" of any Person means any corporation, partnership, joint venture or other entity of which more than 10% of the outstanding capital stock or other 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 or whether or not at the time capital stock or other equity interests of any other class of classes of such corporation, partnership, joint venture or other entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person or which owns at the time directly or indirectly more than 10% of the outstanding capital stock or other equity interests having ordinary voting power to elect a majority of the board of directors of such Person or others performing similar functions (irrespective or whether or not at the time capital stock or other equity interests of any other class or classes of such corporation, partnership, joint venture or other entity shall or might have voting power upon the occurrence of any contingency); provided, however, that neither TWC nor any Subsidiary of TWC shall be considered to be a Related Party of TWC or any Subsidiary of TWC.

"Seminole" means Seminole Pipeline Company, a Delaware corporation.

"Subsidiary" of any Person means any corporation, partnership, joint venture or other entity of which more than 50% of the outstanding capital stock or other 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 capital stock or other 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. Notwithstanding the above, in the case of the Guarantor, "Subsidiary" shall not include the WCG Subsidiaries, except that with

respect to the Consolidated balance sheet and related Consolidated statements of income and cash flows for TWC referred to in Section 3.01(e), 4.01(b)(ii) and 4.01(b)(iii) and as otherwise specifically provided herein the term "Subsidiary" used with respect to the Guarantor shall include the WCG Subsidiaries.

"TWC" means The Williams Companies, Inc., a Delaware corporation.

"WCG" means Williams Communications Group, Inc., a Delaware corporation.

"WCG Subsidiaries" means, collectively, WCG and any direct or indirect Subsidiary of WCG.

Section 1.02 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" means "to but excluding."

Section 1.03 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP applied consistently.

Section 1.04 Use of Certain Terms. Unless the context of this Agreement requires otherwise, the plural includes the singular, the singular includes the plural, the part includes the whole, and "including" has the inclusive meaning of "including without limitation." The words "hereof," "herein," "hereby," "hereunder," and other similar terms of this Agreement refer to this Agreement as a whole and not exclusively to any particular provision of this Agreement. All pronouns and any variations thereof shall be deemed to refer to masculine, feminine, or neuter, singular or plural, as the identity of the person or persons may require.

Section 1.05 Headings and References. Section and other headings are for reference only, and shall not affect the interpretation or meaning of any provision of this Agreement. Unless otherwise provided, references to Articles, Sections, Schedules, and Exhibits shall be deemed references to Articles, Sections, Schedules, and Exhibits of this Agreement. References to this Agreement include this Agreement as the same may be modified, amended, restated or supplemented from time to time pursuant to the provisions hereof. A reference to any law shall mean that law as it may be amended, modified or supplemented from time to time, and any successor law and to any applicable rules, regulations or orders as in effect from time to time. A reference to a Person includes the successors and assigns of such Person, except to the extent that this Agreement or any other Operative Document may restrict assignment or rights of assignees. A reference in this Agreement to any other Operative Document shall be deemed a reference to that Operative Document as it may be amended, modified or supplemented from time to time. A reference in Section 2.01 to any Operative Document (or to any Fixed Rent, Additional Rent, Additional Costs, Residual Value Amount, Termination Value, indemnification payment or other amounts payable under representations or warranties in, or covenants, undertakings or other obligations under

any Operative Document) shall be deemed a reference to both the Operative Documents (and such payment obligations, representations, warranties, covenants, undertakings and other obligations) as defined in the Original Guaranty and to the Operative Documents (and such payment obligations, representations, warranties, covenants, undertakings and other obligations) as defined in this Agreement.

ARTICLE II

GUARANTY AND PAYMENT

Section 2.01 Guaranty.

(a) Guaranteed Obligations. The Guarantor hereby unconditionally and irrevocably guarantees to, and agrees with and for the benefit of the Guaranteed Parties that:

(i) The Fixed Rent, Additional Rent, Additional Costs, Residual Value Amount, Termination Value, indemnification payments and all other amounts payable by each Relevant Subsidiary under the Operative Documents will be promptly paid in full when due in accordance with the provisions thereof;

(ii) Each Relevant Subsidiary will perform, comply with and observe (or cause to be performed, complied with or observed) all obligations, covenants, terms, conditions, indemnities and undertakings required under the Operative Documents in accordance with the provisions thereof;

(iii) All representations, warranties, certifications or statements made by each Relevant Subsidiary, and their respective officers, pursuant to each of the Operative Documents are true and correct as of the date made (or, if made or delivered after the date hereof, will be true and correct when made or delivered);

(iv) All amounts due in respect of the Guaranteed Instruments (including all principal or stated amount of, and interest or yield on, as applicable, the Guaranteed Instruments, together with any other sums which may become due pursuant to any Operative Document with respect to the Guaranteed Instruments) will be promptly paid in full (A) when due, whether at stated maturity, by acceleration or otherwise, in accordance with the provisions of such Guaranteed Instruments and of the Operative Documents and (B) upon the occurrence of an Event of Default; and

(v) All amounts due in respect of any Guaranteed Obligations or Guaranteed Instruments (each as defined in the Original Guaranty), to the extent such Guaranteed Obligations arose on or prior to the date hereof and remain unpaid or unsatisfied on or after the date hereof or such Guaranteed Instruments remaining outstanding and unpaid on or after the date hereof.

(b) Tax Gross-Up. Payments of Guaranteed Obligations shall be made (or grossed-up, as applicable) free and clear of all Taxes and Other Charges (other than Excluded Charges) in the manner set forth in Section 5.04 of the Participation Agreement.

(c) Enforcement. Regardless of whether the Guaranteed Parties are (at any time) precluded or stayed from enforcing or exercising any of their rights or remedies under the Operative Documents against any Relevant Subsidiary, the Guaranteed Obligations may be enforced directly against the Guarantor (as a primary obligation of the Guarantor) without the joinder of, demand on, or the taking of any other action against, any Relevant Subsidiary or any other Person. Regardless of whether any Relevant Subsidiary is precluded or stayed from paying or performing (or otherwise fails to pay or perform) any of the Guaranteed Obligations (upon demand by any Guaranteed Party) the Guarantor shall pay or perform (or cause to be paid or performed) such Guaranteed Obligations. Without limiting the foregoing provisions of this Section 2.01(c), if enforcement of the rights or remedies of any Guaranteed Party under the Operative Documents is dependent upon delivering notices or taking any other Actions (such as delivering a Termination Notice to the Lessee under the Lease), then the Guaranteed Parties may deliver such notices to and take such other Actions with or against the Guarantor (in lieu of a Relevant Subsidiary) for all purposes under this Agreement and the other Operative Documents. This Section 2.01(c) should not be construed to (i) impose any conditions whatsoever on the obligations of the Guarantor under this Agreement or (ii) require the Guaranteed Parties to first exercise or exhaust remedies against any Relevant Subsidiary or any other Person before exercising remedies against the Guarantor pursuant to this Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01 Representations and Warranties of the Guarantor. The Guarantor represents and warrants as to itself and its Subsidiaries as follows:

(a) Organization; Required Consents and Permits. The Guarantor 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, except for those licenses, authorizations, certificates, consents and approvals the failure to have which could not reasonably be expected to have a Material Adverse Effect or create any Trust Liability. Each Material Subsidiary of the Guarantor is duly organized or validly formed, validly existing and (if applicable) in good standing under the laws of its jurisdiction of incorporation or formation, except where the failure to be so organized, existing and in good standing could not reasonably be expected to have a Material Adverse Effect or create any Trust Liability. Each Material Subsidiary of the Guarantor has all corporate or limited liability company powers and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its

business as now conducted in all material respects, except for those licenses, authorizations, certificates, consents and approvals the failure to have which could not reasonably be expected to have a Material Adverse Effect or create any Trust Liability.

(b) Authorization; No Conflict. The execution, delivery and performance by the Guarantor of this Agreement and the other Operative Documents to which the Guarantor is party and the consummation of the transactions contemplated by this Agreement and the other Operative Documents are within the Guarantor's corporate powers, have been duly authorized by all necessary corporate or other action on the Guarantor's part, do not contravene (i) the certificate of incorporation or by-laws of the Guarantor or any Subsidiary of the Guarantor, or (ii) any Law, judgment, order, decree, injunction, instrument or contractual restriction binding on or affecting the Guarantor or any of its Subsidiaries and will not result in or require the creation or imposition of any Lien prohibited by this Agreement or any other Operative Document.

(c) Consents; Governmental Approvals. No consent, authorization or approval or other action by, and no notice to or filing with, any governmental authority, regulatory body or other Person is required for the due execution, delivery and performance by the Guarantor of this Agreement and the other Operative Documents to which the Guarantor is party or the consummation of the transactions contemplated by this Agreement.

(d) Binding Agreement. This Agreement and each of the other Operative Documents to which the Guarantor is party have been duly executed and delivered by the Guarantor. This Agreement and each of the other Operative Documents to which the Guarantor is party are the legal, valid and binding obligations of the Guarantor enforceable against the Guarantor in accordance with their respective 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) Financial Statements. The Consolidated and Consolidating balance sheets of the Guarantor and its Subsidiaries as at December 31, 1999 and at March 31, 2000, and the related Consolidated and Consolidating statements of income and cash flows of the Guarantor and its Subsidiaries for the fiscal year and the fiscal quarter then ended, copies of which have been furnished to each of the Agent and the Trustee, fairly present the Consolidated and Consolidating financial condition of the Guarantor and its Subsidiaries as at such dates and the Consolidated and Consolidating results of operations of the Guarantor and its Subsidiaries for the year and quarter ended on such dates, all in accordance with GAAP consistently applied subject, in the case of the March 31, 2000 financial statements, to normal, year-end audit adjustments. Except as set forth in the Public Filings, since March 31, 2000, there has been no material adverse change in the condition or operations of the Guarantor or its Subsidiaries.

(f) Litigation. Except as set forth in the Public Filings or as otherwise disclosed in writing by the Guarantor to the Agent and the Trustee after the date hereof and approved by the Majority Purchasers, there is no pending or, to the knowledge of the

Guarantor, threatened action or proceeding affecting the Guarantor, any Material Subsidiary of the Guarantor or any WCG Subsidiary before any Governmental Authority, which could reasonably be expected to have a Material Adverse Effect or which purports to affect the legality, validity, binding effect or enforceability of this Agreement or any other Operative Document.

(g) Investment Company. The Guarantor is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(h) ERISA. 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 Guarantor or any Material Subsidiary of the Guarantor (including any material WCG Subsidiary). Neither the Guarantor nor any ERISA Affiliate of the Guarantor has received any notification that any Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and the Guarantor is not aware of any reason to expect that any Multiemployer Plan is to be in reorganization or to be terminated within the meaning of Title IV of ERISA that could reasonably be expected to have a Material Adverse Effect on the Guarantor or any Material Subsidiary of the Guarantor (including any material WCG Subsidiary) or any ERISA Affiliate of the Guarantor.

(i) Taxes. As of the date of this Agreement, the United States federal income tax returns of the Guarantor and the Material Subsidiaries of the Guarantor have been examined through the fiscal year ended December 31, 1995. The Guarantor and the Subsidiaries of the Guarantor have filed all United States Federal income tax returns and all other material domestic tax returns which are required to be filed by them and have paid, or provided for the payment before the same become delinquent of, all taxes due pursuant to such returns or pursuant to any assessment received by the Guarantor or any such Subsidiary, other than those taxes contested in good faith by appropriate proceedings. The charges, accruals and reserves on the books of the Guarantor and the Material Subsidiaries of the Guarantor in respect of taxes are adequate.

(j) PUHCA. The Guarantor is not a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(k) Environmental Matters. Except as set forth in the Public Filings or as otherwise disclosed in writing by the Guarantor to the Trustee and the Agent after the date hereof and approved by the Majority Purchasers, the Guarantor and its Material Subsidiaries are in compliance in all material respects with all Environmental Protection Statutes to the extent material to their respective operations or financial condition. Except as set forth in the Public Filings or as otherwise disclosed in writing by the Guarantor to the Trustee and the Agent after the date hereof and approved by the Majority Purchasers, the aggregate contingent and non-contingent liabilities of the Guarantor and its Subsidiaries (other than those reserved for in accordance with GAAP

and set forth in the financial statements regarding the Guarantor referred to in Section 3.01(e) and delivered to the Trustee and the Agent and excluding liabilities to the extent covered by insurance if the insurer has confirmed that such insurance covers such liabilities or which the Guarantor reasonably expects to recover from ratepayers) which are reasonably expected to arise in connection with (i) the requirements of Environmental Protection Statutes or (ii) any obligation or liability to any Person in connection with any Environmental matters (including, without limitation, any release or threatened release (as such terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980) of any Hazardous Waste, Hazardous Substance, other waste, petroleum or petroleum products into the Environment) could not reasonably be expected to have a Material Adverse Effect on the business, assets, condition or operations of the Guarantor and any Subsidiaries of the Guarantor, taken as a whole. For purposes of this clause (k) of Section 3.01, Subsidiaries shall be deemed to include WCG Subsidiaries.

(l) Compliance with Law. The Guarantor is not in material violation of any Law (other than Environmental Protection Statutes, which are the subject of Section 3.01(k) hereof) with respect to the Property or any part thereof or with respect to its business, if any, related to the Property. The Guarantor has not received any notice of, or citation for, any violation of any Law which has not been resolved, which notice or citation relates to the ownership or operation of the Property or any part thereof.

(m) Ownership. The Guarantor owns, directly or indirectly, approximately 85% of the Voting Stock of WCG, the Lessee and each of the other Relevant Subsidiaries.

(n) Full Disclosure. No statement or material furnished by or on behalf of the Guarantor or any Relevant Subsidiary to the Collateral Agent, the Agent, the Purchasers, the Trustee, Special Counsel or Trustee's Special Counsel, in connection with any Operative Document or any transaction contemplated thereby, contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained therein not misleading.

Section 3.02 Satisfaction of Conditions Under Participation Agreement. Upon the making of any Advance under the Participation Agreement, the Guarantor shall be deemed (immediately prior to, and immediately after giving effect to, such Advance) to have repeated and reaffirmed to the Trustee, the Collateral Agent, the Agent, and the Purchasers on the date of such Advance each of its representations and warranties under this Agreement as if stated on such date.

ARTICLE IV

COVENANTS OF THE GUARANTOR

Section 4.01 Affirmative Covenants. So long as any Instrument or Guaranteed Obligation shall remain unpaid, the Guarantor will, unless the Trustee, the

Collateral Agent, the Agent, the APA Agent and the Majority Purchasers shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects with all applicable Laws (except where failure to comply could not reasonably be expected to have a Material Adverse Effect or create any Trust Liability), such compliance to include, without limitation, the payment and discharge before the same become delinquent of all taxes, assessments and governmental charges or levies imposed upon it or any of its Subsidiaries or upon any of its property or any property of any of its Subsidiaries, and all lawful claims which, if unpaid, might become a Lien upon any property of it or any of its Subsidiaries, provided that neither the Guarantor nor any Subsidiary of the Guarantor shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings and with respect to which reserves in conformity with GAAP, if required by GAAP, have been provided on the books of the Guarantor or such Subsidiary, as the case may be.

(b) Reporting Requirements. Furnish to the Trustee, the Agent and each of the Purchasers:

(i) as soon as possible and in any event within five days after the occurrence of each Guaranty Default or each event which, with the giving of notice or lapse of time or both, would constitute an Guaranty Default, continuing on the date of such statement, a statement of an authorized financial officer of the Guarantor setting forth the details of such Guaranty Default or event and the actions, if any, which the Guarantor has taken and proposes to take with respect thereto;

(ii) as soon as available and in any event not later than 60 days after the end of each of the first three quarters of each fiscal year of the Guarantor, the Consolidated and Consolidating balance sheet of the Guarantor and its Subsidiaries as of the end of such quarter and the Consolidated and Consolidating statements of income and cash flows of the Guarantor and its Subsidiaries for the period commencing at the end of the previous year and ending with the end of such quarter, all in reasonable detail and duly certified (subject to year-end audit adjustments) by an authorized financial officer of the Guarantor as having been prepared in accordance with GAAP, provided, that, if any financial statements referred to in this clause (ii) of Section 4.01(b) is readily available on-line through EDGAR, the Guarantor shall not be obligated to furnish copies of such financial statement. An authorized financial officer of the Guarantor shall furnish a certificate (a) stating that he has no knowledge that a Guaranty Default, or an event which, with notice or lapse of time or both, would constitute a Guaranty Default has occurred and is continuing or, if a Guaranty Default or such an event has occurred and is continuing, a statement as to the nature thereof and the action, if any, which the Guarantor proposes to take with respect thereto, and (b) showing in detail the calculation supporting such statement in respect of Section 4.02(b), provided that for the purposes of clauses (b)(ii) and (b)(iii) of this Section 4.01,

"Subsidiaries" when used in relation to a Consolidated balance sheet and the related statements of income and cash flow shall include the WCG Subsidiaries;

(iii) as soon as available and in any event not later than 105 days after the end of each fiscal year of the Guarantor, a copy of the annual audit report for such year for the Guarantor and its Subsidiaries, including therein the Consolidated and Consolidating balance sheet of the Guarantor and its Subsidiaries as of the end of such fiscal year and the Consolidated and Consolidating statements of income and cash flows of the Guarantor and its Subsidiaries for such fiscal year, in each case prepared in accordance with GAAP and certified by Ernst & Young, LLP or other independent certified public accountants of recognized standing acceptable to the Trustee, the Agent and the Majority Purchasers, provided, that, if any financial statement referred to in this clause (iii) of Section 4.02(b) is readily available on-line through EDGAR, the Guarantor shall not be obligated to furnish such financial statements. The Guarantor shall also deliver in conjunction with such financial statements a certificate of such accounting firm to the Trustee, the Agent and the Purchasers (a) stating that, in the course of the regular audit of the business of the Guarantor and its Subsidiaries, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge that a Guaranty Default or an event which, with notice or lapse of time or both, would constitute a Guaranty Default, has occurred and is continuing, or if, in the opinion of such accounting firm, a Guaranty Default or such an event has occurred and is continuing, a statement as to the nature thereof, and (b) showing in detail the calculations supporting such statement in respect of Section 4.02(b);

(iv) such other information respecting the business or properties, or the condition or operations, financial or otherwise, of the Guarantor or any of its Material Subsidiaries as any Purchaser through the Agent may from time to time reasonably request;

(v) promptly after the sending or filing thereof, copies of all proxy material, reports and other information which the Guarantor sends to any of its security holders, and copies of all final reports and final registration statements which the Guarantor or any Material Subsidiary of the Guarantor files with the Securities and Exchange Commission or any national securities exchange, provided, that, if such proxy materials and reports, registration statements and other information are readily available on-line through EDGAR, the Guarantor or Material Subsidiary shall not be obligated to furnish copies thereof;

(vi) as soon as possible and in any event within 30 Business Days after the Guarantor or any ERISA Affiliate of the Guarantor knows or has reason to know (A) that any Termination Event described in clause (i) of the definition of Termination Event with respect to any Plan has occurred that could have a Material Adverse Effect on the Guarantor, any Material Subsidiary of the Guarantor (including any material WCG Subsidiary) or any ERISA Affiliate of

the Guarantor or (B) that any other Termination Event with respect to any Plan has occurred or is reasonably expected to occur that could have a Material Adverse Effect on the Guarantor, any Material Subsidiary of the Guarantor (including any material WCG Subsidiary) or any ERISA Affiliate of the Guarantor, a statement of the chief financial officer or chief accounting officer of the Guarantor describing such Termination Event and the action, if any, which the Guarantor, such Subsidiary or such ERISA Affiliate of the Guarantor proposes to take with respect thereto;

(vii) promptly and in any event within 25 Business Days after receipt thereof by the Guarantor or any ERISA Affiliate of the Guarantor, copies of each notice received by the Guarantor or any ERISA Affiliate of the Guarantor from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan;

(viii) within 3O days following request therefor by any Purchaser, copies of each Schedule B (Actuarial Information) to each annual report (Form 5500 Series) of the Guarantor or any ERISA Affiliate of the Guarantor with respect to each Plan;

(ix) promptly and in any event within 25 Business Days after receipt thereof by the Guarantor or any ERISA Affiliate of the Guarantor from the sponsor of a Multiemployer Plan, a copy of each notice received by the Guarantor or any ERISA Affiliate of the Guarantor concerning (A) the imposition of a Withdrawal Liability by a Multiemployer Plan, (B) the determination that a Multiemployer Plan is, or is expected to be, in reorganization within the meaning of Title IV of ERISA, (C) the termination of a Multiemployer Plan within the meaning of Title IV of ERISA, or (D) the amount of liability incurred, or expected to be incurred, by the Guarantor or any ERISA Affiliate of the Guarantor in connection with any event described in clause (A), (B) or (C) above that, in each case, could have a Material Adverse Effect on the Guarantor or any ERISA Affiliate of the Guarantor;

(x) not more than 60 days (or 105 days in the case of the last fiscal quarter of a fiscal year of the Guarantor) after the end of each fiscal quarter of the Guarantor, a certificate of an authorized financial officer of the Guarantor stating the respective ratings, if any, by each of S&P and Moody's of the senior unsecured long-term debt of the Guarantor as of the last day of such quarter;

(xi) promptly after any withdrawal or termination of or any change in, or issuance, withdrawal or termination of, the rating of any senior unsecured long-term debt of the Guarantor by S&P or Moody's, written notice thereof;

(xii) 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 WCG, the Consolidated unaudited balance sheet of WCG and its Subsidiaries as of the end of such quarter and the Consolidated statements of income and cash flows of

WCG and its 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 by an authorized financial officer of WCG; and

(xiii) as soon as available and in any event not later than 105 days after the end of each fiscal year of WCG, the Consolidated unaudited balance sheet of WCG and its Subsidiaries as of the end of such fiscal year and the Consolidated statements of income and cash flows of WCG and its Subsidiaries for such fiscal year, certified by an authorized financial officer of WCG.

(c) Maintenance of Insurance. Maintain, and cause each of its Material Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Guarantor or its Subsidiaries operate, provided that the Guarantor or any of its Subsidiaries may self-insure to the extent and in the manner normal for companies of like size, type and financial condition, except as otherwise provided in the Lease.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified, and cause each Subsidiary to qualify and remain qualified, as a foreign corporation in each jurisdiction in which qualification is necessary or desirable in view of its business and operations or the ownership of its properties, except (i) where the failure of the Guarantor or any Subsidiary of the Guarantor to preserve and maintain such rights, franchises and privileges and to so qualify and remain qualified could not reasonably be expected to have a Material Adverse Effect or create any Trust Liability, (ii) the Guarantor and its Subsidiaries may consummate any merger or consolidation permitted pursuant to Section 4.02(c) and (iii) the Guarantor and any Subsidiary of the Guarantor may be converted into a limited liability company by statutory election; provided that any such conversion of the Guarantor shall not affect its obligations to the Trustee, the Agent or the Purchasers pursuant to this Agreement.

(e) Ranking of Obligations. Assure, and cause each Relevant Subsidiary to assure, that their obligations under this Agreement and the other Operative Documents to which any Relevant Subsidiary is a party, respectively, rank and will rank at all times at least equally and ratably in all respects with all their respective other unsecured indebtedness.

Section 4.02 Negative Covenants. So long as any Instrument or Guaranteed Obligation shall remain unpaid, the Guarantor will not, without the written consent of the Trustee, the Agent, the APA Agent and the Majority Purchasers:

(a) Liens, Etc. Create, assume, incur or suffer to exist, or permit any of its Subsidiaries to create, assume, incur or suffer to exist, any Lien on or in respect of any of its property, whether now owned or hereafter acquired, or assign or otherwise

convey, or permit any such Subsidiary to assign or otherwise convey, any right to receive income, in each case to secure or provide for the payment of any Debt of any Person, except Permitted Liens.

(b) Debt. Permit the ratio of (A) the aggregate amount of Net Debt of the Guarantor to (B) the sum of the Consolidated Net Worth of the Guarantor plus Net Debt of the Guarantor to exceed 0.65 to 1.0 at any time.

(c) Merger and Sale of Assets. Merge or consolidate with or into any other Person, or sell, lease or otherwise transfer all or substantially all of its assets, or permit any of its Material Subsidiaries to merge or consolidate with or into any other Person, or sell, lease or otherwise transfer all or substantially all of its assets, except that this Section 4.02(c) shall not prohibit:

(i) the Guarantor and its Subsidiaries from selling, leasing or otherwise transferring their respective assets in the ordinary course of business;

(ii) any merger, consolidation or sale, lease or other transfer of assets involving only TWC and its Subsidiaries; provided, however, that transactions under this paragraph (ii) shall be permitted if, and only if, (x) there shall not exist or result an Event of Default or an event which with notice or lapse of time or both would constitute an Event of Default and (y) in the case of each transaction referred to in this paragraph (ii) involving the Guarantor or any of its Subsidiaries, such transaction could not reasonably be expected to impair materially the ability of the Guarantor or its Subsidiaries to perform its obligations under this Agreement and the other Operative Documents and the Guarantor and Lessee shall continue to exist;

(iii) the Guarantor and its Subsidiaries from selling, leasing or otherwise transferring their respective gathering assets and other production area facilities, or the stock of any Person substantially all of the assets of which are gathering assets and other production area facilities, to TWC or to any Subsidiary of TWC for consideration that is not materially less than the net book value of such assets and facilities; provided, however, that transactions under this paragraph (iii) shall be permitted if, and only if, there shall not exist or such transaction should not result in an Event of Default or an event which with notice or lapse of time or both would constitute an Event of Default;

(iv) sales of receivables of any kind by the Guarantor or any of its Subsidiaries other than the Lessee in respect of any amounts due under the Lease or any other Operative Documents.

(d) Agreements to Restrict Dividends and Certain Transfers. Enter into or suffer to exist, or permit any of its Subsidiaries to enter into or suffer to exist, any consensual encumbrance or restriction on the ability of any Subsidiary of the Guarantor (i) to pay, directly or indirectly, dividends or make any other distributions in respect of its capital stock or pay any Debt or other obligation owed to the Guarantor or to any

Subsidiary of the Guarantor; or (ii) to make loans or advances to the Guarantor or any Subsidiary of the Guarantor, except (1) those encumbrances and restrictions existing on the date hereof, (2) other customary encumbrances and restrictions now or hereafter existing of the Guarantor or any of its Subsidiaries entered into in the ordinary course of business that are not more restrictive in any material respect than the encumbrances and restrictions with respect to the Guarantor or its Subsidiaries existing on the date hereof.

(e) Loans and Advances; Investments. Make or permit to remain outstanding, or allow any of its Subsidiaries to make or permit to remain outstanding, any loan or advance to, or own, purchase or acquire any obligations or debt securities of, any WCG Subsidiary, except that the Guarantor and its Subsidiaries may permit to remain outstanding loans and advances to a WCG Subsidiary existing as of the date hereof and listed on Exhibit B hereof (and such WCG Subsidiaries may permit such loans and advances on Exhibit B to remain outstanding). Except for those investments in existence on the date hereof and listed on Exhibit B hereof, the Guarantor shall not, and the Guarantor shall not permit any of its Subsidiaries to, acquire or otherwise invest in any stock or other equity or other ownership interest in a WCG Subsidiary.

(f) Maintenance of Ownership of Certain Subsidiaries. Sell, issue or otherwise dispose of, or create, assume, incur or suffer to exist any Lien on or in respect of, or permit any of its Subsidiaries to sell, issue or otherwise dispose of or create, assume, incur or suffer to exist any Lien on or in respect of, any shares of or any interest in any shares of the capital stock or other ownership interests of (i) any Relevant Subsidiary or any of their respective Material Subsidiaries or (ii) any Subsidiary of the Guarantor at the time it owns any shares of or any interest in any shares of the capital stock or other ownership interests of any Relevant Subsidiary or any of their respective Material Subsidiaries; provided, however, that, this Section 4.02(f) shall not prohibit the sale or other disposition of the stock of any Subsidiary of the Guarantor to the Guarantor or any Wholly-Owned Subsidiary of the Guarantor if, but only if, (x) there shall not exist or result an Event of Default or an event which with notice or lapse of time or both would constitute an Event of Default and (y) in the case of each sale or other disposition referred to in this proviso involving the Guarantor or any of its Subsidiaries, such sale or other disposition could not reasonably be expected to impair materially the ability of the Guarantor or its Subsidiaries to perform its obligations under this Agreement and the other Operative Documents and the Guarantor and the Lessee shall continue to exist. Nothing herein shall be construed to permit the Guarantor or any Subsidiary of the Guarantor to purchase shares, any interest in shares or any ownership interest in a WCG Subsidiary except as permitted by clause (e) of this Section 4.02.

(g) Compliance with ERISA. (i) Terminate, or permit any ERISA Affiliate of the Guarantor to terminate, any Plan so as to result in any material liability of the Guarantor or any Material Subsidiary of the Guarantor (including any material WCG Subsidiary) or any such ERISA Affiliate to the PBGC, or (ii) permit to exist any occurrence of any Termination Event with respect to a Plan which would have a Material Adverse Effect on the Guarantor or any Material Subsidiary of the Guarantor (including any material WCG Subsidiary).

(h) Transactions with Related Parties. Except as required or expressly permitted by the Operative Documents, make any sale to, make any purchase from, extend credit to, make payment for services rendered by, or enter into any other transaction with, or permit any material Subsidiary of the Guarantor to make any sale to, make any purchase from, extend credit to, make payment for services rendered by, or enter into any other transaction with, any Related Party of the Guarantor or of such Subsidiary unless as a whole such sales, purchases, extensions of credit, rendition of services and other transactions are (at the time such sale, purchase, extension of credit, rendition of services or other transaction is entered into) on terms and conditions reasonably fair in all material respects to the Guarantor or such Subsidiary in the good faith judgment of the Guarantor.

(i) Guarantees. Guarantee or otherwise become contingently liable for, or permit any of its Subsidiaries to guarantee or otherwise become contingently liable for, Debt or any other obligation of any WCG Subsidiary or to otherwise insure a WCG Subsidiary against loss.

(j) Sale and Lease-Back Transactions. Enter into, or permit any of its Subsidiaries to enter into, any Sale and Lease-Back Transaction, if after giving effect thereto the Guarantor would not be permitted to incur at least $1.00 of additional Debt secured by a Lien permitted by paragraph (z) of Schedule 1.

ARTICLE V

REMEDIES

Section 5.01 Remedies. A Guaranty Default shall constitute an Event of Default under the Participation Agreement and the other Operative Documents. If a Guaranty Default or other Event of Default has occurred and is continuing, the Trustee, the Collateral Agent, the Agent and the APA Agent may exercise any of the rights or remedies granted to the Guaranteed Parties under the Operative Documents. This Agreement may be enforced as to any one or more Guaranty Defaults or other Events of Default either separately or cumulatively.

ARTICLE VI

NATURE OF AGREEMENT

Section 6.01 Nature of Guaranty. This Agreement is (a) irrevocable, unconditional and absolute; (b) a guaranty of payment, performance and compliance and not of collection; and (c) in no way conditioned or contingent upon any attempt to collect from or enforce performance or compliance by any Relevant Subsidiary or any other Subsidiary or any assignees or sublessees of any Relevant Subsidiary or any other Subsidiary, or upon any other event, contingency or circumstance whatsoever. This Agreement and the Guaranteed Obligations shall be binding upon and against the Guarantor without regard to the validity or enforceability of any of the Operative

Documents or the Securitization Documents or any provision thereof and the Guarantor hereby waives any defense relating to the enforceability of such documents or any provision contained therein. The Guarantor also agrees to pay to the Guaranteed Parties such further amounts as shall be sufficient to cover the costs of collecting or enforcing the Guaranteed Obligations or otherwise enforcing this Agreement (including reasonable fees, expenses and disbursements of their counsel).

Section 6.02 Survival. The obligations of the Guarantor under this Agreement shall survive in accordance with Section 8.01 of the Participation Agreement.

Section 6.03 Waivers. The Guarantor hereby unconditionally (a) waives any requirement that the Guaranteed Parties or any other Person first make demand upon, or seek to enforce remedies against, any other Person or any collateral or property of such other Person before demanding payment from, or seeking to enforce this Agreement against, the Guarantor; (b) covenants that this Agreement will not be discharged and shall survive in accordance with Section 8.01 of the Participation Agreement; (c) agrees that this Agreement shall remain in full effect without regard to, and shall not be affected or impaired by, any invalidity, irregularity or unenforceability in whole or in part of, any Operative Document (or any other document executed in connection therewith), or any limitation of the liability of any Relevant Subsidiary or any other Person thereunder, or any limitation on the method or terms of payment thereunder which may now or hereafter be caused or imposed in any manner whatsoever; and (d) except for notices expressly required under the Operative Documents, waives diligence, notice of intent to accelerate, notice of default and notice of acceleration, presentment and protest with respect to the payment of any amount at any time payable under or in connection with the Operative Documents or Securitization Documents. Notice of acceptance of this Agreement and notice of execution, delivery and acceptance of any other instrument or agreement referred to herein, are hereby waived by the Guarantor.

Section 6.04 The Guarantor's Obligations Unconditional. The covenants, agreements and duties of the Guarantor set forth in this Agreement shall not be subject to any counterclaim, setoff, deduction, diminution, abatement, stay, recoupment, suspension, deferment, reduction or defense (other than full and strict compliance or performance by the Guarantor with its obligations hereunder) based upon any claim that the Guarantor, or any other Person, may have against any Relevant Subsidiary, or any other Person, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by, any circumstance or condition whatsoever (whether or not the Guarantor or any Relevant Subsidiary shall have knowledge or notice thereof or shall have assented thereto and notwithstanding the fact that no rights were reserved against the Guarantor in connection therewith) including:

(a) the validity, legality, regularity or enforceability of the Operative Documents, or any of the Guaranteed Obligations or any other collateral security therefor or guaranty or right of offset with respect thereto at any time or from time to time held by the Agent, the Trustee, the APA Agent, any Purchaser or any APA Purchaser;

(b) any amendment, modification, renewal, extension, addition, acceleration, deletion or supplement to, or termination of (in whole or in part) or other change in or waiver under the Operative Documents or any of the agreements referred to therein, or any other instrument or agreement applicable to any of the parties to such agreements or any assignment, mortgaging or transfer of any thereof or of any interest therein, or any furnishing or acceptance of additional security or any release of any security; or the failure of any security or the failure of any Person to perfect any interest in any such collateral;

(c) any failure, omission or delay on the part of any Guaranteed Party (i) to enforce, assert or exercise any right, power or remedy under any instrument or agreement referred to in clauses (a) or (b) above or any assignment of any thereof or (ii) to conform with any term of any such instrument or agreement (and notwithstanding that any demand for payment of any of the Guaranteed Obligations made by any Guaranteed Party shall have been rescinded by such party and any of the Guaranteed Obligations continued);

(d) any waiver, consent, extension, indulgence, compromise, surrender, release or other action or inaction under or in respect of any instrument or agreement referred to in clauses (a) or (b) above or of any agreement, covenant, term or condition contained therein or any obligation or liability of any Guaranteed Party or any exercise or non-exercise of any right, remedy, power or privilege under or in respect of any such instrument or agreement or any such obligation or liability (and notwithstanding that any collateral security, guaranty or right of offset at any time held by any Guaranteed Party for the payment of the Guaranteed Obligations shall have been sold, exchanged, waived, surrendered or released);

(e) the voluntary or involuntary liquidation, dissolution, sale of all or substantially all of the assets, marshaling of assets and liabilities, receiver-ship, conservatorship, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar proceeding with respect to the Guarantor, any Relevant Subsidiary or any Guaranteed Party or any other Person or any action taken by any trustee or receiver or by any court in any such proceeding;

(f) any defect in the title, compliance with specifications, conditions, design, operation or fitness for use of, or any damage to or loss or destruction of, or any interruption or cessation in the use or operation of the Property or any portion thereof by any Relevant Subsidiary or any other Person for any reason whatsoever (including, any Loss Event or Environmental Event) regardless of the duration thereof (even though such duration would otherwise constitute a frustration of the purpose of the Operative Documents, whether or not resulting from accident and whether or not without default on the part of any other Person;

(g) any assignment of the Operative Documents or subletting or sale of the Property or any part thereof;

(h) any merger or consolidation of the Guarantor or any Relevant Subsidiary into or with any other Person or any sale, lease, transfer, divestiture or other disposition of any or all of the assets of the Guarantor or any Relevant Subsidiary to any other Person (and regardless of whether such transactions are permitted under the Operative Documents);

(i) any change in the ownership of any shares of capital stock of the Guarantor or any Relevant Subsidiary;

(j) any attachment, claim, demand, charge, lien, levy, order, process, encumbrance or any other happening or event or reason, similar or dissimilar to the foregoing; or any withholding or diminution at the source, by reason of any Charges, expenses, indebtedness, obligations or liabilities of any character, foreseen or unforeseen, and whether or not valid, incurred by or against any Person; or any claims, demands, charges or liens of any nature, foreseen or unforeseen, incurred by any Person, or against any sums payable under this Agreement, so that such sums would be rendered inadequate or would be unavailable to make the payments herein provided;

(k) any order, judgment, decree, ruling or regulation (whether or not valid) of any court or any Governmental Authority or any other action, happening, event or reason whatsoever which shall delay, interfere with, hinder or prevent, or in any way adversely affect, the performance by the Guarantor or any Relevant Subsidiary under the Operative Documents or any assignments thereof;

(l) any action or inaction or election of remedies by any Guaranteed Party, including any failure by any Guaranteed Party to protect, secure, perfect or insure any Lien at any time held by it as security for the Guaranteed Obligations or for this Agreement or any property subject thereto;

(m) any release, discharge or rejection of any Relevant Subsidiary for performance or payment of their obligations under the Operative Documents (including any release, discharge or rejection arising under any Bankruptcy Law or as a result of any bankruptcy or reorganization case affecting the Guarantor or any Relevant Subsidiary);

(n) any other occurrence or circumstance whatsoever, whether similar or dissimilar to the foregoing and any other circumstances that might otherwise constitute a legal or equitable defense or discharge of a guarantor, indemnitor or surety or that might otherwise limit recourse against the Guarantor;

(o) any change in circumstances, whether or not foreseen or foreseeable, whether or not imputable to the Guarantor or any Guaranteed Party and whether or not such change in circumstances shall or might in any manner and to any extent vary the risk of the Guarantor hereunder; or

(p) any other circumstance whatsoever (with or without notice to or knowledge of the Guarantor, the Relevant Subsidiaries or any of their

Subsidiaries) which constitutes, or might be construed to constitute, an equitable or legal discharge of any of their obligations under the Operative Documents in bankruptcy or in any other instance.

The obligations of the Guarantor set forth in this Agreement constitute the full recourse obligations of the Guarantor enforceable against it to the full extent of all its assets and properties, notwithstanding any provisions in any agreements from time to time relating to the acquisition, financing and refinancing by the Trustee of its interest in the Property which may limit the liability of the Trustee or any other Person pursuant to such agreements.

ARTICLE VII

BANKRUPTCY

Section 7.01 No Subrogation. THE GUARANTOR HEREBY WAIVES (FOR ALL PERIODS OF TIME THAT THE GUARANTEED OBLIGATIONS HAVE NOT BEEN IRREVOCABLY PAID IN FULL) ANY AND ALL RIGHTS OF SUBROGATION, INDEMNITY, CONTRIBUTION OR REIMBURSEMENT, ANY BENEFIT OF, OR RIGHT TO ENFORCE ANY REMEDY THAT THE GUARANTEED PARTIES NOW HAVE OR MAY HEREAFTER HAVE AGAINST EACH OF THE RELEVANT SUBSIDIARIES IN RESPECT OF THE GUARANTEED OBLIGATIONS, OR ANY PROPERTY, NOW OR HEREAFTER HELD BY THE AGENT, THE COLLATERAL AGENT, THE TRUSTEE OR THE PURCHASERS AS SECURITY FOR THE GUARANTEED OBLIGATIONS AND ANY AND ALL SIMILAR RIGHTS THE GUARANTOR MAY HAVE AGAINST EACH OF THE RELEVANT SUBSIDIARIES UNDER APPLICABLE LAW OR OTHERWISE. If, notwithstanding the foregoing, any amount shall be paid to the Guarantor on account of any such subrogation, indemnity, contribution or reimbursement rights at any time, such amount shall be held in trust for the benefit of the Guaranteed Parties and shall forthwith be paid to the Trustee to be credited and applied against the Guaranteed Obligations, whether matured, unmatured, absolute or contingent, as the Agent and the Trustee may see fit in their discretion.

Section 7.02 Reinstatement. Notwithstanding anything to the contrary herein contained, this Agreement and all obligations of the Guarantor hereunder, shall continue to be effective or be reinstated, as applicable, if at any time, payment, or any part thereof, of any or all obligations performed by the Guarantor or any Relevant Subsidiary are rescinded, invalidated, or otherwise required to be restored or returned by any Guaranteed Party pursuant to any Bankruptcy Law or upon the insolvency, bankruptcy or reorganization of the Guarantor or any Relevant Subsidiary (or otherwise) all as though such payment or application of proceeds had not been made. Without limiting the generality of the foregoing, if prior to any such rescission, invalidation, declaration, restoration or return, this Agreement or any other Operative Document shall have been canceled or surrendered, this Agreement and the Guaranteed Obligations shall be reinstated in full force and effect, and such prior cancellation or surrender shall not

diminish, release, discharge, impair or otherwise affect the obligations of the Guarantor in respect of the amount of the affected payment or application of proceeds (or any Lien or collateral securing such obligation).

Section 7.03 Non-Discharged Obligations. Notwithstanding (a) any modification, discharge or extension of the obligations of the Guarantor hereunder or the obligations of any Relevant Subsidiary under the Operative Documents, (b) any disallowance of all or any portion of any Guaranteed Party's claim for repayment or performance of such obligations, (c) any use of cash or other collateral pursuant to any Bankruptcy Law or in any bankruptcy or reorganization case, (d) any agreement or stipulation as to adequate protection pursuant to any Bankruptcy Law or in any bankruptcy or reorganization case, (e) any failure by any Guaranteed Party to file or enforce a claim against the Guarantor, any Relevant Subsidiary or its estate pursuant to any Bankruptcy Law or in any bankruptcy or reorganization case, or (f) any release, discharge, rejection, amendment, modification, stay or cure of the rights or obligations of any Guaranteed Party, the Guarantor or any Relevant Subsidiary that may occur pursuant to any Bankruptcy Law or in any bankruptcy or reorganization case or proceeding affecting such parties, whether permanent or temporary, and whether assented to by any Guaranteed Party, the Guarantor hereby agrees that the Guarantor shall be obligated to perform hereunder.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Notices. All notices, consents, offers, directions, approvals, instructions, requests, and other communications given to any Person pursuant to this Agreement shall be in writing and be given in the manner set forth in the Participation Agreement, at the address set forth on the signature page of this Agreement or at such other address as such party shall designate by notice to each of the other parties to the Operative Documents.

Section 8.02 Immunity. The Guarantor represents and warrants that it is not entitled to immunity from judicial proceedings and agrees that, should the Trustee, the Agent, the Collateral Agent, the APA Agent or other Person bring any judicial proceedings to enforce the liability of the Guarantor under this Agreement, no immunity from such proceedings will be claimed by or on behalf of the Guarantor or with respect to the Guarantor's property. Nothing in this Section 8.02 shall affect the right of the Trustee, the Agent, the Collateral Agent, the APA Agent or any other Person to serve process in any manner permitted by Law or to commence legal proceedings or otherwise proceed against the Guarantor in any court in which the Guarantor is subject to suit.

Section 8.03 Non-Exclusive Remedies. No right or remedy of any Guaranteed Party under any Operative Document shall be exclusive of any other right, power or remedy, but shall be cumulative and in addition to any other right, power or remedy thereunder or now or hereafter existing by Law or in equity and the exercise by

any Guaranteed Party of any one or more of such rights, powers or remedies shall not preclude the simultaneous or further exercise of any or all of such other rights, powers or remedies. Any failure to insist upon the strict performance of any provision hereof or to exercise any option, right, power or remedy contained herein shall not constitute a waiver or relinquishment thereof for the future. Receipt by any Guaranteed Party of any amount payable under any Operative Document with knowledge of a Default or Event of Default shall not constitute a waiver of such Default or Event of Default, and no waiver by any Guaranteed Party of any provision of the Operative Documents shall be deemed to be made unless made in writing. The Guaranteed Parties shall be entitled to injunctive relief in case of the violation or attempted or threatened violation of any of the provisions of the Operative Documents by any other party hereto, a decree compelling performance of any of the provisions hereof, or any other remedy allowed by Law or in equity.

Section 8.04 Amendments and Waivers. All amendments, waivers, consents, or approvals arising pursuant to this Agreement shall be consummated in accordance with Section 8.04 of the Participation Agreement. No waiver by the Guaranteed Parties of any Default or Event of Default shall in any way be, or be construed to be, a waiver of any further or subsequent Default or Event of Default.

Section 8.05 Severability. If any provision of this Agreement or the application thereof to any Person or circumstance shall be invalid or unenforceable, then the remaining provisions or the application of such provision to Persons or circumstances other than those as to which it is invalid or enforceable, shall continue to be valid and enforceable. The provisions of this Section 8.05 shall not be construed to limit the rights of the Guaranteed Parties to exercise remedies as a consequence of an Event of Default arising pursuant to Section 6.01(o) of the Participation Agreement.

Section 8.06 Further Assurances. The Guarantor hereby agrees to execute and deliver all such instruments and take all such action as the Guaranteed Parties may from time to time reasonably request in order fully to effectuate the purposes of this Agreement.

Section 8.07 Governing Law and Submission to Jurisdiction. (a) THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO ANY OPERATIVE DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE GUARANTOR HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. THE GUARANTOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH

ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS. THIS SUBMISSION TO JURISDICTION IS NONEXCLUSIVE AND DOES NOT PRECLUDE ANY GUARANTEED PARTY FROM OBTAINING JURISDICTION OVER THE GUARANTOR IN ANY COURT OTHERWISE HAVING JURISDICTION.

(c) THE GUARANTOR AND EACH GUARANTEED PARTY HEREBY (I) IRREVOCABLY AND UNCONDITIONALLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO ANY OPERATIVE DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN; (II) IRREVOCABLY WAIVE, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES, OR DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES; (III) CERTIFY THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS; AND (IV) ACKNOWLEDGE THAT IT ENTERED INTO THIS AGREEMENT, AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY, BASED UPON AMONG OTHER THINGS THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION.

Section 8.08 Time. Time is of the essence in this Agreement, and the terms herein shall be so construed.

Section 8.09 Benefit. The parties hereto, the Purchasers and their permitted successors and assigns (including participants in the Instruments pursuant to Section 5.03 of the Participation Agreement), and any successor Trustee or successor Collateral Agent or Agent appointed in accordance with the provisions in the Operative Documents, or successor APA Agent appointed in accordance with the provisions of the APA, but no others, shall be bound hereby or entitled to the benefits hereof.

Section 8.10 Entire Agreement. The parties hereto hereby acknowledge and agree that the Operative Documents represent all of the agreements and understandings relating to the transactions contemplated by such documents as between or among the Guaranteed Parties on the one hand and the Guarantor and its Subsidiaries on the other hand and the parties hereto acknowledge and agree that all prior written and oral agreements or understandings between or among such Persons are hereby superseded in their entirety. Notwithstanding the foregoing, the Guarantor agrees that the beneficiaries of the Original Guaranty shall continue to have the benefit of the Original Guaranty (in addition to this Agreement and any other rights they may have under the Operative Documents, applicable Law or otherwise) and may enforce the Original Guaranty in accordance with its terms in respect of any Guaranteed Obligations or Guaranteed Instruments referred to therein, to the extent such Guaranteed Obligations arose on or prior to the date hereof and remain unpaid or unsatisfied on or after the date

hereof or such Guaranteed Instruments remaining outstanding and unpaid on or after the date hereof.

Section 8.11 Counterparts. The parties may sign this Agreement in any number of counterparts and on separate counterparts, each of which shall be an original but all of which when taken together shall constitute one and the same instrument.

Section 8.12 Reliance. The Guarantor acknowledges that it has not relied upon any statements, representations or warranties of any of the Guaranteed Parties or any of their agents, representatives, counsel, officers or directors in entering into or guaranteeing any of the Operative Documents, except for the representations and warranties of SSBTC and State Street set forth in Sections 3.02 and 3.03, respectively, of the Participation Agreement.

Section 8.13 Survival of Indemnities. All indemnities under this Guaranty Agreement shall survive the termination of this Agreement, the Lease and the other Operative Documents.

Section 8.14 APA. The Guarantor acknowledges the matters set forth in Section 1.06(d) of the Participation Agreement and confirms that the circumstances referred to therein shall not alter, diminish or otherwise impair or affect the obligations of the Guarantor under this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first set forth above.

SIGNATURE PAGE FOR GUARANTY AGREEMENT

THE WILLIAMS COMPANIES, INC.

By:

Name: James G. Ivey
Title: Treasurer

Address for Notices:

The Williams Companies, Inc..
One Williams Center, Suite 500
Tulsa, Oklahoma 74172
Attention: Mr. James G. Ivey
Facsimile: (918) 573-2065

SIGNATURE PAGE FOR GUARANTY AGREEMENT

STATE STREET BANK AND TRUST COMPANY
OF CONNECTICUT, NATIONAL
ASSOCIATION, in its individual
capacity as its interests may appear
in the Operative Documents, but
otherwise not in its individual
capacity but solely as Trustee

By:

Name:
Title:

Address for Notices:

Two International Plaza
Boston, Massachusetts 02110-2804
Attention: Mr. Earl Dennison
Telephone: (617) 664-5670
Facsimile: (617) 664-5371

STATE STREET BANK AND TRUST
COMPANY, not in its individual capacity,
but solely as Collateral Agent

By:

Name:
Title:

Address for Notices:

Two International Plaza
Boston, Massachusetts 02110-2804
Attention: Mr. Earl Dennison
Telephone: (617) 664-5670
Facsimile: (617) 664-5371

SIGNATURE PAGE FOR GUARANTY AGREEMENT

CITIBANK N.A., as Agent

By:

Name:
Title:

Address for Notices:

Citibank, N.A.
1200 Smith Street, Suite 2000
Houston, Texas 77002
Attention: Ms. Lydia Junek
Facsimile: (713) 654-2849

with a copy to:

Citibank, N.A., as Agent
Two Penns Way, Suite 200
New Castle, Delaware 19720
Attention: Mr. Brian Maxwell
Facsimile: (302) 894-6120

CITIBANK, N.A., as APA Agent

By:

Name:
Title:

SCHEDULE I

PERMITTED LIENS

(a) Any purchase money Lien created by the Guarantor or any of its Subsidiaries to secure all or part of the purchase price of any property (or to secure a loan made to enable the Guarantor or any of its Subsidiaries to acquire the property secured by such Lien), provided that the principal amount of the Debt secured by any such Lien, together with all other Debt secured by a Lien on such property, shall not exceed the purchase price of the property acquired.

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

(c) Any Lien created or assumed by the Guarantor or any of its Subsidiaries on any contract for the sale of any product or service or any rights thereunder or any proceeds therefrom, including accounts and other receivables, related to the operation or use of any property acquired or constructed by the Guarantor or any of its Subsidiaries and created not later than 12 months after (i) such acquisition or completion of such construction or (ii) commencement of full operation of such property, whichever is later; provided, however, that the principal amount of the Debt secured by such mortgage together with all other Debt secured by any such contract, rights or property, shall not exceed the purchase price of the property acquired and/or the cost of the property constructed.

(d) Any Lien existing on any property of a Subsidiary of the Guarantor at the time it becomes a Subsidiary of the Guarantor.

(e) Any refunding or extension of maturity, in whole or in part, of any Lien created or assumed in accordance with the provisions of paragraph (a), (b), (c) or (d) above or (j) below, provided that the principal amount of the Debt secured by such refunding Lien or extended Lien shall not exceed the principal amount of the Debt secured by the Lien to be refunded or extended outstanding at the time of such refunding

or extension and that such refunding Lien or extended Lien shall be limited to the same property that secured the Lien so refunded or extended.

(f) Mechanics' or materialmen's liens arising in the ordinary course of business which are not more than 90 days past due or are being contested in good faith by appropriate proceedings or any Lien arising by reason of pledges or deposits to secure payment of workmen's compensation or other insurance, good faith deposits in connection with tenders or leases of real estate, bids or contracts (other than contracts for the payment of money), in each case to secure obligations of the Guarantor or any of its Subsidiaries.

(g) Deposits to secure public or statutory obligations, deposits to secure or in lieu of surety, stay or appeal bonds and deposits as security for the payment of taxes or assessments or other similar charges, in each case to secure obligations of the Guarantor or any of its Subsidiaries; provided, however, that the aggregate amount of obligations secured by Liens permitted by this paragraph (g) shall not exceed 10% of Consolidated Tangible Net Worth of the Guarantor.

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

(i) Any Lien 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 Guarantor or any of its Subsidiaries, including any interest of the character commonly referred to as a "production payment".

(j) Any Lien created or assumed by a Subsidiary of the Guarantor on oil, gas, coal or other mineral or timber property, owned or leased by such 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 Guarantor nor any other Subsidiary of the Guarantor shall assume or guarantee such loans or otherwise be liable in respect thereto.

(k) Liens incurred in the ordinary course of business upon rights-of-way.

(l) Undetermined mortgages and charges incidental to construction or maintenance arising in the ordinary course of business which are not more than 90 days past due or are being contested in good faith by appropriate proceedings.

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

(n) The Lien of taxes and assessments which are not at the time delinquent.

(o) The Lien of specified taxes and assessments which are delinquent but the validity of which is being contested in good faith by the Guarantor or any of its Subsidiaries by appropriate proceedings and with respect to which reserves in conformity with generally accepted accounting principles, if required by such principles, have been provided on the books of the Guarantor or the relevant Subsidiary of the Guarantor, as the case may be.

(p) The Lien reserved in leases entered into in the ordinary course of business for rent and for compliance with the terms of the lease in the case of real property leasehold estates.

(q) Defects and irregularities in the titles to any property (including rights-of-way and easements) which are not material to the business, assets, operations or financial condition of the Guarantor and its Subsidiaries considered as a whole.

(r) Any Liens securing Debt neither assumed nor guaranteed by the Guarantor or any of its Subsidiaries nor on which any of them customarily pays interest, existing upon real estate or rights in or relating to real estate (including rights-of-way and easements) acquired by the Guarantor or any of its Subsidiaries for pipeline, metering station or right-of-way purposes, which Liens were not created in anticipation of such acquisition and do not materially impair the use of such property for the purposes for which it is held by the Guarantor or such Subsidiary.

(s) Easements, exceptions or reservations in any property of the Guarantor or any of its Subsidiaries granted or reserved in the ordinary course of business for the purpose of pipelines, roads, telecommunication equipment and cable, streets, alleys, highways, railroads, the removal of oil, gas, coal or other minerals or timber, and

other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is held by the Guarantor or such Subsidiary.

(t) Rights reserved to or vested in any municipality or public authority to control or regulate any property of the Guarantor or any of its Subsidiaries, or to use such property in any manner which does not materially impair the use of such property for the purposes for which it is held by the Guarantor or such Subsidiary.

(u) Any obligations or duties, affecting the property of the Guarantor or any of its Subsidiaries, to any municipality or public authority with respect to any franchise, grant, license or permit.

(v) (i) The Liens of any judgments in an aggregate amount for the Guarantor and all of its Subsidiaries not in excess of $5,000,000, execution of which has not been stayed and (ii) the Liens of any judgments in an aggregate amount for the Guarantor and all of its Subsidiaries not in excess of $25,000,000, the execution of which has been stayed and which have been appealed and secured, if necessary and permitted hereby, by the filing of an appeal bond.

(w) Zoning laws and ordinances.

(x) Any Lien existing on any office equipment, data processing equipment (including computer and computer peripheral equipment), motor vehicles, aircraft, marine vessels or similar transportation equipment.

(y) Any Lien consisting of interests in receivables in connection with agreements for sales of receivables of any kind by the Guarantor or any of its Subsidiaries for cash.

(z) Any Lien not permitted by paragraphs (a) through (y) above or (aa) below securing Debt of the Guarantor and its Subsidiaries or securing any Debt of the Guarantor and its Subsidiaries which constitutes a refunding or extension of any such Debt if at the time of, and after giving effect to, the creation or assumption of any such Lien, the sum of the aggregate of all Debt of the Guarantor and its Subsidiaries secured by all such Liens not so permitted by paragraphs (a) through (y) above or (aa) below plus the amount of Attributable Obligations of the Guarantor and its Subsidiaries in respect of Sale and Lease-Back Transactions permitted by Section 5.02(j) does not exceed 5% of the sum of (i) Consolidated Tangible Net Worth of the Guarantor plus (ii) Debt of the Guarantor and its Subsidiaries on a Consolidated basis.

(aa) Any overriding royalties or other rights of Pacific Northwest Pipeline Corporation, a Delaware corporation ("Pacific") and Phillips Petroleum

Company ("Phillips") or their respective successors in interest under a contract dated January 9, 1953, as amended, between Phillips and Pacific, to which the Guarantor is successor in interest; and the obligations of the Guarantor to surrender, transfer, release or reassign the leases or interests or rights to which said instruments relate under the conditions and upon the occurrence of the events specified in said instruments.

(bb) Any Lien created by the Guarantor or any of its Subsidiaries on any contract (or any rights thereunder or proceeds therefrom) providing for advances by the Guarantor or any of its Subsidiaries to finance gas exploration and development, which Lien is created to secure only indebtedness incurred to finance such advances.

EXHIBIT A

EXISTING LOANS AND INVESTMENTS IN WCG SUBSIDIARIES

Loan Agreement dated as of September 8, 1999 between Williams Communications, Inc., as Borrower, and TWC, as Lender, filed as Exhibit 10.57 to WCG's Form 10-K/A for the fiscal year ended December 31, 1999.

Various immaterial intercompany receivables between TWC or its Subsidiaries and the WCG Subsidiaries for services rendered, which are settled on a reasonably prompt basis. Services are rendered to the WCG Subsidiaries by TWC or its Subsidiaries pursuant to certain intercompany services agreements, all of which are filed as exhibits to WCG's Form 10-K/A for the fiscal year ended December 31, 1999.

As of July 25, 2000, TWC's investment in WCG consists of 395,434,965 shares of Class B common stock.

Exhibit 10(d)

FORM OF

AMENDMENT, WAIVER AND CONSENT

AMENDMENT, WAIVER AND CONSENT dated as of January 31, 2001 (this "Agreement") by the undersigned persons (the "Parties").

PRELIMINARY STATEMENTS

A. The Parties are parties to certain Operative Documents referred to in the Amended and Restated Participation Agreement dated as of September 2, 1998 (the "Participation Agreement") among Williams Communications, LLC, formerly Williams Communications, Inc. ("WCLLC"), State Street Bank and Trust Company of Connecticut, National Association, not in its individual capacity except as expressly set forth therein, but solely as Trustee (the "Trustee"), the persons named therein as note purchasers and their permitted successors and assigns (the "Note Holders"), the persons named therein as certificate purchasers and their permitted successors and assigns (the "Certificate Holders"), the persons named therein as APA Purchasers and their permitted successors and assigns (the "APA Purchasers"), State Street Bank and Trust Company ("State Street") not in its individual capacity but solely as collateral agent (the "Collateral Agent"), and Citibank, N.A., in its capacity as agent for the Note Holders and the Certificate Holders (the "Agent").

B. The Williams Companies, Inc. (the "Guarantor"), the Trustee, the Collateral Agent, the Agent and Citibank, N.A., as agent for the APA Purchasers, are parties to the Second Amended and Restated Guaranty Agreement, dated as of August 17, 2000 (the "Guaranty").

C. WCLLC and the Guarantor have requested certain waivers and amendments to the Guaranty, the Participation Agreement and Appendix A to the Participation Agreement.

D. The Parties, other than WCLLC and the Guarantor, are willing to consent to such waivers and amendments, subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Parties agree as follows:

ARTICLE I

DEFINITIONS

1.1 Defined Terms. As used in this Agreement, (i) terms defined in the first paragraph, preliminary statements or other sections of this Agreement shall have the meanings set forth therein, and (ii) capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings set forth in Appendix A to the Participation Agreement and the other Operative Documents referred to therein.

ARTICLE II

AMENDMENTS AND WAIVERS

2.1 Amendment of Section 1.01. Section 1.01 of the Guaranty is hereby amended as follows:

(a) The definition of "Consolidated Net Worth" in such Section 1.01 is hereby amended and restated to read in its entirety as follows:

> "Consolidated Net Worth" of any Person means the Net Worth of such Person and its Subsidiaries on a Consolidated basis plus, in the case of the Guarantor, the Designated Minority Interests to the extent not otherwise included; provided that, in no event shall the value ascribed to Designated Minority Interests for the Subsidiaries of the Guarantor described in clauses (i) through (v) and (vii) of the definition of 'Designated Minority Interests' exceed $136,892,000 in the aggregate.

(b) The definition of "Debt" in such Section 1.01 is hereby amended and restated to read in its entirety as follows:

> "Debt" means, in the case of any Person, (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 not overdue by more than 60 days incurred in the ordinary course of business), (iv) monetary obligations of such Person as lessee under leases that are, in accordance with GAAP, recorded as capital leases, (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 and (vi) indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) of this definition secured by any Lien on or in respect of any property of such Person; provided, however, that Debt shall not include (A) any obligation under or resulting from any agreement referred to in paragraph (y) of Schedule I or resulting from any sale and leaseback referred to in paragraph (aa) of Schedule I, (B) any contingent obligation of the Guarantor relating to indebtedness incurred by any Williams SPV, WCG or a WCG Subsidiary pursuant to the WCG Structured Financing or (C) any monetary obligations or guaranties of monetary obligations of Persons as lessee under leases that are, in accordance with GAAP, recorded as operating leases.

(c) The definition of "Designated Minority Interests" in such Section 1.01 is hereby amended and restated to read in its entirety as follows:

> "Designated Minority Interests" of the Guarantor means, as of any date of determination, the total of the minority interests in the following Subsidiaries of the Guarantor: (i) El Furrial, (ii) PIGAP II, (iii) Nebraska Energy, (iv) Seminole,

(v) American Soda, (vi) the Midstream Asset MLP, and (vii) other Subsidiaries, as presented in the Consolidating balance sheet of the Guarantor, in an amount not to exceed in the aggregate $9,000,000 for such other Subsidiaries not referred to in items (i) through (vi); provided that minority interests which provide for a stated preferred cumulative return shall not be included in "Designated Minority Interests."

(d) The definition of "Material Subsidiary" in such Section 1.01 is hereby amended and restated to read in its entirety as follows:

"Material Subsidiary" means each "significant subsidiary" of the Guarantor (or its Subsidiaries) as such term is defined in Rule 405 under the Securities Act, excluding the WCG Subsidiaries.

(e) The following definitions are added to Section 1.01 of the Guaranty in the appropriate alphabetical order:

"Borrower" means any of the Guarantor, NWP, TGPL or TGT and "Borrowers" means collectively the Guarantor, NWP, TGPL and TGT.

"NWP" means Northwest Pipeline Corporation, a Delaware corporation.

"Midstream Asset MLP" means one or more master limited partnerships included in the Consolidated financial statements of the Guarantor to which the Guarantor has transferred or shall transfer certain assets relating to the distribution, storage and transportation of petroleum products and ammonia, including without limitation marine and inland terminals and related pipeline systems, including, without limitation, Williams Energy Partners L.P.

"Sale Lease-Back Transaction" of any Person means any arrangement entered into by such Person or any Subsidiary of such Person, directly or indirectly, whereby such Person or any Subsidiary of such Person shall sell or transfer any property, whether now owned or hereafter acquired, and whereby such Person or any Subsidiary of such Person shall then or thereafter rent or lease as lessee such property or any part thereof or other property which such Person or any Subsidiary of such Person intends to use for substantially the same purpose or purposes as the property sold or transferred.

"TGPL" means Transcontinental Gas Pipe Line Corporation, a Delaware corporation.

"TGT" means Texas Gas Transmission Corporation, a Delaware corporation.

"WCG Structured Financing" means a certain series of related transactions in anticipation of the spin-off of WCG pursuant to which WCG or a WCG Subsidiary shall obtain loans or equity contributions, either directly from investors in the marketplace or through one or more special purpose vehicles

(each, a "Williams SPV"), which Williams SPV or Williams SPVs may be Subsidiaries of the Guarantor. Principal of such loans and such equity contributions shall be in a cumulative amount after January 31, 2001 which does not exceed in the aggregate $1.5 billion. The Guarantor shall have a contingent obligation with respect to repayment of indebtedness or return on and of equity of the Williams SPV (or Williams SPVs) or WCG or a WCG Subsidiary in regard to such transaction, which contingent obligation shall terminate in each case no later than four (4) years after the effective date of such transaction and shall be satisfied only through the issuance of equity securities unless further sales of equity securities of the Guarantor are not possible or will not result in additional proceeds.

"Williams SPV" is used as defined in the definition of "WCG Structured Financing."

"WPC" means Williams Gas Pipelines Central. Inc., a Delaware corporation, formerly Williams Natural Gas Company.

2.2 Amendment of Section 4.02. Section 4.02(f) of the Guaranty is hereby amended and restated to read in its entirety as follows:

(f) Maintenance of Ownership of Certain Subsidiaries. Sell, issue or otherwise dispose of, or create, assume, incur or suffer to exist any Lien on or in respect of, or permit any of its Subsidiaries to sell, issue or otherwise dispose of or create, assume, incur or suffer to exist any Lien on or in respect of, any shares of or any interest in any shares of the capital stock or other ownership interests of (i) WPC, TGPL, TGT or NWP or any of their respective Material Subsidiaries or (ii) any Subsidiary of the Guarantor at the time it owns any shares of or any interest in any shares of the capital stock or other ownership interests of WPC, TGPL, TGT or NWP or any of their respective Material Subsidiaries; provided, however, that, this Section 4.02(f) shall not prohibit the sale or other disposition of the stock of any Subsidiary of the Guarantor to the Guarantor or any Wholly-Owned Subsidiary of the Guarantor if, but only if, (x) there shall not exist or result an Event of Default or an event which with notice or lapse of time or both would constitute an Event of Default and (y) in the case of each sale or other disposition referred to in this proviso involving the Guarantor or any of its Subsidiaries, such sale or other disposition could not reasonably be expected to impair materially the ability of the Guarantor or its Subsidiaries to perform its obligations under this Agreement and the other Operative Documents and the Guarantor and the Lessee shall continue to exist. Nothing herein shall be construed to permit the Guarantor or any Subsidiary of the Guarantor to purchase shares, any interest in shares or any ownership interest in a WCG Subsidiary except as permitted by clause (e) of this Section 4.02.

2.3 Amendment of Appendix A. Appendix A of the Participation Agreement is hereby amended as follows:

(a) The definition of "Relevant Subsidiaries" in such Appendix A is hereby amended and restated to read in its entirety as follows:

"Relevant Subsidiaries" means collectively the Lessee and those Affiliates of the Lessee performing services under the Services Agreement.

(b) The definition of "Change of Control" in such Appendix A is hereby deleted.

2.4 Amendment of Participation Agreement. Section 6.01 of the Participation Agreement is hereby amended by deleting Section 6.01(u) in its entirety and substituting therefor "(u) Intentionally Omitted".

2.5 Waivers. The Guarantor has requested the waiver of, and each of the other Parties hereto hereby agrees to waive, certain provisions of the Guaranty for and in connection with the transactions described below:

(a) The Guarantor or certain of its Subsidiaries are currently the owners of certain assets described on Schedule A-1 hereto which the Guarantor or such certain Subsidiaries wish to transfer to WCG and/or certain WCG Subsidiaries. In exchange for the transfer to WCG and/or certain WCG Subsidiaries of the assets listed on Schedule A-1 and the assumption by the Guarantor and/or its Subsidiaries of those certain liabilities of WCG or WCG Subsidiaries listed on Schedule A-2, WCG and/or certain WCG Subsidiaries will transfer to the Guarantor and/or its Subsidiaries, the assets listed on Schedule B-1 and will assume those certain liabilities of the Guarantor and/or its Subsidiaries listed on Schedule B-2. The Guarantor hereby represents and warrants that such transaction is being entered into on terms and conditions reasonably fair in all material respects to the Guarantor and its Subsidiaries.

(b) The Guarantor anticipates that it or one of its Subsidiaries may purchase certain assets of WCG or a WCG Subsidiary listed on Schedule A-1 and enter into a Sale Lease-Back Transaction in which the Guarantor or one of its Subsidiaries will lease such assets to WCG or a WCG Subsidiary. The Guarantor hereby covenants that such transaction shall be entered into on terms and conditions reasonably fair in all material respects to the Guarantor and its Subsidiaries. To the extent that such Sale Lease-Back Transaction may be, or may be deemed to be, an investment in WCG or a WCG Subsidiary, such transaction is prohibited by Section 4.02(e) of the Guaranty.

(c) In connection with such asset exchange and the Sale Lease-Back Transaction, and only for purposes of such transactions, the Guarantor requests that the other Parties waive the provisions of Section 4.02(e) of the Guaranty to allow the Guarantor and/or its Subsidiaries to effect the Sale Lease-Back Transaction, described in the preceding paragraph, and to acquire the equity interests and stock in WCG and certain WCG Subsidiaries, as described on Schedule B-1, and to transfer assets to WCG and/or WCG Subsidiaries on the terms set forth above. Nothing herein shall be construed or

deemed to permit the Guarantor or its Subsidiaries to invest in or acquire stock or equity interests in WCG or any WCG Subsidiaries except to the extent described above. Nothing herein shall, or shall be deemed to, waive the provisions of Section 4.02(j) of the Guaranty or any other provisions of the Guaranty applicable to the Sale Lease-Back Transaction, except as expressly set forth above with respect to Section 4.02(e) of the Guaranty.

(d) In connection with the WCG Structured Financing, and only with respect to such WCG Structured Financing, the Guarantor requests that the other Parties waive:

(i) the provisions of Section 4.02(d) of the Guaranty to allow consensual encumbrances and restrictions on the ability of any Williams SPV to make or pay any distributions, dividends, loans or advances to the Guarantor or its Subsidiaries; provided, that, such consensual encumbrances or restrictions (x) are pursuant to the documents governing the WCG Structured Financing and (y) restrict making or paying distributions, dividends, loans or advances of or on only those assets held by a Williams SPV directly relating to the WCG Structured Financing; and

(ii) the provisions of Section 4.02(i) of the Guaranty to allow the Guarantor or a Subsidiary of the Guarantor to be contingently liable for the obligations of any Williams SPV, WCG or WCG Subsidiaries for payments relating to indebtedness or return on and of equity incurred by such entity pursuant to the WCG Structured Financing.

(e) By its signature hereto, each party hereto agrees to waive and does hereby waive (i) Section 4.02(e) of the Guaranty to allow the Guarantor and its Subsidiaries to acquire the equity interests and stock in WCG and certain WCG Subsidiaries, to the extent set forth above and to allow the Guarantor and its Subsidiaries to act as lessor pursuant to the Sale Lease-Back Transaction described above involving assets listed on Schedule A-1; (ii) Section 4.02(d) of the Guaranty to allow consensual encumbrances and restrictions on the ability of any Williams SPV to make or pay distributions, dividends, loans or advances to the Guarantor or its Subsidiaries if such encumbrances and restrictions are pursuant to documents governing the WCG Structured Financing and apply only to assets of such Williams SPV which are directly related to the WCG Structured Financing and (iii) Section 4.02(i) of the Guaranty to allow the Guarantor or a Subsidiary of the Guarantor to be contingently liable with respect to the indebtedness or return on and of equity incurred pursuant to the WCG Structured Financing. Nothing herein shall be deemed or construed to waive any other breach of Sections 4.02(d), 4.02(e) or 4.02(i) of the Guaranty or to waive a breach of any other provision of the Guaranty or any other Operative Document or to require any similar or dissimilar waiver to be granted hereafter.

ARTICLE III

REPRESENTATION AND WARRANTIES

3.1 Representations and Warranties of the Guarantor. To induce the other Parties to enter into this Amendment, the Guarantor hereby reaffirms as to itself and its Subsidiaries, as of the date hereof, its representations and warranties contained in Section 3.01 of the Guaranty (except to the extent such representations and warranties relate solely to an earlier date) and additionally represents and warrants as follows:

(a) The Guarantor 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, except for those licenses, authorizations, certificates, consents and approvals which the failure to have could not reasonably be expected to have a material adverse effect on the business, assets, condition or operation of the Guarantor and its Subsidiaries taken as a whole. Each Material Subsidiary of the Guarantor is duly organized or validly formed, validly existing and (if applicable) in good standing under the laws of its jurisdiction of incorporation or formation, except where the failure to be so organized, existing and in good standing could not reasonably be expected to have a material adverse effect on the business, assets, condition or operations of the Guarantor and its Subsidiaries taken as a whole. Each Material Subsidiary of the Guarantor has all corporate or limited liability company powers and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its business as now conducted in all material respects, except for those licenses, authorizations, certificates, consents and approvals which the failure to have could not reasonably be expected to have a material adverse effect on the business, assets, condition or operation of the Guarantor and its Subsidiaries taken as a whole.

(b) The execution, delivery and performance by the Guarantor of this Agreement and the consummation of the transactions contemplated by this Agreement are within the Guarantor's corporate powers, have been duly authorized by all necessary corporate action, do not contravene (i) the Guarantor's charter or by-laws or (ii) any law or any contractual restriction binding on or affecting the Guarantor and will not result in or require the creation or imposition of any Lien.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Guarantor of this Agreement or the consummation of the transactions contemplated by this Agreement.

(d) This Agreement has been duly executed and delivered by the Guarantor. This Agreement and the Guaranty as amended by this Agreement are the legal, valid and binding obligations of the Guarantor enforceable against the Guarantor in accordance with its terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity.

(e) Except as set forth in the Public Filings, there is no pending or, to the knowledge of the Guarantor, threatened action or proceeding affecting the Guarantor or any Material Subsidiary of the Guarantor (or in the case of the Guarantor, the Borrowers, any Subsidiary of a Borrower or any WCG Subsidiary) before any court, governmental agency or arbitrator, which could reasonably be expected to materially and adversely affect the financial condition or operations of the Guarantor and its Subsidiaries taken as a whole or which purports to affect the legality, validity, binding effect or enforceability of this Agreement, the Guaranty or any other Operative Document. For the purposes of this Section, "Public Filings" shall mean the respective annual reports of the Guarantor on Form 10-K or Form 10-K/A for the year ended December 31, 1999, and the Guarantor's quarterly reports on Form 10-Q for the quarter ended September 30, 2000.

(f) Upon giving effect to this Agreement, no event has occurred and is continuing which constitutes a Guaranty Default or which would constitute a Guaranty Default but for the requirement that notice be given or time elapse or both.

ARTICLE IV

MISCELLANEOUS

4.1 Effectiveness. The effectiveness of this Agreement is conditioned upon receipt by the Agent of all the following documents, each in form and substance satisfactory to the Agent:

(a) Counterparts of this Agreement executed by the Guarantor, the Agent, the Majority Holders and by CXC and the Majority Purchasers (as defined in the APA);

(b) A certificate of the Secretary or Assistant Secretary of the Guarantor as to (i) any changes (or the absence of changes) since August 17, 2000 to its certificate of incorporation and its by-laws as of the date hereof, (ii) the resolutions of the Guarantor authorizing the execution of this Agreement and (iii) the names and true signatures of the officers authorized to execute this Agreement;

(c) A certificate, in form and substance satisfactory to the Agent, dated the date hereof addressed to the Trustee, the Collateral Agent, the Agent and the APA Agent of a responsible officer of WCG and/or each relevant WCG Subsidiary as to (i) its title to those assets transferred to the Guarantor or a Subsidiary of the Guarantor pursuant to the transactions described in Section 2.5 hereof, and (ii) the equity interests and shares of stock issued to the Guarantor or a Subsidiary of the Guarantor; and

(d) Such other documents as the Agent shall have reasonably requested.

4.2 Trustee. The undersigned Note Holders and Certificate Holders hereby (a) direct the Trustee to give its consent to the actions contemplated hereby by executing and delivering this Agreement, and (b) consent to the execution and delivery by the Trustee of this Agreement.

4.3 Consent. Pursuant to the APA, CXC and the Majority Purchasers hereby consent to execution of this Agreement by the SPV.

4.4 Full Force and Effect. Except as specifically amended hereby, the Operative Documents and the Securitization Documents shall remain in full force and effect and are hereby ratified and confirmed.

4.5 Exculpation of the Trustee. Except for its own gross negligence and willful misconduct and as otherwise expressly provided in the Operative Documents, it is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered by the Trustee, not in its individual capacity but solely as Trustee under the Declaration of Trust, in the exercise of the powers and authority conferred and vested in it as the Trustee, (b) each of the undertakings and agreements herein made on the part of the Trustee is made and intended not as a personal representation, undertaking and agreement by the Trustee but is made and intended for the purpose for binding only the Trust Estate created by the Declaration of Trust, (c) nothing herein contained shall be construed as creating any liability on the Trustee, individually or personally, to perform any obligation of the Trustee either expressed or implied contained herein or in the Operative Documents, all such liability, if any, being expressly waived by the Parties and by any Person lawfully claiming by, through or under the Parties and (d) under no circumstances shall the Trustee be personally liable for the payment of any indebtedness or expenses of the Trustee or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Trustee under the Operative Documents.

4.6 Exculpation of The Collateral Agent. Except for its own gross negligence and willful misconduct and as otherwise provided in the Operative Documents, it is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered by the Collateral Agent, not in its individual capacity but solely as Collateral Agent, under the Interparty Agreement, in the exercise of the powers and authority conferred and vested in it as the Collateral Agent, (b) nothing herein contained shall be construed as creating any liability on the Collateral Agent, individually or personally, to perform any obligation of the Collateral Agent either expressed or implied contained herein or in the Operative Documents, all such liability, if any, being expressly waived by the Parties and by any Person claiming by, through or under the Parties and (c) under no circumstances shall the Collateral Agent be personally liable for the payment of any indebtedness or expenses of the Collateral Agent or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Collateral Agent under this Agreement or the Operative Documents except where such breach or failure is the result of the Collateral Agent's willful misconduct or gross negligence.

4.7 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED UNDER THE LAWS OF THE STATE OF NEW YORK.

4.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall, when executed, be deemed to be an original and all of which taken together shall be deemed to be one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their officers thereunto duly authorized as of the day and year first above written.

[SIGNATURE PAGES FOLLOW]

Signature Page to Amendment, Waiver and Consent
Dated as of January 31, 2001

WILLIAMS COMMUNICATIONS, LLC

By:

Name:
Title:

THE WILLIAMS COMPANIES, INC.

By:

Name:
Title:

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT NATIONAL ASSOCIATION, not in its individual capacity but solely as Trustee of the 1998 WCI Trust, as Trustee and Lessor

By:

Name:
Title:

Signature Page to Amendment, Waiver and Consent
Dated as of January 31, 2001

STATE STREET BANK AND TRUST COMPANY, not
in its individual capacity but solely as
Collateral Agent

By:

Name:
Title:

CITIBANK, N.A., as Agent

By:

Name:
Title:

CITIBANK, N.A.
as APA Purchaser

By:

Name:
Title:

CXC INCORPORATED

By: CITICORP NORTH AMERICA, INC.,
as attorney-in-fact

By:

Name:
Title:

Signature Page to Amendment, Waiver and Consent
Dated as of January 31, 2001

WC NETWORK FUNDING LLC,
as Note Holder

By: WC Network Holdings, Inc.,
its sole member

By:

Name:
Title:

FBTC LEASING CORP.,
as Certificate Holder

By:

Name:
Title:

SCOTIABANC INC.,
as Certificate Holder

By:

Name:
Title:

Signature Page to Amendment, Waiver and Consent
Dated as of January 31, 2001

THE BANK OF NOVA SCOTIA,
as APA Purchaser

By:

Name:
Title:

BANK OF MONTREAL,
as APA Purchaser

By:

Name:
Title:

ROYAL BANK OF CANADA,
as APA Purchaser

By:

Name:
Title:

Signature Page to Amendment, Waiver and Consent
Dated as of January 31, 2001

BANK OF AMERICA, N.A. (formerly named
Bank of America National Trust & Savings
Association and successor to
NationsBank, N.A.)

By:

Name:
Title:

THE CHASE MANHATTAN BANK,
as APA Purchaser

By:

Name:
Title:

BARCLAYS BANK PLC,
as APA Purchaser

By:

Name:
Title:

Signature Page to Amendment, Waiver and Consent
Dated as of January 31, 2001

TORONTO DOMINION (TEXAS), INC.
as APA Purchaser

By:

Name:
Title:

ABN AMRO BANK, N.V.
as APA Purchaser

By:

Name:
Title:

BANKBOSTON, N.A., as APA Purchaser

By:

Name:
Title:

CIBC INC., as APA Purchaser

By:

Name:
Title:

Signature Page to Amendment, Waiver and Consent
Dated as of January 31, 2001

THE BANK OF NEW YORK,
as APA Purchaser

By:

Name:
Title:

BANQUE NATIONALE DE PARIS, HOUSTON AGENCY,
as APA Purchaser

By:

Name:
Title:

COMMERZBANK AG,
as APA Purchaser

By:

Name:
Title:

Signature Page to Amendment, Waiver and Consent
Dated as of January 31, 2001

CREDIT AGRICOLE INDOSUEZ,
as APA Purchaser

By:

Name:
Title:

By:

Name:
Title:

SCHEDULE A - 1

ASSETS TO BE TRANSFERRED FROM THE GUARANTOR AND/OR ITS SUBSIDIARIES
TO WCG AND/OR WCG SUBSIDIARIES

1. Those certain three aircraft owned by Williams Aviation, Inc., or under contract for purchase by Williams Aviation, Inc, more specifically identified as follows:

   Citation V - located in Chesterfield, Missouri, Tail Number N352WC

   Citation X - located in Tulsa, Oklahoma, Tail Number N358WC

   Citation Excel - scheduled for delivery by April 1, 2001, Tail Number N359WC

   The aggregate value of the three aircraft is $32,000,000.

2. That certain Williams Technology Center located in Tulsa, Oklahoma, and owned by the Williams Headquarters Building Company. The Williams Technology Center is constructing a fifteen story office building that will house various Williams energy and communications employees. It will be attached to the east-end of the existing Bank of Oklahoma Tower at the Plaza, Ground and Service levels. The building is bounded on the north by First Street, east by Cincinnati Avenue, south by Second Street, and west by the podium of the Bank of Oklahoma Tower. The building will contain 733,391 net rentable square feet and accommodate up to 4,000 employees.

3. That certain Parking Garage being constructed on the northeast corner of First Street and Cincinnati Avenue, directly south of the LaPetite Academy daycare center. The parking garage will be six levels tall and contain 1,029 parking spaces. It will be connected to the Williams Technology Center by pedestrian bridges west across Cincinnati and south across First Street.

   The aggregate value of the Williams Technology Center and the Parking Garage (items 2 and 3) is $85,000,000.

4. That certain Intercompany Note executed between the Guarantor and Williams Communications, Inc., on September 8, 1999. The note is for seven years and has approximately $975 million outstanding, bears interest at rates equal to LIBOR, or an alternate base rate, plus a margin based on the debt rating of WCG's credit facility by S&P and Moody's, plus 0.25% based on WCG's ratio of total debt to EBITDA greater than or equal to 6.0 to 1.0. Principle is paid quarterly beginning July 1, 2000.

   The value of the Intercompany Note is $630,000,000.

SCHEDULE A - 2

LIABILITIES OF WCG AND/OR WCG SUBSIDIARIES
TO BE ASSUMED BY THE GUARANTOR AND/OR ITS SUBSIDIARIES

1. Payment obligations with respect to those certain building improvements, fixtures and equipment including all construction, design, flooring, food service equipment, security, audio equipment, video equipment, telecommunication equipment, furniture and fixtures, and related costs, including but not limited to material, labor, installation and taxes, as set forth in the Authorization for Expenditure(s) dated September 18, 2000.

   The aggregate value of the building improvements, fixtures and equipment is $160,000,000.

SCHEDULE B - 1

ASSETS TO BE TRANSFERRED FROM WCG AND/OR WCG SUBSIDIARIES

TO THE GUARANTOR AND/OR ITS SUBSIDIARIES

1. All losses or credit carryovers or other similar attributes of WCG not in existence on September 30, 1999, but arising thereafter, and utilized by the Guarantor as part of its consolidated tax return for any consolidated returns filed following September 30, 1999, as described in the Tax Sharing Agreement dated September 30, 1999.

   The aggregate value is $317,000,000.

2. That certain Telecommunications Services Agreement dated January 5, 1995, between The Guarantor and Wiltel, Inc., and subsequently amended. WorldCom, as the successor to Wiltel, provides WCG a specific amount of long distance, frame relay and private line services free of costs other than its out of pocket expenses payable to third parties. WCG resells these services to the Guarantor , its subsidiaries and affiliates at market rates. The term of the agreement is 35 years beginning January 1995.

   The value is $65,000,000.

3. Those certain two dark fibers capable of providing a minimum capacity up to an OC-12 along the entire length of the fiber optic facilities along Transco's main line pipelines from Houston, Texas to Manassas, Virginia and Washington, D.C. to Station 200 outside Philadelphia, Pennsylvania which include property in the states of Texas, Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, the District of Columbia, Maryland and Pennsylvania, including the dark fiber needed to connect the non-contiguous points along the Transco right of way (the "Transco Fiber"). The general description of this service is provided in that certain Construction, Operating, Maintenance Agreement dated January 1, 1997. The Transco Fiber excludes any incidental services required to support the dark fiber pair, such as collocation, power, and maintenance fees.

   The aggregate value is $15,000,000.

4. That number of shares of WCG Class A stock to be issued to the Guarantor having an aggregate value equal to approximately $470 million, to be priced based upon the average of the high and low for each of the five business days beginning January 17, 2001 and ending January 23, 2001.]

SCHEDULE B - 2

LIABILITIES OF THE GUARANTOR AND/OR ITS SUBSIDIARIES

TO BE ASSUMED BY WCG AND/OR WCG SUBSIDIARIES

1. All incremental costs to be incurred by WCG in connection with the replacement of certain shared hardware, systems and applications that will need to be replicated upon the separation of the two companies. In addition, WCG will need to procure it own unique software licenses on everything from Microsoft products to the PeopleSoft applications. Also included in this category are those miscellaneous costs incurred to effect the spin- off of WCG from the Guarantor.

   The aggregate value is $40,000,000.

EXHIBIT 12

The Williams Companies, Inc. and Subsidiaries
Computation of Ratio of Earnings to Fixed Charges
(Dollars in millions)

	Three months ended March 31, 2001
Earnings:	
Income from continuing operations before income taxes	$ 617.9
Add:	
Interest expense - net	180.3
Rental expense representative of interest factor	6.3
Minority interest in income and preferred returns of consolidated subsidiaries	24.2
Interest accrued - 50% owned company	2.2
Equity losses in less than 50% owned companies	11.2
Equity earnings in less than 50% owned companies in excess of distributions	(.9)
Other	1.7
Total earnings as adjusted plus fixed charges	$ 842.9
Fixed charges:	
Interest expense - net	$ 180.3
Capitalized interest	9.7
Rental expense representative of interest factor	6.3
Pretax effect of preferred returns of subsidiaries	21.7
Interest accrued - 50% owned company	2.2
Total fixed charges	$ 220.2
Ratio of earnings to fixed charges	3.83