

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**The Williams Companies, Inc.***(Exact Name of Registrant as Specified in Its Charter)***Delaware**
*(State or Other Jurisdiction of
Incorporation or Organization)***4922**
*(Primary Standard Industrial
Classification Code Number)***73-0569878**
*(I.R.S. Employer
Identification Number)***One Williams Center****Tulsa, Oklahoma 74172
(918) 573-2000***(Address, Including Zip Code, and Telephone Number, Including
Area Code, of Registrant's Principal Executive Offices)***James J. Bender, Esq.****Senior Vice President and General Counsel
One Williams Center, Suite 4900
Tulsa, Oklahoma 74172
(918) 573-2000***(Name, Address, Including Zip Code, and Telephone Number,
Including Area Code, of Agent for Service)***With copies to:****Gibson, Dunn & Crutcher LLP
1801 California Street, Suite 4100
Denver, Colorado 80202-2641
(303) 298-5700
Attention: Richard M. Russo, Esq.
Robert R. Stark, Jr., Esq.****Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
(212) 450-4000
Attention: Marlene Alva, Esq.****Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(3)	Amount of Registration Fee(4)
Common Stock(5)	43,900,000	\$11.94	\$524,166,000	\$66,412

-
- (1) This Registration Statement registers the maximum number of shares of the registrant's common stock, par value \$1.00 per share, that may be issued in connection with the exchange offer by the registrant for up to 43,900,000 of the registrant's outstanding FELINE PACS in the form of Income PACS.
 - (2) Calculated by dividing the proposed maximum offering price of \$524,166,000 by 43,900,000, which is the maximum number of shares of the registrant's common stock that may be issued in connection with the exchange offer.
 - (3) Estimated solely for the purpose of calculating the registration fee pursuant to Rules 457(f)(1) and (3) and Rule 457(c) under the Securities Act of 1933 based on the difference between (a) the product of (i) \$13.41, which is the average of the high and low prices per unit of the registrant's Income PACS as reported on the New York Stock Exchange on September 15, 2004, and (ii) 43,900,000, which represents the maximum number of Income PACS sought in the exchange offer, and (b) \$64,533,000 which represents the maximum aggregate amount of cash to be paid by the registrant in the exchange offer.
 - (4) Computed in accordance with Rule 457(f) under the Securities Act of 1933 to be \$66,412, which is equal to 0.00012670 multiplied by the proposed maximum aggregate offering price of \$524,166,000.
 - (5) Each share of common stock registered hereunder includes an associated Series A Junior Participating Preferred Stock purchase right. Until the occurrence of certain prescribed events, none of which has occurred, the Series A Junior Participating Preferred Stock purchase rights are not exercisable, are evidenced by certificates representing the common stock, and may be transferred only with the common stock. No separate consideration is payable for the Series A Junior Participating Preferred Stock purchase rights.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this exchange offer prospectus may change. We may not complete the exchange offer and issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This exchange offer prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

EXCHANGE OFFER PROSPECTUS

The Williams Companies, Inc.

Offer to Exchange

One (1.0000) Share of Common Stock Plus \$1.47 in Cash for Each Outstanding FELINE PACSSM in the Form of an Income PACSSM Up to an Aggregate of 43,900,000 Income PACS

We are offering to exchange one (1.0000) share of our common stock plus \$1.47 in cash for each validly tendered and accepted FELINE PACS in the form of an Income PACS, up to an aggregate of 43,900,000 Income PACS, upon the terms and subject to the conditions set forth in this exchange offer prospectus and in the related letter of transmittal. On September 13, 2004, 44,000,000 Income PACS were outstanding, and no Growth PACS were outstanding. We are conducting this exchange offer to reduce our overall indebtedness.

Income PACS validly tendered and not withdrawn will be subject to proration as described in this exchange offer prospectus (1) if we determine there is any likelihood that the New York Stock Exchange continued-listing condition described below may not be satisfied based on consultation with the New York Stock Exchange or (2) if more than 43,900,000 Income PACS are validly tendered and not withdrawn prior to the expiration date of the exchange offer.

The exchange offer will expire at 5:00 p.m., New York City time, on October 18, 2004, unless extended or earlier terminated by us. You may withdraw Income PACS that you tender at any time before the exchange offer expires. In addition, you may withdraw any tendered Income PACS after November 15, 2004, which is 40 business days from September 17, 2004, if we have not accepted them for exchange.

The exchange offer is subject to the conditions described in “The Exchange Offer — Conditions to the Exchange Offer,” including, among other things, the effectiveness of the registration statement of which this exchange offer prospectus forms a part and the continued listing of the Income PACS on the New York Stock Exchange after the exchange offer. The New York Stock Exchange will consider de-listing the outstanding Income PACS if, following the exchange, the number of publicly-held outstanding Income PACS is less than 100,000, the number of holders of outstanding Income PACS is less than 100, the aggregate market value of the outstanding Income PACS is less than \$1 million, or for any other reason based on the suitability for the continued listing of the outstanding Income PACS in light of all pertinent facts as determined by the New York Stock Exchange. We reserve the right to terminate or extend the exchange offer if any condition of the exchange offer is not satisfied and otherwise to amend the exchange offer in any respect.

The Income PACS are listed on the New York Stock Exchange under the symbol “WMB PrI,” and our common stock is listed on the New York Stock Exchange under the symbol “WMB.” On September 16, 2004, the last reported sale price of the Income PACS on the New York Stock Exchange was \$13.34 per Income PACS and the last reported sale price of our common stock on the New York Stock Exchange was \$12.05 per share. The shares of our common stock to be issued in the exchange offer have been approved for listing on the New York Stock Exchange.

We urge you to carefully read the “Risk Factors” section beginning on page 12 before you make any decision regarding the exchange offer.

You must make your own decision whether to tender any Income PACS in the exchange offer and, if so, the number of Income PACS to tender. We do not make any recommendation as to whether or not holders of outstanding Income PACS should tender their Income PACS for exchange in the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities being offered in this exchange offer, or determined if this exchange offer prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Lead Dealer Manager

Merrill Lynch & Co.

Dealer Managers

Citigroup

Banc of America Securities LLC

The date of this exchange offer prospectus is September 17, 2004.

“FELINE PACS,” “Income PACS” and “Growth PACS” are service marks of Merrill Lynch & Co., Inc.

TABLE OF CONTENTS

	Page
Questions and Answers About the Exchange Offer	1
Summary	7
Risk Factors	12
Use of Proceeds	26
Market for Common Stock and Income PACS	26
Selected Historical Consolidated Financial Data	27
The Exchange Offer	30
Comparison of Rights between the Income PACS and Our Common Stock	42
Description of Capital Stock	44
Description of FELINE PACS	47
Description of the Purchase Contracts	50
Description of the Notes	57
Material U.S. Federal Income Tax Consequences	61
Cautionary Statement Regarding Forward-Looking Statements	67
Legal Matters	67
Experts	67
Where You Can Find More Information	68
Form of Dealer Manager Agreement	
Restated Certificate of Incorporation	
Restated By-Laws	
Opinion/Consent of James J. Bender, Esq.	
Tax Opinion of White & Case LLP	
Consent of Ernst & Young LLP	
Consent of Netherland, Sewell & Associates, Inc.	
Consent of Miller and Lents, LTD	
Power of Attorney	
Form of Letter of Transmittal	
Form of Letter of Registered Holders	
Form of Letter to Clients	
Form of Letter to Holders to FELINE PACS	

You should rely only on the information contained or incorporated by reference in this exchange offer prospectus. We have not, and the dealer managers have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to exchange, and are seeking tenders of, these securities only in jurisdictions where the offers or tenders are permitted. You should assume that the information appearing in this exchange offer prospectus and the documents incorporated by reference in this exchange offer prospectus is accurate only as of the dates of this exchange offer prospectus or of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

All references in this exchange offer prospectus to “Williams,” the “Company,” “we,” “our,” “ours” and “us” are to The Williams Companies, Inc., not including its subsidiaries, unless the context requires otherwise and except that such references in the sections of this exchange offer prospectus entitled “Summary — Our Company,” “Risk Factors — Risks Related to Our Business,” “— Risks Related to Legal Proceedings and Governmental Investigations,” “— Risks Affecting Our Strategy and Financing Needs,” “— Risks Related to Regulation of Our Business,” “— Risks Related to Environmental Matters,” “— Risks Related to Accounting Standards,” “— Risks Related to Our Industry,” “— Other Risks,” “Selected Historical Consolidated Financial Data” and “Cautionary Statement Regarding Forward-Looking Statements” are to The Williams Companies, Inc. and its subsidiaries.

QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

These answers to questions that you may have as a holder of FELINE PACS, as well as the summary that follows, provide an overview of material information regarding the exchange offer that is included elsewhere or incorporated by reference in this exchange offer prospectus. To fully understand the exchange offer and the other considerations that may be important to your decision about whether to participate in the exchange offer, you should carefully read this exchange offer prospectus in its entirety, including the section entitled "Risk Factors," as well as the information incorporated by reference in this exchange offer prospectus. For further information regarding The Williams Companies, Inc., see the section of this exchange offer prospectus entitled "Where You Can Find More Information."

Who is making the exchange offer?

We are making the exchange offer.

Why are we making the exchange offer?

We are making the exchange offer as part of our ongoing strategy to reduce our overall indebtedness. The exchange offer allows us to retire the notes included in the Income PACS instead of having them remain outstanding if a remarketing of the notes is successful.

What amount of Income PACS is being sought in the exchange offer?

We are offering to exchange up to an aggregate of 43,900,000 of our outstanding Income PACS.

What will participating Income PACS holders receive in the exchange offer?

For each Income PACS that you validly tender and that we accept for exchange, you will receive one (1.0000) share of our common stock plus \$1.47 in cash upon the terms and subject to the conditions set forth in this exchange offer prospectus and the related letter of transmittal. The portion of the exchange consideration represented by the one (1.0000) share to be received in the exchange offer represents the number of shares of our common stock that you would be obligated to purchase from us on February 16, 2005 for each Income PACS you hold, assuming that the applicable market value of our common stock on that date is less than or equal to \$41.25 per share.

Our common stock and the Income PACS are listed on the New York Stock Exchange under the symbols "WMB" and "WMB PrI," respectively. The last reported sale price per share of our common stock on the New York Stock Exchange was \$12.05 on September 16, 2004. On September 16, 2004, the last reported sale price per Income PACS on the New York Stock Exchange was \$13.34.

If I participate by tendering my Income PACS, will I receive the quarterly contract adjustment payments and interest payments that are payable on November 16, 2004 and February 16, 2005?

No. If your Income PACS are validly tendered and accepted for exchange, you will lose your right to receive payments with respect to your Income PACS to be made after completion of the exchange offer, including any accrued interest or the accrued portion of the contract adjustment payment.

How does the cash payment I will receive if I tender my Income PACS compare to the payments I would receive on the Income PACS if I do not tender?

The \$1.47 cash payment for each Income PACS you validly tender and that we accept for exchange is more than the interest and quarterly contract adjustment payments you will receive for each of your Income PACS if you do not participate in the exchange offer. If you do not participate in the exchange offer, you will receive \$0.5625 for each Income PACS on each of November 16, 2004 and February 16, 2005, for a total of \$1.125. Except in the circumstances described in the following sentence, you will receive no further quarterly payments after February 16, 2005, because you will have sold your note to a third party in the remarketing or surrendered your note to us to satisfy your stock purchase

Table of Contents

obligation of \$25 for each Income PACS. If you create a Growth PACS or if the first remarketing of the notes fails and you subsequently elect to pay \$25 in cash to settle your stock purchase contract instead of using the proceeds of the remarketing or surrendering your note, you will be able to retain the note and receive quarterly interest payments at the reset rate until February 16, 2007 (but not the quarterly contract adjustment payments, which terminate on February 16, 2005).

If a remarketing of the notes is successful, the proceeds of the remarketing will be used to satisfy your stock purchase obligation on February 16, 2005, and to pay the remarketing agent's fee. The excess proceeds (up to \$0.064 per Income PACS assuming a successful remarketing at 100.5% of the Treasury portfolio purchase price), if any, will be remitted to you.

Accordingly, if you do not participate in the exchange offer and hold your Income PACS through February 16, 2005, you will receive, over the period ending on that date, total cash payments of up to \$1.189 per Income PACS. If on February 16, 2005, the applicable market value of our common stock is less than or equal to \$41.25 per share, you will also receive one (1.000) share of our common stock on that date. If, however, you participate in the exchange offer and we accept your validly tendered Income PACS for exchange, you will receive, for each such Income PACS, \$1.47 in cash and one (1.000) share of our common stock upon the closing of the exchange offer.

In addition, if you validly tender your Income PACS and we accept them for exchange, you will be entitled to receive cash dividends on our common stock if, as, and when declared by our board of directors on or after the closing date of the exchange offer. If you do not participate in the exchange offer, you will be entitled to receive cash dividends only after satisfying your stock purchase obligations on February 16, 2005.

How does the amount of common stock I will receive if I tender my Income PACS compare to the amount of common stock I will be obligated to purchase on February 16, 2005 if I do not tender?

The one (1.0000) share of our common stock that you will receive in the exchange offer for each Income PACS validly tendered and accepted for exchange is, based on the current price of the common stock, the same number that you will be obligated to purchase on February 16, 2005, for each of your Income PACS that is not tendered and accepted.

How will fluctuations in the trading price of our common stock and the Income PACS affect the amount I will receive if I tender my Income PACS?

We are offering to exchange one (1.0000) share of our common stock and \$1.47 cash for each Income PACS regardless of any fluctuation in the trading price of our common stock or of the Income PACS. If the market price of our common stock declines, the value of the one (1.0000) share you will receive will decline. The trading value of our common stock could fluctuate depending upon any number of factors, including those specific to us and those that influence the trading prices of equity securities generally.

Will we exchange all validly tendered Income PACS?

We may not exchange all of the Income PACS that you tender in the exchange offer. If holders validly tender more than an aggregate of 43,900,000 Income PACS for exchange, we will accept an aggregate of not more than 43,900,000 Income PACS from all holders, prorated among the tendering holders. If we determine that there is any likelihood that the New York Stock Exchange continued-listing condition may not be met, we may accept a pro rata amount of the Income PACS tendered in the exchange offer to ensure that the Income PACS continue to be listed on the New York Stock Exchange after the consummation of the exchange offer. Any Income PACS tendered but not accepted because of proration will be returned to you; see the section of this exchange offer prospectus entitled "The Exchange Offer — Priority of Exchanges and Proration."

[Table of Contents](#)

May I tender only a portion of the Income PACS that I hold?

Yes. You do not have to tender all of your Income PACS to participate in the exchange offer.

If the exchange offer is consummated and I do not participate in the exchange offer or I do not exchange all of my Income PACS in the exchange offer, how will my rights and obligations under my unexchanged Income PACS be affected?

The terms of your Income PACS, if any, that remain outstanding after the consummation of the exchange offer will not change as a result of the exchange offer. On February 16, 2005, you will be obligated to purchase from us, for the stated amount of \$25, a fraction of a newly issued share of our common stock equal to the “settlement rate.” The settlement rate will be calculated based on the price of our common stock and cannot exceed one (1.0000) share, subject to adjustment as described in the section of this exchange offer prospectus entitled “Description of the Purchase Contracts — Anti-Dilution Adjustments.”

How will the exchange offer affect the trading market for the Income PACS that are not exchanged?

If a sufficiently large number of Income PACS do not remain outstanding after the exchange offer, the trading market for the remaining outstanding Income PACS may be less liquid and more sporadic, and market prices may fluctuate significantly depending on the volume of trading in Income PACS.

What do we intend to do with the Income PACS that are tendered in the exchange offer?

Income PACS accepted for exchange by us in the exchange offer will be retired and cancelled. We intend to treat the exchange of your Income PACS for shares of our common stock plus cash pursuant to the exchange offer as a cash settlement of the purchase contract and a redemption of the note for its adjusted issue price. See the section of this exchange offer prospectus entitled “Material U.S. Federal Income Tax Consequences — Federal Income Tax Treatment of Participation in the Exchange.”

Are we making a recommendation regarding whether you should tender in the exchange offer?

We are not making any recommendation regarding whether you should tender or refrain from tendering your Income PACS in the exchange offer.

Accordingly, you must make your own determination as to whether to tender your Income PACS in the exchange offer and, if so, the number of Income PACS to tender. Before making your decision, we urge you to carefully read this exchange offer prospectus in its entirety, including the information set forth in the section of this exchange offer prospectus entitled “Risk Factors,” and the other documents incorporated by reference in this exchange offer prospectus.

Will the common stock to be issued in the exchange offer be listed for trading?

Yes. The shares of our common stock to be issued in the exchange offer have been approved for listing on the New York Stock Exchange. Generally, the common stock you receive in the exchange offer will be freely tradeable, unless you are considered an “affiliate” of ours, as that term is defined in the Securities Act of 1933. For more information regarding the market for our common stock, see the section of this exchange offer prospectus entitled “Market for Common Stock and Income PACS.”

What are the conditions to the exchange offer?

The exchange offer is conditioned upon:

- the effectiveness of the registration statement of which this exchange offer prospectus forms a part;

Table of Contents

- there being no likelihood that the acceptance for exchange of outstanding Income PACS pursuant to the exchange offer will cause the outstanding Income PACS to be de-listed from the New York Stock Exchange for any reason;
- the accuracy of representations and warranties, and the compliance with certain covenants, contained in the dealer manager agreement, in each case, as of the expiration of the exchange offer; and
- the other closing conditions described in the section of this exchange offer prospectus entitled “The Exchange Offer — Conditions to the Exchange Offer.”

We may waive certain condition of this exchange offer. If any of the conditions is not satisfied or waived, we will not accept and exchange any validly tendered Income PACS. For more information regarding the conditions to the exchange offer (including conditions we cannot waive), see the section of this exchange offer prospectus entitled “The Exchange Offer — Conditions to the Exchange Offer.”

When does the exchange offer expire?

The exchange offer will expire at 5:00 p.m., New York City time, on October 18, 2004, unless extended or earlier terminated by us.

Under what circumstances can the exchange offer be extended, amended or terminated?

We reserve the right to extend the exchange offer for any reason or no reason at all. We also expressly reserve the right, at any time or from time to time, to amend the terms of the exchange offer in any respect prior to the expiration date of the exchange offer. Further, we may be required by law to extend the exchange offer if we make a material change in the terms of the exchange offer or in the information contained in this exchange offer prospectus or waive a material condition to the exchange offer. During any extension of the exchange offer, Income PACS that were previously tendered and not validly withdrawn will remain subject to the exchange offer. We reserve the right, in our sole and absolute discretion, to terminate the exchange offer, at any time prior to the expiration date of the exchange offer, if any condition to the exchange offer is not met. If the exchange offer is terminated, no Income PACS will be accepted for exchange and any Income PACS that have been tendered will be returned to the holder. For more information regarding our right to extend, amend or terminate the exchange offer, see the section of this exchange offer prospectus entitled “The Exchange Offer — Extension, Delay in Acceptance, Amendment or Termination.”

How will I be notified if the exchange offer is extended, amended or terminated?

If the exchange offer is extended, amended or terminated, we will promptly issue a press release or another form of public announcement, with the announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the first business day after the previously scheduled expiration date of the exchange offer. For more information regarding notification of extensions, amendments or the termination of the exchange offer, see the section of this exchange offer prospectus entitled “The Exchange Offer — Extension, Delay in Acceptance, Amendment or Termination.”

What risks should I consider in deciding whether or not to tender my Income PACS?

In deciding whether to participate in the exchange offer, you should carefully consider the discussion of risks and uncertainties affecting our business, the Income PACS and our common stock described in the section of this exchange offer prospectus entitled “Risk Factors,” and the documents incorporated by reference in this exchange offer prospectus.

What are the federal income tax consequences of my participating in the exchange offer?

We intend to treat the exchange of your Income PACS for shares of our common stock plus cash pursuant to the exchange offer as a cash settlement of the purchase contract and a redemption of the note

[Table of Contents](#)

for its adjusted issue price. For a detailed discussion, see the section of this exchange offer prospectus entitled “Material U.S. Federal Income Tax Consequences.”

Are the financial condition and results of operations of Williams relevant to my decision to tender in the exchange offer?

Yes. The price of both our common stock and the Income PACS are closely linked to our financial condition and results of operations. The successful completion of the exchange offer will reduce our debt service obligations and other related commitments. For information about the accounting treatment of the exchange offer, see the section of this exchange offer prospectus entitled “The Exchange Offer — Accounting Treatment.”

Will Williams receive any cash proceeds from the exchange offer?

No. We will not receive any cash proceeds from the exchange offer.

What amount of expenses will Williams incur to effect the exchange offer?

If the maximum of 43,900,000 Income PACS are validly tendered and accepted, we expect to incur an aggregate of approximately \$74 million in cash expenses, including the cash payment portion of the exchange offer consideration, to effect the exchange offer. Approximately \$49 million of this amount represents aggregate cash payment in lieu of quarterly interest and contract adjustment payments that would have been payable to holders on November 16, 2004 and February 16, 2005, but that will not be paid to tendering holders because their Income PACS would no longer be outstanding.

How do I tender my Income PACS?

If you beneficially own Income PACS that are held in the name of a broker or other nominee and wish to tender such Income PACS, you should promptly instruct your broker or other nominee to tender on your behalf. To tender Income PACS, JPMorgan Chase Bank, the exchange agent, must receive, prior to the expiration date of the exchange offer, a timely confirmation of book-entry transfer of such Income PACS and a properly completed letter of transmittal or an agent’s message through the automated tender offer program of The Depository Trust Company, which we refer to in this exchange offer prospectus as the “depository” or “DTC,” according to the procedure for book-entry transfer described in this exchange offer prospectus. For more information regarding the procedures for tendering your Income PACS, see the section of this exchange offer prospectus entitled “The Exchange Offer — Procedures for Tendering Income PACS.”

What happens if some or all of my Income PACS are not accepted for exchange?

If we decide for any reason not to accept some or all of your Income PACS, the Income PACS not accepted by us will be returned to you, at our expense, promptly after the expiration or termination of the exchange offer. In the case of Income PACS tendered by book entry transfer into the exchange agent’s account at DTC, DTC will credit any validly withdrawn or unaccepted Income PACS to your account at DTC. For more information, see the section of this exchange offer prospectus entitled “The Exchange Offer — Return of Unaccepted Income PACS.”

Until when may I withdraw previously tendered Income PACS?

If not previously returned, you may withdraw previously tendered Income PACS at any time until the exchange offer has expired, that is, 5:00 p.m., New York City time, on October 18, 2004, unless extended or earlier terminated by us. In addition, you may withdraw any Income PACS that you tender that are not accepted for exchange by us after November 15, 2004, which is 40 business days from September 17, 2004. For more information, see the section of this exchange offer prospectus entitled “The Exchange Offer — Withdrawals of Tenders.”

How do I withdraw previously tendered Income PACS?

To withdraw previously tendered Income PACS, you are required to deliver a written notice of withdrawal to the exchange agent, which you may deliver by facsimile, or you must comply with the appropriate procedures of DTC's automated tender offer program. For more information regarding the procedures for withdrawing tendered Income PACS, see the section of this exchange offer prospectus entitled "The Exchange Offer — Withdrawals of Tenders."

Will I have to pay any fees or commissions if I tender my Income PACS?

If your Income PACS are held through a broker or other nominee who tenders the Income PACS on your behalf (other than those tendered through one of the dealer managers), your broker may charge you a commission for doing so. You should consult with your broker or nominee to determine whether any charges will apply.

Will my broker receive any fee from Williams if I tender my Income PACS?

If you own 10,000 or fewer Income PACS and they are validly tendered and accepted, we will pay your broker a soliciting dealer fee of an amount equal to \$0.0625 per Income PACS. For more information, see the section of this exchange offer prospectus entitled "The Exchange Offer — Fees and Expenses."

May I participate in the exchange offer by tendering Growth PACS for exchange?

No. We are not offering to exchange any Growth PACS. There are currently no Growth PACS outstanding. If you create Growth PACS and desire to participate in the exchange offer, you may recreate Income PACS from your Growth PACS and then tender the recreated Income PACS in the exchange offer. See the section of this exchange offer prospectus entitled "Description of FELINE PACS — Recreating Income PACS" for a discussion on how to recreate Income PACS from your Growth PACS.

With whom may I talk if I have questions about the exchange offer?

If you have questions regarding the exchange offer, please contact the lead dealer manager, Merrill Lynch & Co. You may call Merrill Lynch & Co. toll free at 1-888-ML4-TNDR (1-888-654-8637) or (212) 449-4914 (collect). If you have questions regarding the procedures for tendering in the exchange offer, require additional exchange offer materials or require assistance in tendering your Income PACS, please contact D.F. King & Co., Inc., the information agent. You may call the information agent toll-free at 1-800-848-2998. You may also write to the information agent or the lead dealer manager at one of their respective addresses set forth on the back cover of this exchange offer prospectus.

SUMMARY

This summary highlights selected information contained or incorporated by reference in this exchange offer prospectus. It likely does not contain all of the information that may be important to you or that you should consider when making a decision regarding the exchange offer. You should carefully read this entire exchange offer prospectus, including “Risk Factors,” and the information we have incorporated by reference into this exchange offer prospectus before making a decision to participate in the exchange offer.

OUR COMPANY

We are a natural gas company originally incorporated under the laws of the state of Nevada in 1949 and reincorporated under the laws of the state of Delaware in 1987. We were founded in 1908 when two Williams brothers began a construction company in Fort Smith, Arkansas.

Today, we primarily find, produce, gather, process and transport natural gas. We also manage a wholesale power business. Our operations stretch across the country and serve the Northwest, California, Rocky Mountains, Gulf Coast and Eastern Seaboard markets.

The energy industry has substantially changed over the last two years. Those changes have significantly impacted our operations and will continue to impact future operations. In light of the changed environment, on February 20, 2003, we outlined our planned business strategy for the next few years. Our refocused strategy is to become a smaller integrated natural gas company focusing on key growth markets. We also focused on bolstering our liquidity through asset sales, strategic levels of financing and reductions in operating costs to develop a balance sheet capable of supporting and ultimately growing our remaining businesses.

Our business segments include Power, Gas Pipeline, Exploration & Production, Midstream and Other. See “Part I — Item 1. Business — Business Segments” in our annual report on Form 10-K for the fiscal year ending December 31, 2003, as amended, for a more detailed description of assets owned and services provided by each of our business segments.

Our principal executive offices are located at One Williams Center, Tulsa, Oklahoma 74172, and our telephone number is (918) 573-2000.

THE EXCHANGE OFFER

The material terms of the exchange offer are summarized below. In addition, we urge you to read the detailed descriptions in the sections of this exchange offer prospectus entitled “The Exchange Offer,” “Description of the Notes,” “Description of Capital Stock,” “Description of FELINE PACS,” “Description of the Purchase Contracts” and “Comparison of Rights Between the Income PACS and Our Common Stock.”

Offeror The Williams Companies, Inc.

Securities Subject to the Exchange Offer Up to an aggregate of 43,900,000 Income PACS.

Each Income PACS consists of (1) a purchase contract, which obligates the holder to purchase from us on February 16, 2005, at a purchase price of \$25, newly issued shares of our common stock equal to the “settlement rate” and (2) a note due February 16, 2007, in the principal amount of \$25. The note is pledged to us to secure the holder’s obligation to purchase shares of our common stock under the purchase contract.

The settlement rate will be between (1) a fraction of one share of common stock equal to the quotient of (a) \$41.25 divided by (b) the applicable market value of our common stock and (2) one (1.0000) share of our common stock, subject to adjustment as described in the section of this exchange offer prospectus entitled “Description of the Purchase Contracts — Anti-Dilution Adjustments.” Based on the current price of our common stock, the settlement rate on February 16, 2005 is expected to be one (1.0000) share.

The Exchange Offer We are offering to exchange one (1.0000) share of our common stock plus \$1.47 in cash for each validly tendered and accepted FELINE PACS in the form of an Income PACS, up to an aggregate of 43,900,000 Income PACS, upon the terms and subject to the conditions set forth in this exchange offer prospectus and in the related letter of transmittal.

Any Income PACS not exchanged will remain outstanding. The Income PACS validly tendered and accepted for exchange in the exchange offer will be retired and cancelled. We intend to treat the exchange of your Income PACS for shares of our common stock plus cash pursuant to the exchange offer as a cash settlement of the purchase contract and a redemption of the note for its adjusted issue price. See the section of this exchange offer prospectus entitled “Material U.S. Federal Income Tax Consequences — Federal Income Tax Treatment of Participation in the Exchange.”

We are not seeking to exchange any Growth PACS that may be outstanding. However, if you hold Growth PACS and desire to participate in the exchange offer, you may recreate Income PACS from your Growth PACS.

[Table of Contents](#)

Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on October 18, 2004, unless extended or earlier terminated by us.
Proration of Tendered Income PACS	If more than an aggregate of 43,900,000 Income PACS are validly tendered and not withdrawn prior to the expiration date of the exchange offer, we will accept an aggregate of not more than 43,900,000 Income PACS from all holders who validly tender Income PACS, prorated among the tendering holders. If we determine that there is any likelihood that the New York Stock Exchange continued-listing condition may not be met, we may accept a pro rata amount of the Income PACS tendered in the exchange offer to ensure that the Income PACS continue to be listed on the New York Stock Exchange after the consummation of the exchange offer. Any Income PACS tendered but not accepted because of proration will be returned to you. See the section of this exchange offer prospectus entitled “The Exchange Offer — Priority of Exchanges and Proration.”
Certain Consequences to Non-Tendering Holders	Income PACS not exchanged in the exchange offer will remain outstanding after the consummation of the exchange offer. If a sufficiently large number of Income PACS do not remain outstanding after the exchange offer, the trading market for the remaining outstanding Income PACS may be less liquid and more sporadic, and market prices may fluctuate significantly depending on the volume of trading in Income PACS.
Source of Cash to be Paid in the Exchange Offer	We intend to fund the cash component of the exchange consideration from our available cash.
Conditions to the Exchange Offer	The exchange offer is conditioned upon: <ul style="list-style-type: none">• the effectiveness of the registration statement of which this exchange offer prospectus forms a part;• there being no likelihood that the acceptance for exchange of outstanding Income PACS pursuant to the exchange offer will cause the outstanding Income PACS to be de-listed from the New York Stock Exchange for any reason;• the accuracy of representations and warranties, and the compliance with certain covenants, contained in the dealer manager agreement, in each case, as of the expiration of the exchange offer; and• the other closing conditions described in the section of this exchange offer prospectus entitled “The Exchange Offer — Conditions to the Exchange Offer.”
No Appraisal Rights	No appraisal rights are available to holders of Income PACS in connection with the exchange offer.

Regulatory Approvals	We are not aware of any governmental or regulatory approvals required for completing the exchange offer other than compliance with federal securities laws, including the effectiveness of the registration statement of which this exchange offer prospectus forms a part.
Procedures For Tendering PACS	<p>To tender Income PACS, JPMorgan Chase Bank, the exchange agent, must receive, prior to the expiration date of the exchange offer, a timely confirmation of book-entry transfer of such Income PACS and a properly completed letter of transmittal or an agent's message through the automated tender offer program of DTC according to the procedure for book-entry transfer described in this exchange offer prospectus. If you tender under DTC's automated tender offer program, you will agree to be bound by the letter of transmittal that we are providing with this exchange offer prospectus as though you had signed the letter of transmittal.</p> <p>If you wish to tender Income PACS that are held in the name of a broker or other nominee, you should instruct your broker or other nominee to tender on your behalf.</p> <p>We describe the procedures for tendering Income PACS in more detail in the section of this exchange offer prospectus entitled "The Exchange Offer — Procedures for Tendering Income PACS."</p>
Withdrawal Rights	You may withdraw previously tendered Income PACS at any time before the expiration date of the exchange offer. In addition, you may withdraw any Income PACS that you tender that are not accepted by us for purchase after November 15, 2004, which is 40 business days from September 17, 2004. See the section of this exchange offer prospectus entitled "The Exchange Offer — Withdrawals of Tenders."
Risk Factors	You should consider carefully all of the information set forth in this exchange offer prospectus and, in particular, you should evaluate the specific factors set forth in the section of this exchange offer prospectus entitled "Risk Factors" before deciding whether to participate in the exchange offer.
Material U.S. Federal Income Tax Consequences For Income PACS Holders	For federal income tax purposes, we intend to treat the exchange of your Income PACS for shares of our common stock plus cash pursuant to the exchange offer as a cash settlement of the purchase contract and redemption of the note for its adjusted issue price. For a detailed discussion, see the section of this exchange offer prospectus entitled "Material U.S. Federal Income Tax Consequences."
Brokerage Commissions	You are not required to pay any brokerage commissions to the dealer managers. If your Income PACS are held through a broker or other nominee who tenders the Income PACS on your behalf (other than those tendered through one of the

dealer managers), your broker may charge you a commission for doing so.

If you own 10,000 or fewer Income PACS and they are validly tendered and accepted, we will pay your broker a soliciting dealer fee of an amount equal to \$0.0625 per Income PACS. For more information, see the section of this exchange offer prospectus entitled “The Exchange Offer — Fees and Expenses.”

Dealer Managers

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and Banc of America Securities LLC.

Information Agent

D.F. King & Co., Inc.

Exchange Agent

JPMorgan Chase Bank

Market-Trading

The Income PACS are listed on the New York Stock Exchange under the symbol “WMB PrI,” and our common stock is listed on the New York Stock Exchange under the symbol “WMB.” On September 16, 2004, the last reported sale price of the Income PACS on the New York Stock Exchange was \$13.34 per Income PACS and the last reported sale price of our common stock on the New York Stock Exchange was \$12.05 per share. The shares of our common stock to be issued in the exchange offer have been approved for listing on the New York Stock Exchange.

Further Information

If you have questions regarding the exchange offer, please contact the lead dealer manager. If you have questions regarding the procedures for tendering in the exchange offer or require assistance in tendering your Income PACS, please contact the information agent. If you would like additional copies of this exchange offer prospectus our annual, quarterly, and current reports, proxy statement and other information that we incorporate by reference in this exchange offer prospectus, please contact the information agent. For all other questions, please contact the lead dealer manager. The contact information is set forth on the back cover of this exchange offer prospectus.

RISK FACTORS

In considering whether to participate in the exchange offer, you should carefully consider the risks described below and the other information we have included or incorporated by reference in this exchange offer prospectus.

Risks Related to the Exchange Offer

The value of the common stock that you receive will decline if the market price of our common stock declines.

We are offering to exchange a fixed number of shares of our common stock and a fixed dollar amount of cash for each Income PACS. The price of our common stock has declined considerably since the initial issuance of the Income PACS and may decline further in the future. If the market price of our common stock declines further, the value of the fixed number of shares you will receive in exchange for your Income PACS will decline. The trading value of our common stock could fluctuate depending upon any number of factors, including those specific to us and those that influence the trading prices of equity securities generally. The market price of our common stock will likely continue to fluctuate in response to factors including the following, many of which are beyond our control:

- quarterly fluctuations in our operating and financial results;
- changes in financial estimates and recommendations by financial analysts;
- changes in the ratings of our indebtedness;
- developments related to litigation or regulatory proceedings involving us;
- fluctuations in the stock price and operating results of our competitors;
- dispositions, acquisitions and financings; and
- general conditions in the industries in which we operate.

In addition, the stock markets in general, including the New York Stock Exchange, experience significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may affect adversely the market prices of our notes and our common stock.

All of our debt obligations, including the notes associated with the Income PACS that remain outstanding after the exchange offer, will have priority over our common stock with respect to payment in the event of a liquidation, dissolution or winding up.

In any liquidation, dissolution or winding up of Williams, our common stock would rank below all debt claims against us, including the notes that are part of the Income PACS. As a result, holders of our common stock will not be entitled to receive any payment or other distribution of assets upon the liquidation or dissolution until after our obligations to our debt holders have been satisfied. In addition, holders of shares of our preferred stock, if any, that may be issued will have priority over the holders of our common stock with respect to the distribution of our assets in the event of our liquidation or dissolution.

By tendering your Income PACS, you will forgo the possibility of being relieved of your obligation to purchase our common stock under the terms of the purchase contract forming part of your Income PACS.

As a holder of our common stock rather than Income PACS, in addition to surrendering the right to receive quarterly interest and contract adjustment payments, you will forgo the possibility of being relieved of your obligation to purchase common stock on February 16, 2005 with the proceeds of the remarketing of the note component of your Income PACS. Under the purchase contract, your obligation

[Table of Contents](#)

to purchase our common stock would terminate upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us; in this case, you would not be required to acquire shares of our common stock worth, based on the current market price of our common stock, significantly less than the contract price of \$25 per Income PACS. Thus, if such a termination event were to occur between completion of the exchange and February 16, 2005, you already would have purchased the common stock and would no longer hold the note. See the section of this exchange offer prospectus entitled “Description of the Purchase Contracts — Termination.”

By tendering your Income PACS, you will lose your right to receive certain cash payments.

Holders of Income PACS are entitled to quarterly contract adjustment payments, quarterly interest payments, or both. If your Income PACS are validly tendered and accepted for exchange you will lose the right to receive any contract adjustment or quarterly interest payments to be made after completion of the exchange offer, including any accrued interest or the accrued portion of the contract adjustment payment.

The U.S. federal income tax consequences of exchanging the Income PACS are unclear.

No statutory, judicial or administrative authority directly addresses the U.S. federal income tax treatment to you of exchanging the Income PACS pursuant to the exchange offer. As a result, the U.S. federal income tax consequences to you of exchanging Income PACS pursuant to the exchange offer are unclear. We urge you to carefully review the section of this exchange offer prospectus entitled “Material U.S. Federal Income Tax Consequences.”

Risks Related to Holding Income PACS After the Exchange Offer

Income PACS that you continue to hold after the exchange offer are expected to become less liquid following the exchange offer.

If a sufficiently large number of Income PACS do not remain outstanding after the exchange offer, the trading market for the remaining outstanding Income PACS may be less liquid and market prices may fluctuate significantly depending on the volume of trading in Income PACS. Furthermore, a security with a smaller “float” may command a lower price and trade with greater volatility or much less frequently than would a comparable security with a greater float. This decreased liquidity may also make it more difficult for holders of Income PACS that do not tender to sell their Income PACS.

If you do not participate in the exchange offer, you will have no rights as a common stockholder.

Until you acquire shares of our common stock upon settlement of your purchase contract associated with the Income PACS, you will not be entitled to any rights with respect to our common stock, including voting rights and rights to receive any dividends or other distributions on our common stock, but you will be subject to all changes affecting the common stock. If you do not tender your Income PACS for exchange, you will only be entitled to rights with respect to our common stock if and when we deliver shares of common stock upon settlement of the Income PACS on February 16, 2005, or as a result of early settlement upon the occurrence of a corporate transaction, as the case may be, and if the applicable record date, if any, for the exercise of rights or the receipt of dividends or other distributions occurs after that date. For example, in the event that an amendment is proposed to our certificate of incorporation or bylaws in connection with a recapitalization of Williams and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to delivery of our common stock, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

If you do not participate in the exchange offer, your pledged securities will remain encumbered.

Although you are the beneficial owner of the note or Treasury securities or Treasury portfolio, as applicable, underlying your Income PACS, those securities will remain pledged after the exchange offer to

Table of Contents

secure your obligations under the related purchase contract pursuant to a pledge agreement. Thus, your rights to the pledged securities will remain subject to our security interest. Additionally, even if the purchase contracts are terminated in the event that we become the subject of a case under the U.S. Bankruptcy Code, the delivery of the pledged securities to you may be delayed, as provided in the pledge agreement, because of the commencement of a bankruptcy case and the protections given to debtors in such circumstances.

The purchase contract agreement that is associated with the Income PACS is not qualified under the Trust Indenture Act of 1939; the obligations of the purchase contract agent are limited.

The purchase contract agreement between the purchase contract agent and us is not qualified as an indenture under the Trust Indenture Act of 1939, and the purchase contract agent is not required to qualify as a trustee under the Trust Indenture Act. The note constituting a part of each Income PACS was issued pursuant to an indenture that has been qualified under the Trust Indenture Act. Accordingly, if you hold Income PACS after the exchange offer, you will not have the benefit of the protections of the Trust Indenture Act other than to the extent applicable to a note included in an Income PACS. The protections generally afforded the holder of a security issued under an indenture that has been qualified under the Trust Indenture Act include:

- disqualification of the indenture trustee for “conflicting interests,” as defined under the Trust Indenture Act;
- provisions preventing a trustee that is also a creditor of the issuer from improving its own credit position at the expense of the security holders immediately prior to or after a default under such indenture; and
- the requirement that the indenture trustee deliver reports at least annually with respect to certain matters concerning the indenture trustee and the securities.

We may redeem notes that are a part of the Income PACS upon the occurrence of a tax event.

We have the option to redeem the notes, on not less than 30 days nor more than 60 days prior written notice, in whole but not in part, at any time before February 16, 2007 if a tax event occurs and continues under the circumstances described in this exchange offer prospectus. If we exercise this option, we will redeem the notes at the redemption price plus accrued and unpaid interest, if any. If we redeem the notes, we will pay the redemption price in cash to the holders of the notes. If the tax event redemption occurs before November 16, 2004, or before February 16, 2005 if the notes are not successfully remarketed on November 10, 2004 (the third business day immediately preceding November 16, 2004), the redemption price payable to you as a holder of the Income PACS will be distributed to the collateral agent, who in turn will apply an amount equal to the redemption price to purchase the Treasury portfolio on your behalf, and will remit the remainder of the redemption price to you, and the Treasury portfolio will be substituted for the notes as collateral to secure your obligations under the purchase contracts related to the Income PACS. If your notes are not components of Income PACS, you will receive redemption payments directly. The market price for the Income PACS may decline if we substitute the Treasury portfolio of treasury securities as collateral in place of any notes so redeemed. A tax event redemption will be a taxable event to the holders of Income PACS and of the notes held separately.

The trading prices for the Income PACS that remain outstanding after the exchange offer will be directly affected by the trading prices of our common stock.

The trading prices of the Income PACS in the secondary market are directly affected by the trading prices of our common stock, the general level of interest rates and our credit quality. It is impossible to predict whether the price of our common stock or interest rates will rise or fall. Trading prices of our common stock will be influenced by the factors described in the section of this exchange offer prospectus entitled “Risk Factors — Risks Related to the Exchange Offer — The value of the common stock that you receive will decline if the market price of our common stock declines.” Fluctuations in

[Table of Contents](#)

interest rates may give rise to arbitrage opportunities based upon changes in the relative value of the common stock underlying the purchase contracts and of the other components of the Income PACS. Any such arbitrage could, in turn, affect the trading prices of the Income PACS that remain outstanding after the exchange offer, the notes and our common stock.

Risks Related to Our Business

Our risk measurement and hedging activities might not prevent losses.

The risk management systems that we have in place might not always be followed or might not always work as planned. Further, such risk measurement systems do not in themselves manage risk, and adverse changes in energy commodity market prices, volatility, adverse correlation of commodity prices, the liquidity of markets, and changes in interest rates might still adversely affect our earnings and cash flows and our balance sheet under applicable accounting rules, even if risks have been identified.

To manage our financial exposure related to commodity price fluctuations, we have entered into contracts to hedge certain risks associated with our assets and operations, including our long-term tolling agreements. In these hedging activities, we have used fixed-price, forward, physical purchase and sales contracts, futures, financial swaps and option contracts traded in the over-the-counter markets or on exchanges, as well as long-term structured transactions when feasible. Substantial declines in market liquidity, however, as well as deterioration of our credit, and termination of existing positions (due for example to credit concerns) have greatly limited our ability to hedge risks identified and have caused previously hedged positions to become unhedged. To the extent we have unhedged positions, fluctuating commodity prices could cause our net revenues and net income to be volatile.

Some of the hedges of our tolling contracts are more effective than others in managing economic risk and creating future cash flow certainty. For example, we may resell our rights under a tolling contract through a forward contract, which has terms that match those of the tolling contract. This type of forward contract would be very effective at hedging not only the commodity price risk but also the volatility risk inherent in the tolling contract. However, this forward contract would not hedge the tolling contract's counterparty credit or performance risk. A default by the tolling contract counterparty could result in a future loss of economic value and a change in future cash flows. Other economic hedges of the tolling contract, including full requirements contracts, forward physical commodity contracts and financial swaps and futures, could also effectively hedge the commodity price risk of a tolling contract. However, these types of contracts would be less effective or ineffective in hedging the volatility risk associated with the tolling contract because they do not possess the same optionality characteristics as the tolling contract. These other contracts would also be ineffective in hedging counterparty credit or performance risk.

The impact of changes in market prices for natural gas on the gas prices received by us may be reduced based on the level of our hedging strategies. These hedging arrangements may limit our potential gains if the market prices for natural gas were to rise substantially over the price established by the hedge. In addition, our hedging arrangements expose us to the risk of financial loss in certain circumstances, including instances in which:

- production is less than expected;
- a change in the difference between published price indexes established by pipelines in which our hedged production is delivered and the reference price established in the hedging arrangements is such that we are required to make payments to our counterparties; or
- the counterparties to our hedging arrangements fail to honor their financial commitments.

Electricity, natural gas liquids and gas prices are volatile and this volatility could adversely affect our financial results, cash flows, access to capital and ability to maintain existing businesses.

Our revenues, operating results, profitability, future rate of growth and the value of our power and gas businesses depend primarily upon the prices we receive for natural gas and other commodities. Prices

[Table of Contents](#)

also affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital.

Historically, the markets for these commodities have been volatile and they are likely to continue to be volatile. Wide fluctuations in prices might result from relatively minor changes in the supply of and demand for these commodities, market uncertainty and other factors that are beyond our control, including:

- worldwide and domestic supplies of electricity, natural gas and related commodities;
- turmoil in the Middle East and other producing regions;
- weather conditions;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the availability of pipeline capacity;
- domestic and foreign governmental regulations and taxes;
- increased volatility in the natural gas markets in light of continuing uncertainty surrounding regulatory proceedings and proposed regulations;
- the overall economic environment; and
- the credit of participants in the markets where products are bought and sold.

These factors and the volatility of the energy markets make it extremely difficult to predict future electricity and gas price movements with any certainty. Further, electricity and gas prices do not necessarily move in tandem.

We might not be able to successfully manage the risks associated with selling and marketing products in the wholesale energy markets.

Our portfolios consist of wholesale contracts to buy and sell commodities, including contracts for electricity, natural gas, natural gas liquids and other commodities that are settled by the delivery of the commodity or cash throughout the United States. If the values of these contracts change in a direction or manner that we do not anticipate or cannot manage, we could realize material losses from our marketing. In the past, certain marketing and trading companies have experienced severe financial problems due to price volatility in the energy commodity markets. In certain instances this volatility has caused companies to be unable to deliver energy commodities that they had guaranteed under contract. In such event, we might incur additional losses to the extent of amounts, if any, already paid to, or received from, counterparties. In addition, in our businesses, we often extend credit to our counterparties. Despite performing credit analysis prior to extending credit, we are exposed to the risk that we might not be able to collect amounts owed to us. If the counterparty to such a financing transaction fails to perform and any collateral that secures our counterparty's obligation is inadequate, we will lose money.

If we are unable to perform under our energy agreements, we could be required to pay damages. These damages generally would be based on the difference between the market price to acquire replacement energy or energy services and the relevant contract price. Depending on price volatility in the wholesale energy markets, such damages could be significant.

Our operating results might fluctuate on a seasonal and quarterly basis.

Revenues from our businesses, including gas transmission and the sale of electric power, can have seasonal characteristics. In many parts of the country, demand for power peaks during the hot summer months, with market prices also peaking at that time. In other areas, demand for power peaks during the winter. In addition, demand for gas and other fuels peaks during the winter. As a result, our overall operating results in the future might fluctuate substantially on a seasonal basis. The pattern of this

fluctuation might change depending on the nature and location of our facilities and pipeline systems and the terms of our power sale agreements and gas transmission arrangements.

Our investments and projects located outside of the United States expose us to risks related to laws of other countries, taxes, economic conditions, fluctuations in currency rates, political conditions and policies of foreign governments. These risks might delay or reduce our realization of value from our international projects.

We currently own and might acquire and/or dispose of material energy-related investments and projects outside the United States. The economic and political conditions in certain countries where we have interests or in which we might explore development, acquisition or investment opportunities present risks of delays in construction and interruption of business, as well as risks of war, expropriation, nationalization, renegotiation, trade sanctions or nullification of existing contracts and changes in law or tax policy, that are greater than in the United States. The uncertainty of the legal environment in certain foreign countries in which we develop or acquire projects or make investments could make it more difficult to obtain non-recourse project or other financing on suitable terms, could adversely affect the ability of certain customers to honor their obligations with respect to such projects or investments and could impair our ability to enforce our rights under agreements relating to such projects or investments.

Operations in foreign countries also can present currency exchange rate and convertibility, inflation and repatriation risk. In certain conditions under which we develop or acquire projects, or make investments, economic and monetary conditions and other factors could affect our ability to convert our earnings denominated in foreign currencies. In addition, risk from fluctuations in currency exchange rates can arise when our foreign subsidiaries expend or borrow funds in one type of currency but receive revenue in another. In such cases, an adverse change in exchange rates can reduce our ability to meet expenses, including debt service obligations. Foreign currency risk can also arise when the revenues received by our foreign subsidiaries are not in U.S. dollars. In such cases, a strengthening of the U.S. dollar could reduce the amount of cash and income we receive from these foreign subsidiaries. The hedges and contracts that we have in place to manage foreign currency exchange risks might not be sufficient or we might have some exposures that are not hedged which could result in losses or volatility in our revenues.

Our debt agreements and other related transaction documents impose restrictions on us that may adversely affect our ability to operate our business.

Our debt agreements and other related transaction documents contain covenants that restrict, among other things, our ability to:

- incur or guarantee additional indebtedness;
- create liens;
- pay dividends or make other equity distributions;
- enter into agreements restricting our subsidiaries' ability to pay dividends;
- purchase or redeem capital stock;
- make investments;
- sell assets or consolidate or merge with or into other companies; and
- engage in transactions with affiliates.

In addition, our debt agreements and other related transaction documents contain, and other debt agreements and other related transaction documents that we enter into in the future will contain, financial covenants and other limitations with which we will need to comply. Our ability to comply with these covenants may be affected by many events beyond our control, and we cannot assure you that our future operating results will be sufficient to comply with the covenants or, in the event of a default under any of our debt agreements and other related transaction documents, to remedy that default.

[Table of Contents](#)

Our failure to comply with our financial or other covenants in our debt agreements and other related transaction documents could result in events of default. Upon the occurrence of an event of default under our debt agreements, the lenders could elect to declare all amounts outstanding under a particular facility to be immediately due and payable and terminate all commitments, if any, to extend further credit. By reason of cross-default provisions in certain of our debt agreements and other related transaction documents, much of our indebtedness could also become immediately due and payable at that time as well. If the lenders under any of our debt agreements and other related transaction documents accelerate the maturity of any loans or other debt outstanding to us, we may not have sufficient liquidity to repay amounts outstanding under our debt agreements and other related transaction documents.

Risks Related to Legal Proceedings and Governmental Investigations

We might be adversely affected by governmental investigations and any related legal proceedings related to our power business.

Public and regulatory scrutiny of the energy industry and of the capital markets has resulted in increased regulation being either proposed or implemented. Such scrutiny has also resulted in various inquiries, investigations and court proceedings.

Such inquiries, investigations and court proceedings are ongoing and continue to adversely affect our business as well as the energy trading business as a whole. We might see these adverse effects continue as a result of the uncertainty of these ongoing inquiries or additional inquiries by federal or state regulatory agencies. In addition, we cannot predict the outcome of any of these inquiries or whether these inquiries will lead to additional legal proceedings against us, civil or criminal fines or penalties, or other regulatory action, including legislation, which might be materially adverse to the operation of our business and our revenues and net income or increase our operating costs in other ways.

We might be adversely affected by securities class action litigation.

In 2002, several class action lawsuits were filed in the U.S. District Court for the Northern District of Oklahoma, alleging violations of various provisions of the Securities Act of 1933 and/or the Securities Exchange Act of 1934 against us and certain of our present and former officers and directors. The majority of the suits allege that we and co-defendants, WilTel Communications, a previously owned subsidiary known as Williams Communications Group, and certain corporate officers, acted jointly and separately to inflate the stock price of both companies. Other suits allege similar causes of action related to the public offering of the FELINE PACS in January 2002. These suits were filed against us, certain corporate officers, members of our board of directors and all of the underwriters, including the dealer managers for this exchange offer. The court ordered consolidation of these cases, and a Consolidated Amended Complaint was filed on behalf of various purchasers of our securities during the period July 24, 2000 through July 22, 2002. That pleading makes several claims against us relating to our former subsidiary Williams Communications Group, our power subsidiary, and various other alleged misrepresentations and omissions. Discovery in the now-consolidated actions is ongoing. See "Legal Proceedings" in our annual report for the year ended December 31, 2003 and our quarterly reports on Form 10-Q for the quarters ended March 31, 2004 and June 30, 2004, in each case as amended, if applicable. Our management has had to expend time addressing the demand of these cases, and we expect that management attention and resources may continue to be diverted in the future, all of which could harm our business.

Risks Affecting Our Strategy and Financing Needs

Recent developments affecting the wholesale power and energy trading industry sector have reduced market activity and liquidity and might continue to adversely affect our results of operations.

As a result of the 2000-2001 energy crisis in California, the resulting collapse in energy merchant credit, the recent volatility in natural gas prices, the Enron Corporation bankruptcy filing, and investigations by governmental authorities into energy trading activities and increased litigation related to

[Table of Contents](#)

such inquiries, companies generally in the regulated and so-called unregulated utility businesses have been adversely affected.

These market factors have led to industry-wide downturns that have resulted in some companies being forced to exit from the energy trading markets, leading to a reduction in the number of trading partners and in market liquidity.

Because we no longer maintain investment grade credit ratings, our counterparties have required us to provide higher amounts of credit support which raises our cost of doing business.

Our transactions in each of our businesses require greater credit assurances, both to be given from and received by us to satisfy credit support requirements. Additionally, certain market disruptions or a further downgrade of our credit rating might further increase our cost of borrowing or further impair our ability to access one or any of the capital markets. Such disruptions could include:

- further economic downturns;
- capital market conditions generally;
- market prices for electricity and natural gas;
- terrorist attacks or threatened attacks on our facilities or those of other energy companies; or
- the overall health of the energy industry, including the bankruptcy or insolvency of other energy companies.

Despite our restructuring efforts, we may not attain investment grade ratings.

Credit rating agencies perform independent analysis when assigning credit ratings. Given the significant changes in capital markets and the energy industry over the last few years, credit rating agencies continue to review the criteria for attaining investment grade ratings. Our goal is to attain investment grade ratings. However, there is no guarantee that the credit rating agencies will assign us investment grade ratings once we meet or exceed their criteria for investment grade ratings.

Risks Related to the Regulation of Our Businesses

Our businesses are subject to complex government regulations. The operation of our businesses might be adversely affected by changes in these regulations or in their interpretation or implementation.

Existing regulations might be revised or reinterpreted, new laws and regulations might be adopted or become applicable to us or to our facilities, and future changes in laws and regulations might have a detrimental effect on our business. Certain restructured markets have recently experienced supply problems and price volatility. These supply problems and volatility have been the subject of a significant amount of press coverage, much of which has been critical of the restructuring initiatives. In some of these markets, including California, proposals have been made by governmental agencies and other interested parties to re-regulate areas of these markets which have previously been deregulated. We cannot assure you that other proposals to re-regulate will not be made or that legislative or other attention to the electric power restructuring process will not cause the deregulation process to be delayed or reversed.

The Federal Energy Regulatory Commission, or FERC, issued a rule, Order No. 2004, on November 25, 2003, which has been clarified in rehearing orders issued April 16, 2004 and August 2, 2004, adopting standards of conduct for transmission providers (including our interstate gas pipelines) when dealing with “energy affiliates” as defined by the rule. The standards of conduct, effective September 22, 2004, are intended to prevent transmission providers from preferentially benefiting their energy affiliates, by requiring the employees of the transmission provider to function independently from employees of energy affiliates and by restricting information transmission providers may provide to energy affiliates. The inefficiencies created by the restrictions on the sharing of employees and information may

[Table of Contents](#)

increase our costs, and the restrictions on sharing of information may have an adverse impact on our senior management's ability to effectively obtain important information about our business.

Our revenues might decrease if we are unable to gain adequate, reliable and affordable access to transmission and distribution assets due to the FERC and regional regulation of wholesale market transactions for electricity and gas.

We depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver the electricity and natural gas we buy and sell in the wholesale market. If transmission is disrupted, if capacity is inadequate, or if credit requirements or rates of such utilities or energy companies are increased, our ability to sell and deliver products might be hindered. The FERC has issued power transmission regulations that require wholesale electric transmission services to be offered on an open-access, non-discriminatory basis. Although these regulations are designed to encourage competition in wholesale market transactions for electricity, some companies have failed to provide fair and equal access to their transmission systems or have not provided sufficient transmission capacity to enable other companies to transmit electric power. We cannot predict whether and to what extent the industry will comply with these initiatives, or whether the regulations will fully accomplish the FERC's objectives.

In addition, the independent system operators who oversee the transmission systems in regional power markets, such as California, have in the past been authorized to impose, and might continue to impose, price limitations and other mechanisms to address volatility in the power markets. These types of price limitations and other mechanisms might adversely impact the profitability of our wholesale power marketing and trading. Given the extreme volatility and lack of meaningful long-term price history in many of these markets and the imposition of price limitations by regulators, independent system operators or other market operators, we can offer no assurance that we will be able to operate profitably in all wholesale power markets.

The different regional power markets in which we compete or will compete in the future have changing regulatory structures, which could affect our growth and performance in these regions.

Our results are likely to be affected by differences in the market and transmission regulatory structures in various regional power markets. Problems or delays that might arise in the formation and operation of new regional transmission organizations, or RTOs, might restrict our ability to sell power produced by our generating capacity to certain markets if there is insufficient transmission capacity otherwise available. The rules governing the various regional power markets might also change from time to time which could affect our costs or revenues. Because it remains unclear which companies will be participating in the various regional power markets, or how RTOs will develop and evolve or what regions they will cover, we are unable to assess fully the impact that these power markets might have on our business.

Our gas sales, transmission, and storage operations are subject to government regulations and rate proceedings that could have an adverse impact on our ability to recover the costs of operating our pipeline facilities.

Our interstate gas sales, transmission, and storage operations conducted through our Gas Pipeline business are subject to the FERC's rules and regulations in accordance with the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978. The FERC's regulatory authority extends to:

- transportation and sale for resale of natural gas in interstate commerce;
- rates and charges;
- construction;
- acquisition, extension or abandonment of services or facilities;

Table of Contents

- accounts and records;
- depreciation and amortization policies; and
- operating terms and conditions of service.

The FERC has taken certain actions to strengthen market forces in the natural gas pipeline industry that has led to increased competition throughout the industry. In a number of key markets, interstate pipelines are now facing competitive pressure from other major pipeline systems, enabling local distribution companies and end users to choose a transmission provider based on economic and other considerations.

Risks Related to Environmental Matters

We could incur material losses if we are held liable for the environmental condition of any of our assets or divested assets, which could include losses that exceed our current expectations.

We are generally responsible for all on-site liabilities associated with the environmental condition of our facilities and assets, which we have acquired or developed, regardless of when the liabilities arose and whether they are known or unknown. In addition, in connection with certain acquisitions and sales of assets, we might obtain, or be required to provide, indemnification against certain environmental liabilities. If we incur a material liability, or the other party to a transaction fails to meet its indemnification obligations to us, we could suffer material losses. If a purchaser of one of our divested assets incurs a liability due to the environmental condition of the divested asset, we may have a contractual obligation to indemnify that purchaser or otherwise retain responsibility for the environmental condition of the divested asset. We may also have liability for the environmental condition of divested assets under applicable federal, state or foreign laws and regulations. Changes to applicable laws and regulations, or changes to their interpretation, may increase our liability. Environmental conditions of divested assets may not be covered by insurance. Even if environmental conditions are covered by insurance, policy conditions may not be met.

We make assumptions and develop expectations about possible liability related to environmental conditions based on current laws and regulations and current interpretations of those laws and regulations. If the interpretation of laws or regulations, or the laws and regulations themselves, change, our assumptions may change. Our assumptions and expectations are also based on available information. If more information becomes available to us, our assumptions may change. Any of these changes may result in not only increased risk related to one or more of our assets, but material losses in excess of current estimates.

Our business is subject to environmental legislation in all jurisdictions in which it operates, and any changes in such legislation could negatively affect our results of operations.

Our operations are subject to extensive environmental regulation pursuant to a variety of federal, state, municipal and foreign laws and regulations. Such environmental legislation imposes, among other things, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances into the environment. Environmental legislation also requires that our facilities, sites and other properties associated with our operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Existing environmental regulations could also be revised or reinterpreted, new laws and regulations could be adopted or become applicable to us or our facilities, and future changes in environmental laws and regulations could occur. The federal government and several states recently have proposed increased environmental regulation of many industrial activities, including increased regulation of air quality, water quality and solid waste management.

Compliance with environmental legislation has required and will require significant expenditures, including expenditures for compliance with the Clean Air Act and other legislation, and for clean up costs

[Table of Contents](#)

and damages arising out of contaminated properties. Failure to comply with environmental legislation and regulations might result in the imposition of fines and penalties or other sanctions. The steps we take to bring certain of our facilities into compliance could be prohibitively expensive, and we might be required to shut down, divest or alter the operation of those facilities, which might cause us to incur losses.

Further, our regulatory rate structure and our contracts with clients might not necessarily allow us to recover capital costs we incur to comply with new or existing environmental regulations. Also, we might not be able to obtain or maintain from time to time all required environmental regulatory approvals for certain development projects. If there is a delay in obtaining any required environmental regulatory approvals or if we fail to obtain and comply with them, the operation of our facilities could be prevented or become subject to additional costs. Should we fail to comply with all applicable environmental laws, we might be subject to penalties and fines imposed against us by regulatory authorities. No assurance can be made that the costs of complying with environmental legislation in the future will not have a material adverse effect on our financial condition or results of operations.

Risks Related to Accounting Standards

Potential changes in accounting standards might cause us to revise our financial results and disclosure in the future, which might change the way analysts measure our business or financial performance.

Recently discovered accounting irregularities in various industries have forced regulators and legislators to take a renewed look at accounting practices, financial disclosures, companies' relationships with their independent auditors and retirement plan practices. Because it is still unclear what laws or regulations will develop, we cannot predict the ultimate impact of any future changes in accounting regulations or practices in general with respect to public companies or the energy industry or in our operations specifically.

In addition, the Financial Accounting Standards Board, or FASB, or the Securities and Exchange Commission, or SEC, could enact new accounting standards that might impact how we are required to record revenues, expenses, assets and liabilities.

Risks Related to Our Industry

The long-term financial condition of our U.S. and Canadian natural gas transmission and midstream businesses are dependent on the continued availability of natural gas reserves.

The development of additional natural gas reserves requires significant capital expenditures by others for exploration and development drilling and the installation of production, gathering, storage, transportation and other facilities that permit natural gas to be produced and delivered to our pipeline systems. Low prices for natural gas, regulatory limitations, or the lack of available capital for these projects could adversely affect the development of additional reserves and production, gathering, storage and pipeline transmission and import and export of natural gas supplies. Additional natural gas reserves might not be developed in commercial quantities and in sufficient amounts to fill the capacities of our gathering and processing pipeline facilities.

Our drilling, production, gathering, processing and transporting activities involve numerous risks that might result in accidents and other operating risks and costs.

Our operations are subject to all of the risks and hazards typically associated with the exploitation, development and exploration for, and the production and transportation of oil and gas. These operating risks include, but are not limited to:

- blowouts, cratering and explosions;
- uncontrollable flows of oil, natural gas or well fluids;
- fires;

Table of Contents

- formations with abnormal pressures;
- pollution and other environmental risks; and
- natural disasters.

In addition, there are inherent in our gas gathering, processing and transporting properties a variety of hazards and operating risks, such as leaks, explosions and mechanical problems that could cause substantial financial losses. In addition, these risks could result in loss of human life, significant damage to property, environmental pollution, impairment of our operations and substantial losses to us. In accordance with customary industry practice, we maintain insurance against some, but not all, of these risks and losses. The occurrence of any of these events not fully covered by insurance could have a material adverse effect on our financial position and results of operations. The location of pipelines near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks.

Accidents or other operating risks could further result in loss of service available to our customers. Such circumstances could adversely impact our ability to meet contractual obligations and retain customers. For example, a 26 inch segment of Northwest Pipeline from Sumas to Washougal, Washington was idled in 2003 after two line breaks associated with stress corrosion cracking, or SCC, occurred. SCC is caused by a specific combination of stress and exposure to environmental factors such as soil acidity, moisture, and electro-chemical properties that occurs in older pipelines. This type of corrosion cracking is a very complex technical phenomenon and, while the industry is making progress in developing methods to predict and identify SCC, there are still many unknowns. Northwest Pipeline is working with federal and state regulatory agencies and its customers to permanently replace the capacity associated with the 26 inch pipeline.

Potential customer impacts arising from service interruptions on any of our pipeline transmission facilities could include potential limitations on the pipeline's ability to satisfy customer requirements, obligations to provide reservation charge credits to customers in times of constrained capacity, and solicitation of existing customers by others for potential new pipeline projects that would compete directly with existing service.

Compliance with the Pipeline Safety Improvement Act may result in unanticipated costs and consequences.

Implementation of new Pipeline Safety Improvement Act, or PSIA, regulations requires us to implement an Integrity Management Plan, or IMP, for our gas transmission pipelines by December 2004. As part of the IMP, we must identify High Consequence Areas, or HCA, through which our pipelines run. Although our investigations are ongoing, we believe that certain segments of our pipelines will be determined to run through HCAs. An HCA is defined by the rule as an area where the potential consequence of a gas pipeline accident may be significant or do considerable harm to people or property. Designing and implementing the IMP and identifying HCA's could result in significant additional costs. There is always the possibility that the assessments related to the IMP would reveal an unexpected condition for which remedial action would be required.

Estimating reserves and future net revenues involves uncertainties and negative revisions to reserve estimates, and oil and gas price declines may lead to impairment of oil and gas assets.

Reserve engineering is a subjective process of estimating underground accumulations of oil and gas that cannot be measured in an exact manner. The process relies on interpretations of available geological, geophysical, engineering and production data. There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of developmental expenditures, including many factors beyond the control of the producer. The reserve data incorporated by reference into this exchange offer prospectus represent estimates. In addition, the estimates of future net revenues from our proved reserves and the present value of such estimates are based upon

certain assumptions about future production levels, prices and costs that may not prove to be correct over time.

Quantities of proved reserves are estimated based on economic conditions in existence during the period of assessment. Lower oil and gas prices may have the impact of shortening the economic lives of certain fields because it becomes uneconomic to produce all recoverable reserves on such fields, which reduces proved property reserve estimates.

If negative revisions in the estimated quantities of proved reserves were to occur, it would have the effect of increasing the rates of depreciation, depletion and amortization on the affected properties, which would decrease earnings or result in losses through higher depreciation, depletion and amortization expense. The revisions may also be sufficient to trigger impairment losses on certain properties which would result in a further non-cash charge to earnings. The revisions could also affect the evaluation of goodwill for impairment purposes.

Other Risks

The threat of terrorist activities and the potential for continued military and other actions could adversely affect our business.

The continued threat of terrorism and the impact of continued military and other action by the United States and its allies might lead to increased political, economic and financial market instability and volatility in prices for natural gas, which could affect the market for our gas operations. In addition, future acts of terrorism could be directed against companies operating in the United States, and it has been reported that terrorists might be targeting domestic energy facilities. While we are taking steps that we believe are appropriate to increase the security at locations where our energy assets are located, there is no assurance that we can completely secure our locations or to completely protect them against a terrorist attack. These developments have subjected our operations to increased risks and, depending on their ultimate magnitude, could have a material adverse effect on our business. In particular, we might experience increased capital or operating costs to implement increased security for our energy assets.

Historic performance of our exploration and production business is no guarantee of future performance.

Performance of our exploration and production business is affected in part by factors beyond our control, such as:

- regulations and regulatory approvals;
- availability of capital for drilling projects which may be affected by other risk factors discussed in this exchange offer prospectus;
- cost-effective availability of drilling rigs and necessary equipment;
- availability of cost-effective transportation for products; or
- market risks already discussed, or incorporated by reference, in this exchange offer prospectus.

Our success rate for drilling projects in 2003 should not be considered a predictor of future performance. Reserves that are “proven reserves” are those estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty are recoverable in future years from known reservoirs under existing economic and operating conditions, but should not be considered as a guarantee of results for future drilling projects.

Our assets and operations can be affected by weather and other natural phenomena.

Our assets and operations, especially those located offshore, can be adversely affected by hurricanes, earthquakes, tornadoes and other natural phenomena and weather conditions including extreme temperatures.

Our restated certificate of incorporation, as supplemented, and bylaw provisions, and several other factors, could limit another party's ability, to acquire us and could deprive you of the opportunity to obtain a takeover premium for your shares of common stock.

A number of provisions in our restated certificate of incorporation, as supplemented, bylaws and rights agreement and under Delaware law could make it difficult for another company to acquire us and for you to receive any related takeover premium for our common stock. See the section of this exchange offer prospectus entitled "Description of Capital Stock."

USE OF PROCEEDS

We will not receive any cash proceeds from the exchange offer. We will pay all expenses related to the exchange offer, other than any commissions or concessions of any broker or dealer and the out of pocket expenses of the dealer managers. Except as otherwise provided in the section of this exchange offer prospectus entitled “The Exchange Offer — Transfer Taxes,” we will pay the transfer taxes, if any, on the exchange of any Income PACS.

MARKET FOR COMMON STOCK AND INCOME PACS

Our common stock and the Income PACS are listed on the New York Stock Exchange under the symbols “WMB” and “WMB PrI,” respectively. The following table sets forth the high and low sales price and dividends declared per share of our common stock and high and low sales price per Income PACS on the New York Stock Exchange during the periods shown:

	Common Stock			Income PACS	
	High	Low	Dividends	High	Low
Year ended December 31, 2002:					
First Quarter	\$26.35	\$14.05	\$0.20	\$26.15	\$17.50
Second Quarter	24.41	5.30	0.20	26.39	11.50
Third Quarter	6.73	0.78	0.01	12.90	3.45
Fourth Quarter	3.10	1.30	0.01	8.30	6.05
Year ended December 31, 2003:					
First Quarter	\$ 4.84	\$ 2.51	\$0.01	\$ 9.80	\$ 7.75
Second Quarter	9.04	4.63	0.01	13.53	9.40
Third Quarter	9.57	6.05	0.01	13.44	9.82
Fourth Quarter	10.73	8.79	0.01	14.80	12.00
Year ending December 31, 2004:					
First Quarter	\$11.47	\$ 8.49	\$0.01	\$14.86	\$11.95
Second Quarter	12.36	9.56	0.01	14.15	12.36
Third Quarter (through September 16, 2004)	12.67	11.36	0.01	14.54	12.79

The last reported sale price of our common stock on the New York Stock Exchange on September 16, 2004 was \$12.05 per share. The last reported sale price of the Income PACS on September 16, 2004 was \$13.34 per Income PACS. As of September 13, 2004, there were 522,948,894 shares of common stock outstanding, owned by approximately 13,500 holders of record. As of September 13, 2004, there were 44,000,000 Income PACS outstanding. No Growth PACS were outstanding as of September 13, 2004.

Future dividends will be payable on our common stock only when, as and if declared by our board of directors, and will be dependent upon business conditions, earnings, our cash requirements and other relevant factors. We do not anticipate any change in our dividend policy in 2004.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth consolidated financial data as of the dates and for the periods presented. The financial data for each of the years during the five-year period ended December 31, 2003 have been derived from our consolidated financial statements as audited by Ernst & Young LLP, independent registered public accounting firm. The financial data are qualified in their entirety by, and should be read in conjunction with, our audited consolidated financial statements, the related notes thereto and the related "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the year ended December 31, 2003, as amended, which is incorporated in this exchange offer prospectus by reference. The financial data as of and for the six months ended June 30, 2003 and June 30, 2004 have been derived from, and should be read in conjunction with, our unaudited consolidated financial statements, the notes thereto and the related "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our quarterly report on Form 10-Q for the quarter ended June 30, 2004, which is incorporated in this exchange offer prospectus by reference.

	Six Months Ended June 30		Year Ended December 31				
	2004	2003(1)	2003	2002	2001	2000	1999
(Unaudited)(Dollars in millions, except per share amounts)							
Consolidated Income Statement Data:							
Revenues(2)	\$6,114.2	\$8,388.4	\$16,644.7	\$3,393.9	\$ 4,899.5	\$4,859.2	\$3,558.8
Income (loss) from continuing operations(3)	(19.5)	70.6	28.2	(597.1)	640.5	666.5	87.7
Income (loss) from discontinued operations(4)	11.2	145.9	240.9	(157.6)	(1,118.2)	(142.2)	68.5
Extraordinary gain(5)	—	—	—	—	—	—	65.2
Cumulative effect of change in accounting principles(6)	—	(761.3)	(761.3)	—	—	—	—
Diluted earnings (loss) per common share:							
Income (loss) from continuing operations	(0.04)	0.07	—	(1.33)	1.28	1.49	0.19
Income (loss) from discontinued operations	0.02	0.28	0.46	(0.30)	(2.23)	(0.32)	0.16
Extraordinary gain	—	—	—	—	—	—	0.15
Cumulative effect of change in accounting principles	—	(1.45)	(1.47)	—	—	—	—
Cash dividends per common share	0.02	0.02	0.04	0.42	0.68	0.60	0.60
Cash Flow and Other Financial Data:							
Net cash provided (used) by operating activities(7)	\$ 615.1	\$ 468.9	\$ 770.1	\$ (515.3)	\$ 1,828.6	N/A	N/A
Ratio of earnings to fixed charges(8)(9)	—	1.14	1.00	—	2.36	2.48	1.23

[Table of Contents](#)

	As of June 30, 2004	As of December 31				
	(Unaudited)	2003	2002	2001	2000	1999
(Dollars in millions)						
Balance Sheet Data:						
Total assets	\$26,168.4	\$27,021.8	\$34,988.5	\$38,614.2	\$34,776.6	\$21,682.1
Short-term notes payable and long-term debt due within one year	276.6	938.5	2,077.1	2,510.4	3,193.2	1,525.1
Long-term debt	9,483.0	11,039.8	11,075.7	8,285.0	6,316.8	6,211.6
Stockholders' equity	3,998.9	4,102.1	5,049.0	6,044.0	5,892.0	5,585.2

- (1) Certain amounts have been reclassified as described in Note 2 to Consolidated Financial Statements contained in our quarterly report on Form 10-Q for the quarter ended June 30, 2004, which is incorporated by reference into this exchange offer prospectus.
- (2) As discussed in Note 1 of Notes to Consolidated Financial Statements contained in our annual report on Form 10-K for the year ended December 31, 2003, as amended, the adoption of Emerging Issues Task Force Issue No. 02-3 (EITF 02-3) requires that revenues and costs of sale from non-derivative contracts and certain physically settled derivative contracts be reported on a gross basis. Prior to the adoption, these revenues were presented net of costs. As permitted by EITF 02-3, prior year amounts have not been restated.
- (3) See Note 4 of Notes to Consolidated Financial Statements contained in our annual report on Form 10-K for the year ended December 31, 2003, as amended, for discussion of asset sales, impairments and other accruals in 2003, 2002 and 2001 and see Note 3 of Notes to Consolidated Financial Statements contained in our annual report on Form 10-K for the year ended December 31, 2003, as amended, for discussion of write-downs of certain assets related to WilTel Communications, formerly Williams Communications Group, (WilTel) in 2002 and 2001. See Note 1 of Notes to Consolidated Financial Statements contained in our annual report on Form 10-K for the year ended December 31, 2003, as amended, for discussion of revenue recognized in 2003 related to the correction of prior period items.
- (4) See Note 2 of Notes to Consolidated Financial Statements contained in our annual report on Form 10-K for the year ended December 31, 2003, as amended, for the discussion of the 2003, 2002 and 2001 income (losses) from discontinued operations. The income (loss) from discontinued operations for 2000 and 1999 relates to the operations of WilTel; Kern River Gas Transmission; Williams Gas Pipelines Central; the Colorado soda ash mining; Mid-America and Seminole pipelines; retail travel centers; bio-energy; Midsouth refinery; Texas Gas Transmission; Williams Energy Partners; Alaska refining, retail and pipeline, Canadian liquids (2000 only) and the Canadian straddle plants (2000 only).
- (5) The extraordinary gain for 1999 relates to the sale of our retail propane business, Thermogas L.L.C.
- (6) See Note 1 of Notes to Consolidated Financial Statements contained in our annual report on Form 10-K for the year ended December 31, 2003, as amended, for discussion of the 2003 cumulative effect of change in accounting principles.
- (7) Includes cash provided by operating activities of discontinued operations of \$11.5 million and \$64.8 million for the six months ended June 30, 2004 and 2003, respectively, and \$162.2 million, \$583.2 million and \$461.2 million for the years ended December 31, 2003, 2002 and 2001, respectively. The amounts for the years ended December 31, 2000 and 1999 as previously reported are not comparable due to the restatement reflected in our annual report on Form 10-K for the year ended December 31, 2003, as amended.
- (8) Earnings were inadequate to cover fixed charges by \$14.5 million for the six months ended June 30, 2004 and by \$909.6 million for the year ended December 31, 2002.

[Table of Contents](#)

- (9) The ratio has been computed by dividing earnings by fixed charges. For purposes of computing these ratios, earnings means the following: income (loss) from continuing operations before income taxes, minority interest in income (loss) of consolidated subsidiaries, and equity earnings; plus fixed charges (discussed below) and an adjustment to reflect actual distributions from equity investments; less capitalized interest and preferred distributions. Fixed charges means the sum of the following: interest accrued, including a proportionate share from equity-method investees; that portion of rental expense that we believe to represent an interest factor; and the pretax effect of preferred distributions.

THE EXCHANGE OFFER

Purpose and Effects of the Exchange Offer

We are making the exchange offer as part of our ongoing strategy to reduce our overall indebtedness. The exchange offer allows us to retire the notes included in the Income PACS instead of having them remain outstanding if a remarketing of the notes is successful.

Terms of the Exchange Offer

We are offering to exchange one (1.0000) share of our common stock plus \$1.47 in cash for each validly tendered and accepted FELINE PACS in the form of an Income PACS, up to an aggregate of 43,900,000 Income PACS, upon the terms and subject to the conditions set forth in this exchange offer prospectus and in the related letter of transmittal. Income PACS validly tendered and not withdrawn will be subject to proration as described in this exchange offer prospectus (1) if we determine there is any likelihood that the New York Stock Exchange continued-listing condition described below may not be satisfied based on consultations with the New York Stock Exchange or (2) if more than 43,900,000 Income PACS are validly tendered and not withdrawn.

We are only tendering for Income PACS. We are not tendering for Growth PACS. If you hold Growth PACS and would like to participate in the exchange offer, then before tendering, you must recreate Income PACS from your Growth PACS. See the section of this exchange offer prospectus entitled “Description of FELINE PACS — Recreating Income PACS” for a discussion on how to recreate Income PACS from Growth PACS.

Any Income PACS tendered but not accepted because they were not validly tendered shall remain outstanding upon completion of the exchange offer. Income PACS accepted in the exchange offer, including the underlying purchase contracts and notes, will be retired and cancelled. We intend to treat the exchange of your Income PACS for shares of our common stock plus cash pursuant to the exchange offer as a cash settlement of the purchase contract and redemption of the note for its adjusted issue price. See the section of this exchange offer prospectus entitled “Material U.S. Federal Income Tax Consequences — Federal Income Tax Treatment of Participation in the Exchange.”

By tendering your Income PACS, you will lose your right to receive quarterly contract adjustment payments and interest payments on the notes payable after the completion of the exchange offer.

Expiration Date

The term “expiration date” means 5:00 p.m., New York City time, on October 18, 2004. However, if we extend the period of time for which the exchange offer remains open, the term “expiration date of this exchange offer” means the latest time and date to which the exchange offer is so extended.

Source of Cash to be Paid in the Exchange Offer

If Income PACS aggregating 43,900,000 units, the maximum amount we will accept for exchange, are validly tendered and accepted for exchange by us, we will pay an aggregate of approximately \$65 million in cash to exchanging holders. We intend to fund the cash component of the exchange consideration from our available cash.

Conditions to the Exchange Offer

Notwithstanding any other provision of the exchange offer to the contrary, the exchange offer is subject to the following conditions that we may not waive:

- the registration statement of which this exchange offer prospectus forms a part shall have become effective and no stop order suspending the effectiveness of the registration statement

Table of Contents

and no proceedings for that purpose shall have been instituted or be pending, or to our knowledge, be contemplated or threatened by the SEC;

- there being no likelihood that the acceptance for exchange of the outstanding Income PACS pursuant to the exchange offer will cause the outstanding Income PACS to be de-listed from the New York Stock Exchange for any reason; and
- the satisfaction of the following conditions set forth in the dealer manager agreement and the compliance with certain covenants contained in the dealer manager agreement, in each case, as of the expiration date of the exchange offer (any of which may be waived by the dealer managers in their discretion):
 - the accuracy in all material respects of the representations and warranties made by us in the dealer manager agreement;
 - the delivery by us to the dealer managers of customary officers' and secretary's certificates as of the expiration date;
 - the delivery by us to the dealer managers of a "comfort letter" from our independent registered public accounting firm with respect to certain information contained or incorporated by reference in this exchange offer prospectus; and
 - the delivery by us to the dealer managers of legal opinions rendered by our counsel as of the expiration date.

The New York Stock Exchange will consider de-listing the outstanding Income PACS if, following the exchange, the number of publicly-held Income PACS is less than 100,000, the number of holders of Income PACS is less than 100, the aggregate market value of the Income PACS is less than \$1 million or for any other reason based on the suitability for the continued listing of the Income PACS in light of all pertinent facts as determined by the New York Stock Exchange. In the event that a significant number of holders tender their Income PACS or a significant number of the Income PACS are tendered in the offer such that we believe there is any likelihood that the Income PACS could be de-listed from the New York Stock Exchange, we may accept a pro rata amount of the Income PACS tendered in order to ensure that the Income PACS continue to be listed on the New York Stock Exchange. Therefore, while we are making this exchange offer for up to 43,900,000 Income PACS, we may not accept 43,900,000 Income PACS if doing so may result in the de-listing of the Income PACS. If the Income PACS are likely to be de-listed, we are required to prorate the offer to ensure that the Income PACS remain listed on the New York Stock Exchange. If we decide to prorate the offer such that we will only accept an aggregate number of Income PACS that is lower than the 43,900,000 Income PACS that we are currently seeking to exchange, we will extend the exchange offer for a period of ten business days and provide holders with notice of such extension as described below under "— Extension, Delay in Acceptance, Amendment or Termination."

In addition, notwithstanding any other provision of the exchange offer to the contrary, we will not be required to accept for exchange Income PACS tendered pursuant to the exchange offer and may terminate or extend the exchange offer if any condition to the exchange offer is not satisfied. We may also, subject to Rule 14e-1 under the Securities Exchange Act of 1934, which requires that an offeror pay the consideration offered or return the securities deposited by or on behalf of the holders thereof promptly after the termination or withdrawal of a tender offer, postpone the acceptance for exchange of Income PACS validly tendered and not withdrawn prior to the expiration date of the exchange offer, if any one of the conditions described above is not satisfied or any one of the following conditions has occurred, and the occurrence thereof has not been waived by us in our sole discretion:

- there shall have been instituted, threatened or be pending any action or proceeding before or by any court, governmental, regulatory or administrative agency or instrumentality, or by any other person, in connection with the exchange offer, that is, or is reasonably likely to be, in our reasonable judgment, materially adverse to our business, operations, properties,

Table of Contents

condition, assets, liabilities or prospects, or which would or might, in our reasonable judgment, prohibit, prevent, restrict or delay consummation of the exchange offer;

- an order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been proposed, enacted, entered, issued, promulgated, enforced or deemed applicable by any court or governmental, regulatory or administrative agency or instrumentality that, in our reasonable judgment, would or might prohibit, prevent, restrict or delay consummation of the exchange offer, or that is, or is reasonably likely to be, materially adverse to our business, operations, properties, condition, assets, liabilities or prospects;
- there shall have occurred or be likely to occur any material adverse change to our business, operations, properties, condition, assets, liabilities, prospects or financial affairs;
- there shall have occurred:
 - any general suspension of, or limitation on prices for, trading in securities in U.S. securities or financial markets;
 - any material adverse change in the price of our common stock in United States securities or financial markets;
 - a declaration of a banking moratorium or any suspension of payments in respect to banks in the United States;
 - any limitation (whether or not mandatory) by any government or governmental, administrative or regulatory authority or agency, domestic or foreign, or other event that, in our reasonable judgment, might affect the extension of credit by banks or other lending institutions; or
 - a commencement or significant worsening of a war or armed hostilities or other national or international calamity, including but not limited to, catastrophic terrorist attacks against the United States or its citizens.

These conditions to the exchange offer are for our sole benefit and may be asserted by us in our reasonable discretion or may be waived by us, in whole or in part, in our reasonable discretion on or before the expiration date of the exchange offer, whether or not any other condition of the exchange offer also is waived and regardless of the circumstances giving rise to the failure of any such condition. We have not made a decision as to what circumstances would lead us to waive any such condition, and any such waiver would depend on circumstances prevailing at the time of such waiver. Any determination by us concerning the events described in this section will be final and binding upon all persons.

Extension, Delay in Acceptance, Amendment or Termination

We expressly reserve the right to extend the exchange offer for such period or periods as we may determine in our sole discretion from time to time by giving oral, confirmed in writing, or written notice to the exchange agent and by making public announcement by press release prior to 9:00 a.m., New York City time, on the next business day following the previously scheduled expiration date of the exchange offer. During any extension of the exchange offer, all Income PACS previously tendered and not accepted for purchase will remain subject to the exchange offer and may, subject to the terms of the exchange offer, be accepted for exchange by us.

We also expressly reserve the right, at any time or from time to time, subject to and in accordance with applicable law, to:

- delay the acceptance for exchange of Income PACS for administrative purposes, as such may be required by difficulties in determining the final proration percentage, if any, or calculating soliciting dealer fees, subject to and in accordance with applicable law;

Table of Contents

- waive any condition (other than those conditions we have identified as conditions we cannot waive) or otherwise amend the terms of the exchange offer in any respect prior to the expiration of the exchange offer, by giving oral, confirmed in writing, or written notice of such waiver or amendment to the exchange agent subject to and in accordance with applicable law; or
- terminate or withdraw the exchange offer if any condition to the exchange offer is not satisfied, by giving oral, confirmed in writing, or written notice of such termination or withdrawal to the exchange agent.

Other than an extension of the exchange offer or the administrative purposes described above, we are not aware of any circumstance that would cause us to delay acceptance of any validly tendered Income PACS.

If we make a material change in the terms of the exchange offer or the information concerning the exchange offer, or waive a material condition of the exchange offer, we will promptly disseminate disclosure regarding the changes to the exchange offer and extend the exchange offer, if required by law, to ensure that the exchange offer remains open a minimum of five business days from the date we disseminate disclosure regarding the changes.

If we make a change in the number of Income PACS sought or the amount of consideration offered in the exchange, we will promptly disseminate disclosure regarding the changes and extend the exchange offer, if required by law, to ensure that the exchange offer remains open a minimum of ten business days from the date we disseminate disclosure regarding the changes.

Any waiver, amendment or modification will apply to all Income PACS tendered, regardless of when or in what order such Income PACS were tendered. Any extension, amendment or termination will be followed promptly by public announcement thereof, with the announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the first business day after the previously scheduled expiration date of the exchange offer.

Except as set forth above or as otherwise required by law, without limiting the manner in which we may choose to make any public announcement, we will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release.

We expressly reserve the right, in our sole discretion, to terminate the exchange offer if any of the conditions set forth above under “— Conditions to the Exchange Offer” shall have occurred. Any such termination will be followed promptly by a public announcement of such termination. In addition, if we terminate the exchange offer, we will give immediate notice thereof to the exchange agent. If the exchange offer is terminated, withdrawn or otherwise not completed, the consideration will not be paid or become payable to you, even if you have validly tendered your Income PACS in connection with the exchange offer, and any Income PACS you have tendered that we have not accepted for exchange will be returned promptly to you.

Priority of Exchanges and Proration

Priority of exchanges

Upon the terms and subject to the conditions of the exchange offer, if 43,900,000 or fewer Income PACS are validly tendered and not validly withdrawn on or prior to the expiration date of the exchange offer, we will accept for exchange all validly tendered Income PACS if, and only if, the acceptance of such tendered Income PACS would not result in the de-listing of the Income PACS from the New York Stock Exchange.

Upon the terms and subject to the conditions of the exchange offer, if more than 43,900,000 Income PACS are validly tendered and not validly withdrawn on or prior to the expiration date of the exchange offer, we will accept Income PACS from all holders who validly tender Income PACS, on a pro rata basis with appropriate adjustment to avoid fractional units. In addition, if we determine that there is

[Table of Contents](#)

any likelihood that the New York Stock Exchange continued-listing condition may not be met, we may accept a pro rata amount of the Income PACS tendered in the exchange offer to ensure that the Income PACS continue to be listed on the New York Stock Exchange after the consummation of the exchange offer. Any Income PACS tendered but not accepted because of proration will be returned to you. We will announce this proration percentage, if it is necessary, after the expiration date of exchange offer.

Proration

If, for any reason, proration of tendered Income PACS is required, we will determine the final proration factor promptly after the expiration date of the exchange offer. Proration for each holder validly tendering Income PACS will be based on the ratio of the number of Income PACS validly tendered by the holder to the total number of Income PACS validly tendered by all holders. This ratio will be applied to holders tendering Income PACS to determine the number of Income PACS, rounded up or down as nearly as practicable to the nearest whole unit, that will be purchased from each holder pursuant to the exchange offer.

Because of the potential difficulty in determining the number of Income PACS validly tendered and not withdrawn, we do not expect that we will be able to announce the final proration percentage until three to five business days after the expiration date of the exchange offer. The preliminary results of any proration will be announced by press release promptly after the expiration date of the exchange offer. Holders may obtain preliminary proration information from the dealer managers and the information agent, and may be able to obtain this information from their brokers. In the event of proration, we anticipate that we will commence exchange of the tendered Income PACS promptly after the expiration date of the exchange offer, but no later than five business days after the expiration date of the exchange offer.

As described in the section of this exchange offer prospectus entitled “Material U.S. Federal Income Tax Consequences,” you may be required to recognize taxable gain or loss with respect to the notes that are part of your Income PACS. If you are required to recognize taxable gain or loss with respect to such notes, the amount of gain or loss recognized by you will depend in part on the adjusted basis you have in the notes that are part of your Income PACS. If any of your notes has an adjusted basis that is different from any of your other notes and we prorate the tendered Income PACS, you may wish to designate which of the Income PACS are to be purchased in the exchange. The letter of transmittal provides you the opportunity to designate the order of priority in which Income PACS are to be purchased, if we prorate the tendered Income PACS.

Procedures for Tendering Income PACS

Only a holder of Income PACS may participate in the exchange offer. If you hold Growth PACS, see the section of this exchange offer prospectus entitled “Description of FELINE PACS — Recreating Income PACS” for a discussion of how to recreate Income PACS from Growth PACS.

How to tender if you are a beneficial owner

If you beneficially own Income PACS that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender those Income PACS, you should contact the registered holder promptly and instruct it to tender your Income PACS on your behalf. If you are a beneficial owner and wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your Income PACS, either:

- make appropriate arrangements to register ownership of the Income PACS in your name; or
- obtain a properly completed power from the registered holder of your Income PACS.

The transfer of registered ownership may take considerable time and may not be completed prior to the expiration date of the exchange offer.

How to tender generally

To participate in the exchange offer, a holder must:

- comply with the automated tender offer program procedures of DTC described below; or
- complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal;
- have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires; and
- mail or deliver the letter of transmittal or facsimile to the exchange agent prior to the expiration date of the exchange offer.

In addition, either:

- the exchange agent must receive the Income PACS along with the letter of transmittal prior to the expiration date of the exchange offer; or
- the exchange agent must receive, prior to the expiration date of the exchange offer, a timely confirmation of book-entry transfer of such Income PACS into the exchange agent's account at DTC according to the procedure for book-entry transfer described below or a properly transmitted agent's message.

To be validly tendered, the exchange agent must receive any physical delivery of the letter of transmittal and other required documents at its address indicated on the cover page of the letter of transmittal. The exchange agent must receive such documents prior to the expiration date of the exchange offer.

The tender by a holder that is not withdrawn prior to the expiration date of the exchange offer will constitute a binding agreement between the holder and us in accordance with the terms and subject to the conditions described in this exchange offer prospectus and in the letter of transmittal.

The method of delivery of the Income PACS, the letter of transmittal and all other required documents to the exchange agent is at your election and risk. Rather than mail these items, we recommend that you use an overnight or hand delivery service. In all cases, you should allow sufficient time to assure delivery to the exchange agent before the expiration date of the exchange offer. You should not send the letter of transmittal or Income PACS to us. You may request your brokers, dealers, commercial banks, trust companies or other nominees to effect the above transactions for you.

Signatures and signature guarantees

If you are using a letter of transmittal or a notice of withdrawal (as described below), you must have signatures guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States, or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934. In addition, such entity must be a member of one of the recognized signature guarantee programs identified in the letter of transmittal. Signature guarantees are not required, however, if the Income PACS are tendered:

- by a registered holder who has signed the letter of transmittal and the exchange consideration to be received in the exchange offer is to be issued directly to such registered holder and such holder has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal; or
- for the account of a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States, or an eligible guarantor institution.

[Table of Contents](#)

When you need endorsements or powers of attorney

If the letter of transmittal is signed by a person other than the registered holder of any Income PACS, the Income PACS must be endorsed or accompanied by a properly completed power of attorney. The power of attorney must be signed by the registered holder as the registered holder's name appears on the Income PACS. A member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States, or an eligible guarantor institution must guarantee the signature on the power of attorney.

If the letter of transmittal or any Income PACS are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, those persons should so indicate when signing. Unless waived by us, they should also submit evidence satisfactory to us of their authority to deliver the letter of transmittal.

Tendering through DTC's automated tender offer program

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC's system may use DTC's automated tender offer program to tender. Participants in the program may, instead of physically completing and signing the letter of transmittal and delivering it to the exchange agent, transmit their acceptance of the exchange offer electronically. They may do so by causing DTC to transfer the Income PACS to the exchange agent in accordance with its procedures for transfer. DTC will then send an agent's message to the exchange agent.

The term "agent's message" means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, to the effect that:

- DTC has received an express acknowledgment from a participant in its automated tender offer program that it is tendering Income PACS that are the subject of such book-entry confirmation;
- such participant has received and agrees to be bound by the terms of the letter of transmittal; and
- the agreement may be enforced against such participant.

Determination of Validity

We will determine in our sole discretion all questions as to the validity, form, eligibility, including time of receipt, and acceptance and withdrawal of tendered Income PACS. We reserve the absolute right to reject any and all Income PACS not validly tendered or any Income PACS whose acceptance by us would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects or irregularities either before or after the expiration date of the exchange offer. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Income PACS must be cured within a time period that we will determine. Neither we, the exchange agent nor any other person will have any duty to give notification of any defects or irregularities nor will any of them incur any liability for failure to give such notification. Tenders of Income PACS will not be considered to have been made until any defects or irregularities have been cured or waived. Any Income PACS received by the exchange agent that are not validly tendered and as to which the defects or irregularities have not been cured or waived will be returned promptly by the exchange agent to the tendering owners, unless otherwise provided in the letter of transmittal, promptly following the expiration date of the exchange offer.

Withdrawals of Tenders

You may validly withdraw Income PACS that you tender at any time prior to the expiration date of the exchange offer, which is 5:00 p.m., New York City time, on October 18, 2004, unless we extend it. In addition, if not previously returned, you may withdraw any Income PACS that you tender that are not accepted by us for exchange after November 15, 2004, which is 40 business days from September 17, 2004. For a withdrawal of Income PACS to be effective, a written notice of withdrawal must be received by the exchange agent prior to the expiration date or, if not previously accepted by us, after November 15, 2004, in both cases, at the address set forth on the back cover page of this exchange offer prospectus. Any notice of withdrawal must:

- specify the name of the person who tendered the Income PACS to be withdrawn;
- identify the Income PACS to be withdrawn, including the name and number of the account at the applicable book-entry transfer facility to be credited; and
- be signed by the holder in the same manner as the original signature on the letter of transmittal by which the Income PACS were tendered, including any required signature guarantees, or be accompanied by documents of transfer sufficient to have the trustee or other applicable person register transfer of the Income PACS into the name of the person withdrawing the tender.

If we extend the exchange offer, are delayed in our acceptance of the Income PACS for exchange or are unable to accept Income PACS pursuant to the exchange offer for any reason, then, without prejudice to our rights under the exchange offer, the exchange agent may retain tendered Income PACS and such Income PACS may not be withdrawn except as otherwise provided in this exchange offer prospectus, subject to provisions under the Securities Exchange Act of 1934 that provide that an issuer making an exchange offer shall either pay the consideration offered or return tendered securities promptly after the termination or withdrawal of the exchange offer.

If you have tendered your Income PACS through a custodian but wish to withdraw them, you must withdraw your tender through the custodian prior to the expiration date of the exchange offer.

All questions as to the validity, form and eligibility, including time or receipt, of notices of withdrawal will be determined by us. Our determination will be final and binding on all parties. Any Income PACS withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer and no exchange consideration will be issued in exchange unless the Income PACS so withdrawn are validly retendered. Any Income PACS that have been tendered but which are effectively withdrawn will be credited by the exchange agent to the appropriate account at DTC without expense to the withdrawing person promptly after withdrawal. Properly withdrawn Income PACS may be retendered by following one of the procedures described above under “— Procedures for Tendering Income PACS” at any time prior to the expiration date of the exchange offer.

Acceptance; Exchange of Income PACS

We will issue the exchange consideration, and cause it to be delivered, upon the terms of the exchange offer and applicable law in exchange for Income PACS validly tendered in the exchange offer promptly after the expiration date of the exchange offer and our acceptance of the validly tendered Income PACS. For purposes of the exchange offer, we will be deemed to have accepted for exchange validly tendered Income PACS or defectively tendered Income PACS with respect to which we have waived such defect, when, as and if we give oral, confirmed in writing, or written notice of such acceptance to the exchange agent. We will pay for Income PACS accepted for exchange by us pursuant to the exchange offer by depositing the exchange consideration with the exchange agent. The exchange agent will act as your agent for the purpose of receiving consideration from us and transmitting such consideration to you.

[Table of Contents](#)

In all cases, payment for Income PACS accepted for exchange by us pursuant to the exchange offer will be made, and delivered, promptly after the expiration date of the exchange offer and assuming receipt by the exchange agent of:

- timely confirmation of a book-entry transfer of the Income PACS into the exchange agent's account at DTC, pursuant to the procedures set forth in “— Procedures for Tendering Income PACS — Tendering through DTC's automated tender offer program” above;
- a properly completed and duly signed letter of transmittal, or facsimile copy, or a properly transmitted agent's message; and
- any other documents required by the letter of transmittal.

If we do not accept any Income PACS tendered for exchange pursuant to the exchange offer for any reason, the exchange agent will, without expense and promptly after expiration or termination of the exchange offer, credit such Income PACS to the account maintained at DTC from which the tendered Income PACS were delivered.

Under no circumstances will we pay interest on the exchange consideration regardless of any delay in making such payment.

Return of Unaccepted Income PACS

Any tendered Income PACS that are not accepted for exchange by us, including due to the proration provisions, will be returned without expense to their tendering holder. In the case of Income PACS tendered by book-entry transfer in the exchange agent's account at DTC according to the procedures described above, such non-exchanged Income PACS will be credited to an account maintained with DTC. These actions will occur promptly after the expiration or termination of the exchange offer.

Compliance With State Securities Laws

We are making the exchange offer to all holders of outstanding Income PACS. We are not aware of any jurisdiction in which the making of the exchange offer is not in compliance with applicable law. If we become aware of any jurisdiction in which the making of the exchange offer would not be in compliance with applicable law, we will make a good faith effort to comply with any such law. If, after such good faith effort, we cannot comply with any such law, the exchange offer will not be made to, nor will tenders of Income PACS be accepted from or on behalf of, the holders of Income PACS residing in any such jurisdiction.

Foreign Securities Matters

No action has been or will be taken in any jurisdiction other than in the United States that would permit a public offering of our shares of common stock, or the possession, circulation or distribution of this exchange offer prospectus or any other material relating to us or our shares of common stock in any jurisdiction where action for that purpose is required. Accordingly, our shares of common stock may not be offered or sold, directly or indirectly, and neither this exchange offer prospectus nor any other offering material or advertisements in connection with our shares of common stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction. This exchange offer prospectus does not constitute an offer to sell or a solicitation of an offer to buy in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this exchange offer prospectus comes are advised to inform themselves about and to observe any restrictions relating to this exchange offer, the distribution of this exchange offer prospectus, and the resale of the shares of common stock.

Exchange Agent

JPMorgan Chase Bank has been appointed as the exchange agent for the exchange offer. We have agreed to pay the exchange agent reasonable and customary fees for its services. All executed letters of

[Table of Contents](#)

transmittal and any other required documents should be sent or delivered to the exchange agent at the address set forth on the back cover of this exchange offer prospectus. Delivery of a letter of transmittal to an address or transmission of the letter of transmittal via facsimile other than as set forth on the back cover of this exchange offer prospectus does not constitute a valid delivery of the letter of transmittal.

Information Agent

D.F. King & Co., Inc. has been appointed as the information agent for the exchange offer. We have agreed to pay the information agent reasonable and customary fees for its services and will reimburse the information agent for its reasonable out-of-pocket expenses. Any questions and requests for assistance or requests for additional copies of this exchange offer prospectus or of the letter of transmittal should be directed to the information agent at the address set forth on the back cover of this exchange offer prospectus.

Dealer Managers

The dealer managers for the exchange offer are Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and Banc of America Securities LLC. We have agreed to pay the dealer managers compensation for their services as dealer managers in connection with this exchange offer, which compensation is based on the total number of validly tendered and accepted Income PACS and varies from \$0.1250 for each validly tendered and accepted Income PACS, if 26,340,000 or fewer Income PACS are accepted, to \$0.1375 for each validly tendered and accepted Income PACS, if more than 26,340,000 Income PACS are accepted. Of the 44,000,000 Income PACS that are outstanding, (i) if 26,340,000 Income PACS are validly tendered and accepted, the compensation payable to the dealer managers would be approximately \$3.3 million and (ii) if 43,900,000 are validly tendered and accepted, the compensation payable to the dealer managers would be approximately \$6.0 million.

The dealer managers and their affiliates have rendered and may in the future render various investment banking, lending and commercial banking services and other advisory services to us and our subsidiaries. The dealer managers have received, and may in the future receive, customary compensation from us and our subsidiaries for such services. The dealer managers may from time to time hold Income PACS and shares of our common stock in their proprietary accounts, and, to the extent they own Income PACS in these accounts at the time of the exchange offer, the dealer managers may tender these Income PACS, although a dealer manager will not be paid a fee for Income PACS tendered by that dealer manager for its own account. During the course of the exchange offer, the dealer managers may trade shares of our common stock for their own account or for the accounts of their customers. As a result, the dealer managers may hold a long or short position in our common stock.

JPMorgan Chase Bank, an affiliate of J.P. Morgan Securities Inc., is the purchase contract agent for the Income PACS and the trustee of the notes forming a part of the Income PACS. JPMorgan Chase Bank has in the past and may in the future receive customary compensation for such services.

Merrill Lynch, Pierce, Fenner & Smith Incorporated is the remarketing agent for the notes forming a part of the Income PACS and will receive a fee in connection with a successful remarketing of such notes in an amount not to exceed 0.25% of the Treasury portfolio price applicable to the notes (for the November 2004 remarketing) or 0.25% of the principal amount of the notes (for the February 2005 remarketing).

Fees and Expenses

We will bear the fees and expenses of soliciting tenders for the exchange offer. We are making the principal solicitation by mail and overnight courier. However, where permitted by applicable law, additional solicitations may be made by facsimile, telephone or in person by the dealer managers and information agent, as well as by officers and regular employees of ours and those of our affiliates. We will also pay the exchange agent and the information agent reasonable and customary fees for their services and will reimburse them for their reasonable out-of-pocket expenses. We will indemnify each of the exchange agent, the dealer managers and the information agent against certain liabilities and expenses in connection therewith, including liabilities under the federal securities laws.

Table of Contents

Soliciting Dealer Fees. We will pay a fee to soliciting dealers of an amount equal to \$0.0625 for each validly tendered and accepted Income PACS in the exchange offer for beneficial owners whose ownership is equal to or fewer than 10,000 units. Any fees payable pursuant to this paragraph shall be paid in full to a soliciting dealer if such soliciting dealer is designated (as herein described), in which case such fees shall be payable in full to such designated soliciting dealer (which designated soliciting dealer may be a dealer manager). Reference to a soliciting dealer shall include a dealer manager designated as a soliciting dealer.

A designated soliciting dealer is an entity obtaining the tender, if the applicable letter of transmittal includes its name in the “Solicited Tenders” box and it is:

- a broker or dealer in securities, including a dealer manager in its capacity as a dealer or broker, which is a member of any national securities exchange or of the NASD;
- a foreign broker or dealer not eligible for membership in the NASD that agrees to conform to the NASD’s Rules of Fair Practice in soliciting tenders outside the U.S. to the same extent as though it were an NASD member; or
- a bank or trust company.

Soliciting dealers will include any of the organizations described above even when the activities of such organization in connection with the exchange offer consist solely of forwarding to clients materials relating to the exchange offer, including the applicable letter of transmittal, and tendering Income PACS as directed by beneficial owners thereof. No soliciting dealer is required to make any recommendation to holders of Income PACS as to whether to tender or refrain from tendering in the exchange offer. No assumption is made, in making payment to any soliciting dealer, that its activities in connection with the exchange offer included any activities other than those described in this paragraph. For all purposes noted in all materials relating to the exchange offer, the term “solicit” shall be deemed to mean no more than “processing shares tendered” or “forwarding to customers materials regarding the exchange offer.”

No such soliciting dealer fee shall be payable to a soliciting dealer with respect to the tender of Income PACS by a holder unless the letter of transmittal accompanying such tender designates such soliciting dealer. No such fee shall be paid to a soliciting dealer with respect to Income PACS tendered for such soliciting dealer’s own account. If tendered Income PACS are registered in the name of such soliciting dealer, no such fee shall be payable unless such Income PACS are held by such soliciting dealer as nominee and such Income PACS are being tendered for the benefit of one or more beneficial owners identified on the applicable letter of transmittal. You should complete the “Solicited Tenders” box in the applicable letter of transmittal to designate a soliciting dealer even if you tender through DTC’s automated tender offer program. No such fee shall be payable to a soliciting dealer if such soliciting dealer is required for any reason to transfer the amount of such fee to a beneficial owner. No broker, dealer, bank, trust company or fiduciary shall be deemed to be the agent of Williams, the exchange agent, the information agent or the dealer managers for purposes of the exchange offer.

By accepting any soliciting dealer fee, a person shall be deemed to have represented that:

- it has complied with the applicable requirements of the Exchange Act, and the applicable rules and regulations thereunder, in connection with such solicitation;
- it is entitled to such compensation for such solicitation under the terms and conditions of the exchange offer;
- in soliciting tenders of Income PACS, it has used no soliciting materials other than those furnished by us; and
- if it is a foreign broker or dealer not eligible for membership in the NASD, it has agreed to conform to the NASD’s Rules of Fair Practice in making solicitations.

Transfer Taxes

Holders who tender their Income PACS for exchange will not be obligated to pay any transfer taxes. If, however:

- shares of our common stock are to be delivered to, or issued in the name of, any person other than the registered owner of the tendered Income PACS;
- the Income PACS are registered in the name of any person other than the person signing the letter of transmittal; or
- transfer tax is imposed for any reason other than the exchange of shares of our common stock for Income PACS in connection with the exchange offer,

then the amount of any transfer taxes, whether imposed on the registered owner or any other persons, will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption from them is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed directly to the tendering holder.

No Appraisal Rights

No appraisal or dissenters' rights are available to holders of Income PACS under applicable law in connection with the exchange offer.

Accounting Treatment

As consideration for the exchange of the Income PACS, we will issue our common stock and pay cash. We will record as an increase to stockholders' equity the fair value of the stock purchase contracts and the fair value of the common stock issued. We will reduce our liabilities for (1) the carrying amount of the senior notes retired, (2) the accrued interest on the senior notes retired and (3) the unpaid portion of contract adjustment payments that were recorded when the Income PACS were originally issued. We will record an expense from debt extinguishment in our income statement to the extent that the consideration allocated to the senior notes retired differs from their carrying amount. The amount of expense will depend upon the number of Income PACS tendered and the fair value of our common stock on the date the exchange offer is consummated.

Subsequent Repurchases of Income PACS; Discharge of Notes

Whether or not the exchange offer is consummated, we or our affiliates may from time to time acquire Income PACS, other than pursuant to the exchange offer, through open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise, upon such terms and at such prices as we may determine, which may be more or less than the prices to be paid pursuant to the exchange offer and could be for cash or other consideration. Rule 13e-4 under the Securities Exchange Act of 1934, as amended, however, prohibits us and our affiliates from purchasing any Income PACS, other than pursuant to the exchange offer, from the date of this exchange offer prospectus until at least ten business days after the expiration or termination of the exchange offer. Any possible future purchases by us will depend on many factors, including the results of the exchange offer, the market price of the Income PACS, our business and financial position, and general economic and market conditions. We do not currently plan to effect any open-market repurchases of Income PACS if such purchases would cause the Income PACS to be de-listed from the New York Stock Exchange. Nothing contained in the exchange offer will prevent us or our affiliates from exercising rights under the indenture to defease or otherwise discharge our obligations thereunder with respect to the indenture and/or the notes by depositing cash and/or securities with the trustee in accordance with the terms of the indenture.

COMPARISON OF RIGHTS BETWEEN THE INCOME PACS AND OUR COMMON STOCK

The following describes the material differences between the rights of holders of the Income PACS and holders of shares of our common stock. While we believe that the description covers the material differences between the Income PACS and our common stock, this summary may not contain all of the information that is important to you. You should carefully read this entire exchange offer prospectus and the other documents we refer to for a more complete understanding of the differences between being a holder of Income PACS and a holder of shares of our common stock.

Ranking

In any liquidation, dissolution or winding up of Williams, our common stock would rank below all debt claims against Williams, including the notes that are part of the Income PACS. As a result, holders of our common stock will not be entitled to receive any payment or other distribution of assets upon the liquidation or dissolution until after our obligations to our debt holders have been satisfied. In addition, holders of shares of our preferred stock, if any, that may be issued will have priority over the holders of our common stock with respect to the distribution of our assets in the event of our liquidation or dissolution.

Governing Document

As a holder of Income PACS, your rights currently are set forth in, and you may enforce your rights under, the purchase contract agreement, the pledge agreement, the remarketing agreement and the indenture and supplemental indenture governing the notes. After completion of the exchange offer, holders of shares of our common stock will have their rights set forth in, and may enforce their rights under, Delaware General Corporation Law and our restated certificate of incorporation, as supplemented, and bylaws.

Payments

Holders of Income PACS are entitled to quarterly contract adjustment payments, quarterly interest payments, or both, as described in the section of this exchange offer prospectus entitled “Description of FELINE PACS — Current Payments.” Holders of shares of our common stock are entitled to receive ratable dividends as declared by our board of directors out of funds legally available for such purpose.

Redemption

We may redeem the notes that comprise part of the Income PACS upon the occurrence of the tax events described in the section of this exchange offer prospectus entitled “Description of the Notes — Tax Event Redemption.” The shares of our common stock are not subject to redemption.

Listing

The Income PACS are listed and traded on the New York Stock Exchange under the symbol “WMB PrI,” and our common stock is listed and traded on the New York Stock Exchange under the symbol “WMB.” The Growth PACS and the notes are not listed on the New York Stock Exchange or any other national securities exchange.

Voting Rights

Holders of purchase contracts forming part of the Income PACS or Growth PACS, in their capacities as such holders, have no voting rights in respect of our common stock. Holders of shares of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders.

Maturity

The notes that comprise part of the Income PACS will mature on February 16, 2007, and the purchase contracts that comprise part of the Income PACS will settle on February 16, 2005. The concept of maturity is not applicable to our common stock.

DESCRIPTION OF CAPITAL STOCK

Common Stock

Under our restated certificate of incorporation, as supplemented, we are authorized to issue up to 30,000,000 shares of preferred stock, par value \$1.00 per share, in one or more series. As of the date of this prospectus, we are authorized to issue up to 960,000,000 shares of common stock, par value \$1.00 per share. As of September 13, 2004, we had 522,948,894 issued and outstanding shares of common stock. In addition, as of September 13, 2004, 26,991,333 shares of common stock were subject to options or deferred rights outstanding under various stock and compensation incentive plans. The outstanding shares of our common stock are fully paid and nonassessable. The holders of our common stock are not entitled to preemptive or redemption rights. Shares of our common stock are not convertible into shares of any other class of capital stock. EquiServe Trust Company, N.A., is the transfer agent and registrar for our common stock.

We currently have the following provisions in our restated certificate of incorporation, as supplemented, or bylaws that could be considered to be “anti-takeover” provisions:

- an article in our restated certificate of incorporation, as supplemented, providing for a classified board of directors divided into three classes, one of which is elected for a three-year term at each annual meeting of stockholders;
- an article in our restated certificate of incorporation, as supplemented, providing that directors cannot be removed except for cause and by the affirmative vote of three-fourths of the outstanding shares of common stock;
- an article in our restated certificate of incorporation, as supplemented, requiring the affirmative vote of three-fourths of the outstanding shares of common stock for certain merger and asset sale transactions with holders of more than five percent of the voting power of Williams;
- a bylaw that only permits our chairman of the board, president or a majority of our board of directors to call a special meeting of the stockholders; and
- a bylaw requiring stockholders to provide prior notice for nominations for election to the board of directors or for proposing matters which can be acted upon at stockholders meetings.

We are a Delaware corporation and are subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prevents an interested stockholder, which is defined generally as a person owning 15% or more of Williams’ outstanding voting stock from engaging in a business combination with Williams for three years following the date that person became an interested stockholder unless:

- before that person became an interested stockholder, our board of directors approved the transaction in which the interested stockholder became an interested stockholder or approved the business combination;
- upon completion of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced (excluding stock held by persons who are both directors and officers of Williams or by certain employee stock plans); or
- on or following the date on which that person became an interested stockholder, the business combination is approved by our board of directors and authorized at a meeting of stockholders by the affirmative vote of the holders of a least 66 2/3% of our outstanding voting stock (excluding shares held by the interested stockholder).

Table of Contents

A business combination includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder.

Dividends

The holders of our common stock are entitled to receive dividends when, as, and if declared by the board of directors of Williams, out of funds legally available for their payment subject to the rights of holders of any outstanding preferred stock.

Voting Rights

The holders of our common stock are entitled to one vote per share on all matters submitted to a vote of stockholders.

Rights Upon Liquidation

In the event of our voluntary or involuntary liquidation, dissolution, or winding up, the holders of our common stock will be entitled to share equally in any assets available for distribution after the payment in full of all debts and distributions and after the holders of all series of outstanding preferred stock have received their liquidation preferences in full.

Preferred Stock Purchase Rights

On February 6, 1996, we entered into a rights agreement with The First Chicago Trust Company of New York, as rights agent, which currently provides for a dividend of one-third preferred stock purchase right for each outstanding share of our common stock. The rights trade automatically with shares of common stock and become exercisable only under the circumstances described below. The rights are designed to protect the interests of Williams and its stockholders against coercive takeover tactics. The purpose of the rights is to encourage potential acquirers to negotiate with our board of directors prior to attempting a takeover and to provide the board with leverage in negotiating on behalf of all stockholders the terms of any proposed takeover. The rights may have anti-takeover effects. The rights should not, however, interfere with a merger or other business combination approved by our board of directors.

Until a right is exercised, the right does not entitle the holder to additional rights as a Williams' stockholder, including, without limitation, the right to vote or to receive dividends. Upon becoming exercisable, each right entitles its holder to purchase from us one two-hundredth of a share of Series A Junior Participating Preferred Stock at an exercise or purchase price of \$140.00 per right, subject to adjustment. Each one two-hundredth of a share of Series A Junior Participating Preferred Stock entitles the holder to receive quarterly dividends payable in cash of an amount per share equal to:

- the greater of (a) \$120, or (b) 1,200 times the aggregate per share amount of all cash dividends; plus
- 1,200 times the aggregate per share amount payable in kind of all non-cash dividends or other distributions other than dividends payable in common stock, since the immediately preceding quarterly dividend payment date.

The dividends on the Junior Participating Preferred Stock are cumulative. Holders of Junior Participating Preferred Stock have voting rights entitling them to 1,200 votes per share on all matters submitted to a vote of our stockholders.

In general, the rights will not be exercisable until the distribution date, which is the earlier of (a) the close of business on the 10th business day after we learn that a person or group has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of our outstanding common stock, (b) the close of business on the 10th business day after the commencement of a tender or exchange offer for 15% or more of our outstanding common stock, or (c) the close of business on the 10th business day after our board of directors determines that any adverse person or group has become the beneficial owner

[Table of Contents](#)

of an amount of common stock which the board of directors determines to be substantial. Below we refer to the person or group acquiring at least 15% of our common stock as an acquiring person.

In the event that a person or group acquires beneficial ownership of 15% or more of our outstanding common stock or our board of directors determines that any adverse person or group has become the beneficial owner of a substantial amount of common stock, each holder of a right will have the right to exercise and receive common stock having a value equal to two times the exercise price of the right. The exercise price is the purchase price times the number of shares of common stock associated with each right. Any rights that are at any time beneficially owned by an acquiring person will be null and void and any holder of such right will be unable to exercise or transfer the right.

In the event that someone becomes an acquiring person or our board of directors determines that any adverse person or group has become the beneficial owner of a substantial amount of common stock and either (a) we are involved in a merger or other business combination in which we are not the surviving corporation, (b) we are involved in a merger or other business combination in which we are the surviving corporation but all or a part of our common stock is changed or exchanged, or (c) 50% or more of our assets, cash flow or earning power is sold or transferred, each right becomes exercisable and each right will entitle its holder to receive common stock of the acquiring person having a value equal to two times the exercise price of the right.

The rights will expire at the close of business on February 6, 2006, unless redeemed before that time. At any time prior to the earlier of (a) 10 days following the stock acquisition date, as defined in the rights agreement, and (b) the expiration date, our board of directors may redeem the rights in whole, but not in part, at a price of \$0.01 per right. Prior to the distribution date, we may amend the rights agreement in any respect without the approval of the rights holders. However, after the distribution date, the rights agreement may not be amended in any way that would adversely affect the holders of rights (other than any acquiring person or group) or cause the rights to again become redeemable. The Junior Participating Preferred Stock ranks junior to all other series of our preferred stock as to the payment of dividends and the distribution of assets unless the terms of the series specify otherwise.

You should refer to the applicable provisions of the rights agreement, which we filed with the SEC as Exhibit 4 to our current report on Form 8-K filed January 24, 1996.

DESCRIPTION OF FELINE PACS

The summary of the FELINE PACS set forth below summarizes some, but not all, of the provisions of the related purchase contract agreement. You should refer to the actual terms of the related purchase contract agreement for the definitive terms and conditions of the FELINE PACS.

The FELINE PACS were issued under a purchase contract agreement between JPMorgan Chase Bank, the purchase contract agent, and us. On September 13, 2004, 44,000,000 Income PACS were issued and outstanding, and no Growth PACS were outstanding.

Each Income PACS consists of a unit comprising:

(1) a purchase contract pursuant to which

- the holder must purchase from us on February 16, 2005, for the stated amount of \$25, newly issued shares of our common stock equal to the settlement rate described in the section of this exchange offer prospectus entitled “Description of the Purchase Contracts — Purchase of Common Stock,” and
- we are obligated to make unsecured contract adjustment payments to the holder at the rate of 2.50% of the \$25 stated amount per year, paid quarterly, subject to our right to defer these payments; and

(2) either

- a note having a principal amount equal to the stated amount of \$25, or
- following a successful remarketing of the notes on November 10, 2004, the third business day immediately preceding November 16, 2004, or the occurrence of a tax event redemption prior to February 16, 2005, the appropriate applicable ownership interest in a portfolio of zero-coupon U.S. Treasury securities, which we refer to as the Treasury portfolio.

“Applicable ownership interest” means, with respect to an Income PACS and the U.S. Treasury securities in the Treasury portfolio:

- a 1/40, or 2.5%, undivided beneficial ownership interest in a \$1,000 face amount of a principal or interest strip in a U.S. Treasury security included in the Treasury portfolio that matures on or prior to February 15, 2005; and
- for the scheduled interest payment date on the notes that occurs on February 16, 2005, in the case of a successful remarketing of the notes, or in the case of a tax event redemption, for each scheduled interest payment date on the notes that occurs after the tax event redemption date and on or before February 16, 2005, a 0.0406% undivided beneficial ownership interest in a \$1,000 face amount of a principal or interest strip in a U.S. Treasury security included in the Treasury portfolio that matures prior to that interest payment date.

As long as a FELINE PACS is in the form of an Income PACS, the note or the appropriate applicable ownership interest in the Treasury portfolio, as applicable, forming a part of the Income PACS will be pledged to the collateral agent to secure the holder’s obligation to purchase common stock under the related purchase contract.

Creating Growth PACS

Unless the Treasury portfolio has replaced the notes as a component of the Income PACS as the result of a successful remarketing of the notes or a tax event redemption, each holder of Income PACS has the right, at any time on or prior to the fifth business day immediately preceding February 16, 2005, to substitute for the related notes held by the collateral agent, zero coupon U.S. Treasury securities maturing on February 15, 2005, which we refer to as Treasury securities, in a total principal amount at maturity equal to the aggregate principal amount of the notes for which substitution is being made. This substitution will create Growth PACS, and the applicable notes will be released to the holder. The

Table of Contents

Treasury security will be substituted for the notes and will be pledged to the collateral agent to secure the holder's obligation to purchase our common stock under the related purchase contract. The related notes released to the holder thereafter will trade separately from the resulting Growth PACS.

Because Treasury securities are issued in multiples of \$1,000, holders of Income PACS may make this substitution only in integral multiples of 40 Income PACS. If the Treasury portfolio has replaced the notes as a component of the Income PACS as the result of a successful remarketing of the notes or a tax event redemption, holders of Income PACS may make substitutions only in multiples of 32,000 Income PACS, at any time on or prior to the second business day immediately preceding February 16, 2005. In such a case, holders would also obtain the release of the appropriate applicable ownership interest in the Treasury portfolio rather than a release of the applicable notes.

Each Growth PACS consists of a unit with a stated amount of \$25 and contains two components:

(1) a purchase contract pursuant to which

- the holder must purchase from us on February 16, 2005, for the stated amount, a fraction of a newly issued share of our common stock equal to the settlement rate described in the section of this exchange offer prospectus entitled "Description of the Purchase Contracts — Purchase of Common Stock," and
- we are obligated to make unsecured contract adjustment payments to the holder at the rate of 2.50% of \$25 stated amount per year, paid quarterly, subject to our right to defer these payments; and

(2) a 1/40, or 2.5%, undivided beneficial ownership interest in a Treasury security that matures on February 15, 2005 and has a principal amount at maturity of \$1,000.

Contract adjustment payments are payable by us on these Growth PACS on each payment date from the later of January 14, 2002 and the last payment date on which contract adjustment payments were made. In addition, original issue discount, or OID, will accrue on the related Treasury securities.

Recreating Income PACS

Unless the Treasury portfolio has replaced the notes as a component of the Income PACS as a result of a successful remarketing of the notes or a tax event redemption, each holder of Growth PACS has the right, at any time on or prior to the fifth business day immediately preceding February 16, 2005, to substitute for the related Treasury securities held by the collateral agent notes in an aggregate principal amount equal to the aggregate principal amount at maturity of the Treasury securities. This substitution would create Income PACS, and the applicable Treasury securities would be released to the holder.

Because Treasury securities are issued in integral multiples of \$1,000, holders of Growth PACS may make this substitution only in integral multiples of 40 Growth PACS. If the Treasury portfolio has replaced the notes as a component of the Income PACS as the result of a successful remarketing of the notes or a tax event redemption, holders of the Growth PACS may make this substitution at any time on or prior to the second business day immediately preceding February 16, 2005, but using the appropriate applicable ownership interest in the Treasury portfolio instead of notes and only in integral multiples of 32,000 Growth PACS.

For example, to create 40 Income PACS, the Growth PACS holder will:

- deposit with the collateral agent 40 notes, and
- transfer 40 Growth PACS certificates to the purchase contract agent accompanied by a notice stating that the Growth PACS holder has deposited 40 notes with the collateral agent and requesting that the purchase contract agent instruct the collateral agent to release the Treasury security relating to those Growth PACS.

Table of Contents

Upon that deposit and the receipt of an instruction from the purchase contract agent, the collateral agent will release the related Treasury securities from the pledge under the pledge agreement, free and clear of our security interest, to the purchase contract agent. The purchase contract agent will then

- cancel the 40 Growth PACS,
- transfer the related Treasury security to the holder of Growth PACS, and
- deliver 40 Income PACS to the holder.

The substituted notes will be pledged with the collateral agent to secure the Income PACS holder's obligation to purchase common stock under the related purchase contracts.

Holders that elect to substitute pledged securities, thereby creating Growth PACS or recreating Income PACS, are responsible for any fees or expenses payable in connection with the substitution.

Current Payments

Holders of Income PACS are entitled to receive aggregate cash payments at the rate of 9.00% of the \$25 stated amount per year from and after the original issue date up to but excluding February 16, 2005, payable quarterly in arrears. The quarterly payments on the Income PACS consist of interest on the related note or cash distributions on the applicable ownership interest in the Treasury portfolio, as applicable, payable at the rate of 6.50% of the \$25 stated amount per year, and quarterly contract adjustment payments payable by us at the rate of 2.50% of the \$25 stated amount per year, subject to our right to defer the payment of such contract adjustment payments. In addition, OID for U.S. federal income tax purposes will accrue on the related notes.

Holders who create Growth PACS will be entitled to receive quarterly contract adjustment payments payable by us at the rate of 2.50% of the \$25 stated amount per year, subject to our right to defer the payments of such contract adjustment payments.

Our obligations with respect to the contract adjustment payments are subordinate and junior in right of payment to our senior indebtedness. "Senior indebtedness" with respect to the contract adjustment payments means indebtedness of any kind provided the instrument under which such indebtedness is incurred does not expressly provide otherwise. The notes are our senior unsecured obligations and rank equal in right of payment with all of our other senior unsecured obligations.

Voting and Certain Other Rights

Holders of purchase contracts forming part of the Income PACS or Growth PACS, in their capacities as such holders, have no voting or other rights in respect of our common stock.

Interest of Directors and Officers; Current Transactions Concerning the Income PACS

Based on our records and on information provided to us by our executive officers and directors, neither we nor any of our executive officers, directors, subsidiaries or affiliates, or associates of the foregoing beneficially own Income PACS. Further, based on our records and on information provided to us by our executive officers and directors, neither we nor any of our executive officers, directors, subsidiaries or affiliates, or associates of the foregoing, engaged in any transactions involving Income PACS during the sixty business days preceding the date of this exchange offer prospectus.

Neither we nor, to our knowledge, any of our principal executive officers or directors is a party to any contract, arrangement, understanding or relationship, whether or not legally enforceable, with any other person or entity with respect to any of our securities, including any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or call, guaranties of loans, guaranties against loss or the giving or withholding of proxies, consents or authorization.

DESCRIPTION OF THE PURCHASE CONTRACTS

The summary of the purchase contracts, the remarketing agreement and pledge agreement set forth below summarizes some, but not all, of the provisions of those agreements. You should refer to the actual terms of the agreements for the definitive terms and conditions of the purchase contracts, the remarketing agreement and pledge agreement.

Purchase of Common Stock

Each purchase contract underlying a FELINE PACS obligates the holder of the purchase contract to purchase, and us to sell, on February 16, 2005, for an amount in cash equal to \$25, the stated amount of the FELINE PACS, newly issued shares of common stock equal to the “settlement rate.” The settlement rate will be calculated, subject to adjustment under the circumstances described in “— Anti-Dilution Adjustments,” as follows:

- if the applicable market value of our common stock is greater than the appreciation cap price of \$41.25, which is 65.00% above \$25.00, the settlement rate will be equal to one (1.0000) share multiplied by the quotient of the appreciation cap price of \$41.25 divided by the applicable market value of our common stock as of the settlement date;
- if the applicable market value of our common stock is less than or equal to the appreciation cap price of \$41.25, the settlement rate will be one (1.0000) share.

“Applicable market value” of our common stock means the average of the closing price per share of common stock on each of the twenty consecutive trading days ending on the third trading day immediately preceding February 16, 2005.

“Closing price” of our common stock on any date of determination means the closing sale price (or, if no closing price is reported, the last reported sale price) of our common stock on the New York Stock Exchange on that date or, if the common stock is not listed for trading on the New York Stock Exchange on any such date, as reported in the composite transactions for the principal United States national or regional securities exchange on which the common stock is so listed. If the common stock is not so listed on a United States national or regional securities exchange, the closing price means the last closing sale price of the common stock as reported by the Nasdaq Stock Market, or, if the common stock is not so reported, the last quoted bid price for the common stock in the over-the-counter market as reported by the National Quotation Bureau or similar organization. If the bid price is not available, the closing price means the market value of the common stock on the date of determination as determined by a nationally recognized independent investment banking firm retained by us for this purpose.

A “trading day” means a day on which the common stock is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the common stock.

We will not issue any fractional shares of common stock pursuant to the purchase contracts. In lieu of fractional shares otherwise issuable (calculated on an aggregate basis) in respect of purchase contracts being settled by a holder of Income PACS or Growth PACS, the holder will be entitled to receive an amount of cash equal to the fraction of a share times the applicable market value.

On the business day immediately preceding February 16, 2005, unless:

- a holder of Income PACS or Growth PACS has settled the related purchase contracts upon the occurrence of a cash merger through the early delivery of cash to the purchase contract agent in the manner described under “— Early Settlement Upon Cash Merger,”
- a holder of Income PACS that includes notes has settled the related purchase contracts with separate cash on the business day immediately preceding February 16, 2005 pursuant to prior notice given in the manner described under “— Notice to Settle with Cash,”

Table of Contents

- a holder of Income PACS has had the notes related to the holder's purchase contracts remarketed on the third business day immediately preceding November 16, 2004 in the manner described herein, or
- an event described under "— Termination" below has occurred,

then

- in the case of Income PACS, unless the Treasury portfolio has replaced the notes as a component of the Income PACS as the result of a successful remarketing of the notes or a tax event redemption, the collateral agent will, for our benefit and at our direction, exercise its rights as a secured party to dispose of the notes in accordance with applicable law, and
- in the case of Growth PACS or, in the case of Income PACS, in the event that the Treasury portfolio has replaced the notes as a component of the Income PACS as the result of a successful remarketing of the notes or a tax event redemption, the principal amount of the related Treasury securities, or the appropriate applicable ownership interest of the Treasury portfolio, as applicable, when paid at maturity, will automatically be applied to satisfy in full the holder's obligation to purchase common stock under the related purchase contracts.

The common stock will then be issued and delivered to the holder or the holder's designee, upon presentation and surrender of the certificate evidencing the FELINE PACS and payment by the holder of any transfer or similar taxes payable in connection with the issuance of the common stock to any person other than the holder.

Remarketing

Pursuant to the remarketing agreement and subject to the terms of the supplemental remarketing agreement among the remarketing agent, the purchase contract agent and us, unless a tax event redemption has occurred, the notes of Income PACS holders will be remarketed on November 10, 2004, the third business day immediately preceding November 16, 2004.

The remarketing agent must use its reasonable efforts to remarket these notes at an aggregate price of approximately 100.5% of the Treasury portfolio purchase price described below. The portion of the proceeds from the remarketing equal to the Treasury portfolio purchase price will be applied to purchase a Treasury portfolio consisting of:

- interest or principal strips of U.S. Treasury securities that mature on or prior to February 15, 2005 in an aggregate amount equal to the principal amount of the notes included in Income PACS, and
- interest or principal strips of U.S. Treasury securities that mature on or prior to February 15, 2005 in an aggregate amount equal to the aggregate interest payment that would be due on that date on the principal amount of the notes included in Income PACS if the interest rate on the notes was not reset as described in "Description of the Notes-Market Rate Reset."

The Treasury portfolio will be substituted for the notes and will be pledged to the collateral agent to secure the Income PACS holders' obligation to purchase our common stock under the purchase contracts.

In addition, the remarketing agent may deduct, as a remarketing fee, an amount not exceeding 25 basis points (0.25%) of the Treasury portfolio purchase price from any amount of the proceeds in excess of the Treasury portfolio purchase price. The remarketing agent will then remit any remaining portion of the proceeds for the benefit of the holders. Income PACS holders whose notes are remarketed will not otherwise be responsible for the payment of any remarketing fee in connection with the remarketing.

Table of Contents

As used in this context, “Treasury portfolio purchase price” means the lowest aggregate price quoted by a primary U.S. government securities dealer in New York City to the quotation agent on the third business day immediately preceding November 16, 2004 for the purchase of the Treasury portfolio described above for settlement on November 16, 2004.

“Quotation agent” means Merrill Lynch Government Securities, Inc. or its successor or any other primary U.S. government securities dealer in New York City selected by us.

If (1) despite using its reasonable efforts, the remarketing agent cannot remarket the related notes, other than to us, at a price equal to or greater than 100% of the Treasury portfolio purchase price, or (2) the remarketing has not occurred because a condition precedent to the remarketing has not been fulfilled, in each case resulting in a failed remarketing, the notes will continue to be a component of Income PACS, and another remarketing may be attempted as described below.

If the remarketing of the notes on the third business day preceding November 16, 2004 has resulted in a failed remarketing, and unless a tax event redemption has occurred, the notes of Income PACS holders who have failed to notify the purchase contract agent on or prior to the fifth business day immediately preceding February 16, 2005 of their intention to settle the related purchase contracts with separate cash will be remarketed on the third business day immediately preceding February 16, 2005.

The remarketing agent must then use its reasonable efforts to remarket these notes at a price of approximately 100.5% of the aggregate principal amount of the notes. The portion of the proceeds from this remarketing equal to the aggregate principal amount of the notes will be automatically applied to satisfy in full the Income PACS holders’ obligations to purchase common stock.

In addition, the remarketing agent may deduct, as a remarketing fee, an amount not exceeding 25 basis points (0.25%) of the aggregate principal amount of the remarketed notes from any amount of the proceeds in excess of the aggregate principal amount of the remarketed notes. The remarketing agent will then remit any remaining portion of the proceeds for the benefit of the holders. Income PACS holders whose notes are remarketed will not otherwise be responsible for the payment of any remarketing fee in connection with the remarketing.

If (1) despite using its reasonable efforts, the remarketing agent cannot remarket the related notes, other than to us, at a price equal to or greater than 100% of the aggregate principal amount of the notes, or (2) the remarketing has not occurred because a condition precedent to the remarketing has not been fulfilled, in each case resulting in a failed remarketing, the collateral agent will, for our benefit and at our direction, exercise its rights as a secured party to dispose of the notes in accordance with applicable law and satisfy in full each holder’s obligation to purchase common stock under the related purchase contracts.

We will cause a notice of any failed remarketing to be published on the second business day immediately preceding November 16, 2004 or February 16, 2005, as applicable, by publication in a daily newspaper in the English language of general circulation in New York City, which is expected to be *The Wall Street Journal*, including, in the case of a second failed remarketing, the procedures that must be followed if a note holder wishes to exercise its right to put its note to us as described in this exchange offer prospectus. In addition, we will request, not later than seven nor more than 15 calendar days prior to a remarketing date, that the depositary notify its participants holding notes, Income PACS and Growth PACS of the remarketing and the procedures to be followed in the remarketing. If required by applicable law, we will endeavor to ensure that a registration statement with regard to the full amount of the notes to be remarketed will be effective in a form that will enable the remarketing agent to rely on it in connection with the remarketing process. Merrill Lynch, Pierce, Fenner & Smith Incorporated will be the remarketing agent.

Early Settlement Upon Cash Merger

Prior to the settlement date, if we are involved in a merger in which at least 30% of the consideration for our common stock consists of cash or cash equivalents, which we refer to as a cash

[Table of Contents](#)

merger, then on or after the date of the cash merger each holder of the FELINE PACS will have the right to accelerate and settle the related purchase contract at the settlement rate in effect immediately before the cash merger, provided that at such time, if so required under the U.S. federal securities laws, there is in effect a registration statement covering any securities to be delivered in respect of the purchase contracts being settled. We refer to this right as the “merger early settlement right.” We will provide each of the holders with a notice of the completion of a cash merger within five business days thereof. The notice will specify the early settlement date, which shall be ten days after the date of the notice. The notice will set forth, among other things, the formula for determining the applicable settlement rate and the amount of the cash, securities and other consideration receivable by the holder upon settlement. To exercise the merger early settlement right, a holder of Income PACS must deliver to the purchase contract agent, not later than one business day before the early settlement date, the certificate evidencing the holder’s FELINE PACS, if the FELINE PACS are held in certificated form, and payment of the applicable purchase price in the form of a certified or cashier’s check. If a holder of Income PACS exercises the merger early settlement right, we will deliver to such holder on the early settlement date the kind and amount of securities, cash or other property that such holder would have been entitled to receive if such holder had settled the purchase contract immediately before the cash merger at the settlement rate in effect at such time, determined using the average of the closing prices per share of the common stock on each of the twenty consecutive trading days ending on the third trading day immediately preceding the date of the cash merger. A holder of Income PACS will also receive the notes or Treasury securities or applicable ownership interests in the Treasury portfolio underlying the FELINE PACS. A holder’s receipt of the applicable ownership interests in the Treasury portfolio will be subject to the purchase contract agent’s disposition of the subject securities for cash and the payment of the cash to such holder to the extent that such holder would otherwise have been entitled to receive less than \$1,000 principal amount at maturity of any security. If a holder of Income PACS does not elect to exercise such holder’s merger early settlement right, such holder’s FELINE PACS will remain outstanding and subject to normal settlement on the settlement date. We have agreed that, if required under the U.S. federal securities laws, we will use our best efforts to (1) have in effect a registration statement covering any securities to be delivered in respect of the purchase contracts being settled and (2) provide a prospectus in connection therewith, in each case in a form that may be used in connection with the early settlement upon a cash merger.

Notice to Settle With Cash

A holder of FELINE PACS may settle the related purchase contract with separate cash prior to 11:00 a.m., New York City time, on the business day immediately preceding February 16, 2005. If a successful remarketing of the notes has not occurred on November 10, 2004, a holder of an Income PACS wishing to settle the related purchase contract with separate cash must notify the purchase contract agent by use of a notice substantially in the form of “Notice to Settle by Cash” attached as an exhibit to the purchase contract agreement completed and executed as indicated on or prior to 5:00 p.m., New York City time, on the fifth business day immediately preceding February 16, 2005. If a successful remarketing of the notes occurs on November 10, 2004, a holder of an Income PACS (which will then consist of a purchase contract and the Treasury portfolio) wishing to settle the related purchase contract with separate cash must notify the purchase contract agent by presenting the documents referred to above on or prior to 5:00 p.m., New York City time, on the second business day immediately preceding February 16, 2005. If a holder of an Income PACS consisting of a purchase contract and the related note who has given notice of its intention to settle the related purchase contract with separate cash fails to deliver the cash to the collateral agent on the business day immediately preceding February 16, 2005, the collateral agent will, for our benefit and at our direction, exercise its right as a secured party to dispose of, in accordance with applicable law, the related note to satisfy in full, from the disposition of the note, the holder’s obligation to purchase common stock under the related purchase contracts.

Contract Adjustment Payments

Contract adjustment payments in respect of Income PACS and Growth PACS are fixed at a rate per year of 2.50% of the \$25 stated amount per purchase contract. Contract adjustment payments payable

[Table of Contents](#)

for any period will be computed on the basis of a 360-day year of twelve 30-day months. Contract adjustment payments began to accrue from January 14, 2002 and are payable quarterly in arrears on February 16, May 16, August 16 and November 16 of each year, commencing May 16, 2002.

Contract adjustment payments are payable to the holders of purchase contracts as they appear on the books and records of the purchase contract agent on the relevant record dates, which is on the first day of the month in which the relevant payment date falls. These distributions will be paid through the purchase contract agent, who will hold amounts received in respect of the contract adjustment payments for the benefit of the holders of the purchase contracts relating to the FELINE PACS.

If any date on which contract adjustment payments are to be made on the purchase contracts related to the FELINE PACS is not a business day, then payment of the contract adjustment payments payable on that date will be made on the next succeeding day which is a business day, and no interest or payment will be paid in respect of the delay. A business day means any day other than a Saturday, Sunday or any other day on which banking institutions in New York City or Chicago, Illinois are permitted or required by any applicable law to close or on which the trustee for the notes is closed for business.

Our obligations with respect to contract adjustment payments are subordinated and junior in right of payment to our obligations under any of our senior indebtedness.

Option to Defer Contract Adjustment Payments

We will have the right to defer payment of all or part of the contract adjustment payments on the purchase contracts until no later than the purchase contract settlement date. We will pay interest on any deferred contract adjustment payment at a rate of 9.00% per year, compounded quarterly, until paid. If the purchase contracts are settled early or terminated, a holder of Income PACS will have no right to receive any deferred and unpaid contract adjustment payments. In the event we exercise our option to defer the payment of contract adjustment payments, then until the deferred contract adjustment payments have been paid, we and our subsidiaries will not, with certain exceptions, declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of our capital stock. We have no present intention of exercising our right to defer the payment of the contract adjustment payments.

Anti-Dilution Adjustments

The formula for determining the settlement rate is subject to adjustment, without duplication, upon the occurrence of certain events, including:

- the payment of dividends and other distributions of common stock on common stock;
- the issuance to all holders of common stock of rights, warrants or options (other than any dividend reinvestment or share purchase plans) entitling them, for a period of up to 45 days, to subscribe for or purchase common stock at less than the current market price thereof;
- subdivisions, splits and combinations of common stock;
- distributions to all holders of common stock of evidences of our indebtedness or assets (including securities, but excluding any dividend or distribution covered by the first two bullets above and any dividend or distribution paid exclusively in cash);
- distributions consisting exclusively of cash to all holders of common stock in an aggregate amount that, together with (1) other all-cash distributions made within the preceding 12 months and (2) any cash and the fair market value, as of the expiration of the tender or exchange offer referred to below, of consideration payable in respect of any tender or exchange offer by us or any of our subsidiaries for common stock concluded within the preceding 12 months, exceeds 15% of our aggregate market capitalization (aggregate market capitalization being the product of the current market price of common stock multiplied by

[Table of Contents](#)

the number of shares of common stock then outstanding) on the date for the determination of holders of shares of common stock entitled to receive such distribution; and

- the successful completion of a tender or exchange offer made by us or any of our subsidiaries for common stock which involves an aggregate consideration that, together with (1) any cash and the fair market value of other consideration payable in respect of any tender or exchange offer by us or any of our subsidiaries for the common stock concluded within the preceding 12 months and (2) the aggregate amount of any all cash distributions to all holders of common stock made within the preceding 12 months, exceeds 15% of our aggregate market capitalization on the expiration of the tender or exchange offer.

The “current market price” per share of common stock on any day means the average of the daily closing prices for the ten consecutive trading days ending not later than the earlier of the day in question and the day before the “ex date” with respect to the issuance or distribution requiring the computation. For purposes of this paragraph, the term “ex date,” when used with respect to any issuance or distribution, shall mean the first date on which the common stock trades regular way on the applicable exchange or in the applicable market without the right to receive the issuance or distribution.

In the case of certain reclassifications, consolidations, mergers, sales or transfers of assets or other transactions pursuant to which the common stock is converted into the right to receive other securities, cash or property, each purchase contract then outstanding would, without the consent of the holders of the related Income PACS or Growth PACS, as the case may be, become a contract to purchase only the kind and amount of securities, cash and other property receivable upon such reorganization event (except as otherwise specifically provided, without any interest thereon and without any right to dividends or distributions thereon which have a record date that is prior to the purchase contract settlement date) which would have been received by the holder of the related Income PACS or Growth PACS immediately prior to the date of consummation of such transaction if such holder had then settled such purchase contract.

If at any time we make a distribution of property to our stockholders which would be taxable to the stockholders as a dividend for U.S. federal income tax purposes (i.e., distributions out of our current or accumulated earnings and profits or evidences of indebtedness or assets, but generally not stock dividends or rights to subscribe for capital stock) and, pursuant to the settlement rate adjustment provisions of the purchase contract agreement, the settlement rate is increased, this increase may give rise to a taxable dividend to holders of FELINE PACS.

In addition, we may make increases in the settlement rate to avoid or diminish any income tax to holders of our capital stock resulting from any dividend or distribution of capital stock (or rights to acquire capital stock) or from any event treated as such for income tax purposes or for any other reasons.

Adjustments to the settlement rate are calculated to the nearest 1/10,000th of a share. No adjustment in the settlement rate will be required unless the adjustment would require an increase or decrease of at least one percent in the settlement rate. However, any adjustments which are not required to be made because they would have required an increase or decrease of less than one percent will be carried forward and taken into account in any subsequent adjustment.

We will be required to provide an officer’s certificate to the purchase contract agent setting forth the adjusted settlement rate and its calculation and, within ten business days following the adjustment of the settlement rate, to provide written notice to the holders of FELINE PACS of the occurrence of that event and a statement specifying in reasonable detail the method by which the adjustment to the settlement rate was determined and the revised settlement rate.

Each adjustment to the settlement rate will result in a corresponding adjustment to the number of shares of common stock issuable upon early settlement of a purchase contract.

Termination

The purchase contracts, and our rights and obligations and the rights and obligations of the holders of the FELINE PACS under the purchase contracts, including the right and obligation to purchase common stock and the right to receive accumulated contract adjustment payments or deferred contract adjustment payments, will immediately and automatically terminate upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us. Upon any termination, the collateral agent will release the related notes, the appropriate applicable ownership interest of the Treasury portfolio or the Treasury securities, as the case may be, held by it to the purchase contract agent for distribution to the holders, subject, in the case of the Treasury portfolio or the Treasury securities, to the purchase contract agent's disposition of the subject securities for cash, and the payment of this cash to the holders, to the extent that the holders would otherwise have been entitled to receive less than \$1,000 principal amount at maturity of any such security. Upon any termination, however, the release and distribution may be subject to a delay. In the event that we become the subject of a case under the U.S. Bankruptcy Code, the delay may occur as a result of the automatic stay under the Bankruptcy Code and continue until the automatic stay has been lifted.

Pledged Securities and Pledge Agreement

Pledged securities are pledged to the collateral agent, for our benefit, pursuant to the pledge agreement to secure the obligations of holders of FELINE PACS to purchase common stock under the related purchase contracts. The rights of holders of FELINE PACS to the related pledged securities are subject to our security interest created by the pledge agreement.

No holder of Income PACS or Growth PACS is permitted to withdraw the pledged securities related to the Income PACS or Growth PACS from the pledge arrangement except

- to substitute Treasury securities for the related notes or the appropriate applicable ownership interest of the Treasury portfolio, as the case may be, as provided for under "Description of FELINE PACS — Creating Growth PACS,"
- to substitute notes or the appropriate applicable ownership interest of the Treasury portfolio, as the case may be, for the related Treasury securities, as provided for under "Description of FELINE PACS — Recreating Income PACS," or
- upon the termination or early settlement of the related purchase contracts.

Subject to the security interest and the terms of the purchase contract agreement and the pledge agreement, each holder of Income PACS, unless the Treasury portfolio has replaced the notes as a component of Income PACS as a result of a successful remarketing of the notes or a tax event redemption, is entitled through the purchase contract agent and the collateral agent to all of the proportional rights and preferences of the related notes, including distribution, voting, redemption, repayment and liquidation rights. Each holder of Growth PACS and each holder of Income PACS, if the Treasury portfolio has replaced the notes as a component of Income PACS as a result of a successful remarketing of the notes or a tax event redemption, will retain beneficial ownership of the related Treasury securities or the appropriate applicable ownership interest of the Treasury portfolio, as applicable, pledged in respect of the related purchase contracts. We have no interest in the pledged securities other than our security interest.

Unless (i) the purchase contracts have terminated prior to February 16, 2005, (ii) the related pledged securities have been transferred to the purchase contract agent for distribution to the holders, and (iii) a holder fails to present and surrender the FELINE PACS certificate evidencing the holder's Income PACS or Growth PACS to the purchase contract agent, the collateral agent will, upon receipt, if any, of payments on the pledged securities, distribute the payments to the purchase contract agent, which will in turn distribute those payments to the persons in whose names the related Income PACS or Growth PACS are registered at the close of business on the record date immediately preceding the date of payment.

DESCRIPTION OF THE NOTES

General

The notes were issued as a separate series of securities under an Indenture dated as of November 10, 1997, as supplemented by a supplemental indenture dated as of January 14, 2002 between us and JPMorgan Chase Bank (as successor trustee to Bank One Trust Company, National Association (successor in interest to the First National Bank of Chicago)), as trustee. The notes were issued in the aggregate principal amount of \$1,100,000,000. The notes will mature on February 16, 2007. The notes may not be redeemed prior to their stated maturity except as described below. The notes constitute senior debt securities.

The notes are our direct, senior and unsecured obligations and rank without preference or priority among themselves and equally with all of our existing and future unsecured and unsubordinated indebtedness. The notes are not subject to a sinking fund provision. Unless a tax event redemption has occurred prior to February 16, 2007, the entire principal amount of the notes will mature and become due and payable, together with any accrued and unpaid interest, on February 16, 2007. Except for a tax event redemption, the notes are not redeemable by us.

Notes forming a part of the Income PACS were issued in certificated form, in denominations of \$25 and integral multiples of \$25, without coupons, and may be transferred or exchanged, without service charge but upon payment of any taxes or other governmental charges payable in connection with the transfer or exchange, at the offices described below. Payments on notes issued as a global security are made to the depositary, a successor depositary or, in the event that no depositary is used, to a paying agent for the notes. Principal and interest with respect to certificated notes is payable, the transfer of the notes is registrable and notes are exchangeable for notes of other denominations of a like aggregate principal amount, at the office or agency maintained by us for this purpose in the Borough of Manhattan, The City of New York. However, at our option, payment of interest may be made by check mailed to the address of the holder entitled to payment or by wire transfer to an account appropriately designated by the holder entitled to payment. JPMorgan Chase Bank is the paying agent, transfer agent and registrar for the notes. We may at any time designate additional transfer agents and paying agents with respect to the notes, and may remove any transfer agent, paying agent or registrar for the notes. We are at all times required to maintain a paying agent and transfer agent for the notes in the Borough of Manhattan, The City of New York.

Any monies deposited with the trustee or any paying agent, or held by us in trust, for the payment of principal of or interest on any note and remaining unclaimed for two years after such principal or interest has become due and payable will, at our request, be repaid to us or released from trust, as applicable, and the holder of the note must thereafter look, as a general unsecured creditor, only to us for the payment thereof.

The indenture does not contain provisions that afford holders of the notes protection in the event of a highly leveraged transaction or other similar transaction involving us that may adversely affect the holders.

Interest

Each note bears interest initially at the rate of 6.50% per year from the original issue date, payable quarterly in arrears on February 16, May 16, August 16 and November 16 of each year, each an "interest payment date," commencing May 16, 2002, to the person in whose name the note is registered at the close of business on the first day of the month in which the interest payment date falls. The original issue discount rules that apply to contingent payment debt instruments should govern the income inclusions with respect to the notes for U.S. federal income tax purposes.

The applicable interest rate on the notes will be reset on the third business day immediately preceding November 16, 2004 to the reset rate described below under "— Market Rate Reset," unless the

[Table of Contents](#)

remarketing of the notes on that date fails. If the remarketing of the notes on that date fails, the interest rate on the notes will not be reset at that time. However, in these circumstances, the interest rate on the notes outstanding on and after November 16, 2004 will be reset on the third business day immediately preceding February 16, 2005 to the reset rate described below, unless the remarketing of the notes on that date also fails, in which case the interest rate will not be reset.

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

Market Rate Reset

The reset rate will be equal to the sum of the reset spread and the rate of interest on the applicable benchmark Treasury in effect on the third business day immediately preceding November 16, 2004 or February 16, 2005, as the case may be, and will be determined by the reset agent. In the case of a reset on the third business day immediately preceding November 16, 2004, the reset rate will be the rate determined by the reset agent as the rate the notes should bear in order for the notes included in Income PACS to have an approximate aggregate market value on the reset date of 100.5% of the Treasury portfolio purchase price described under “Description of the Purchase Contracts — Remarketing.” In the case of a reset on the third business day immediately preceding February 16, 2005, the reset rate will be the rate determined by the reset agent as the rate the notes should bear in order for each note to have an approximate market value of 100.5% of the principal amount of the note. The reset rate will in no event exceed the maximum rate permitted by applicable law.

The “applicable benchmark Treasury” means direct obligations of the United States, as agreed upon by us and the reset agent (which may be obligations traded on a when-issued basis only), having a maturity comparable to the remaining term to maturity of the notes, which will be two years or two and one-quarter years as applicable. The rate for the applicable benchmark Treasury will be the bid side rate displayed at 10:00 A.M., New York City time, on the third business day immediately preceding November 16, 2004 or February 16, 2005, as applicable, in the Telerate system (or if the Telerate system is no longer available on that date or, in the opinion of the reset agent (after consultation with us), no longer an appropriate system from which to obtain the rate, such other nationally recognized quotation system as, in the opinion of the reset agent (after consultation with us), is appropriate). If this rate is not so displayed, the rate for the applicable benchmark Treasury will be, as calculated by the reset agent, the yield to maturity for the applicable benchmark Treasury, expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis, and computed by taking the arithmetic mean of the secondary market bid rates, as of 10:30 A.M., New York City time, on the third business day immediately preceding November 16, 2004 or February 16, 2005, as applicable, of three leading U.S. government securities dealers selected by the reset agent (after consultation with us) (which may include the reset agent or an affiliate thereof). Merrill Lynch, Pierce, Fenner & Smith Incorporated will be the reset agent.

On the seventh business day immediately preceding November 16, 2004 or February 16, 2005, the applicable benchmark Treasury to be used to determine the reset rate on the third business day prior to November 16, 2004 or February 16, 2005, as applicable, will be selected, and the reset spread to be added to the rate on the applicable benchmark Treasury in effect on the third business day immediately preceding November 16, 2004 or February 16, 2005, as applicable, will be established by the reset agent, and the reset spread and the applicable benchmark Treasury will be announced by us (the “reset announcement date”). We will cause a notice of the reset spread and the applicable benchmark Treasury to be published on the business day following the reset announcement date by publication in a daily newspaper in the English language of general circulation in New York City, which is expected to be *The Wall Street Journal*. We will request, not later than seven nor more than 15 calendar days prior to the reset announcement date, that the depository notify its participants holding notes, Income PACS or Growth PACS of the reset announcement date and of the procedures that must be followed if any owner of Income PACS wishes to settle the related purchase contract with cash on the business day immediately preceding February 16, 2005.

Optional Remarketing

On or prior to the fifth business day immediately preceding November 16, 2004, in the case of the remarketing to be conducted on the third business day preceding November 16, 2004, or February 16, 2005, in the case of the remarketing, if any, to be conducted on the third business day preceding February 16, 2005, but no earlier than the payment date immediately preceding November 16, 2004 or February 16, 2005, as applicable, holders of notes that are not components of Income PACS may elect to have their notes remarketed in the same manner as notes that are components of Income PACS by delivering their notes along with a notice of this election to the collateral agent. The collateral agent will hold the notes in an account separate from the collateral account in which the pledged securities will be held. Holders of notes electing to have their notes remarketed will also have the right to withdraw the election on or prior to the fifth business day immediately preceding November 16, 2004 or February 16, 2005, as applicable.

Put Option Upon a Failed Remarketing

If the remarketing of the notes on the third business day immediately preceding February 16, 2005 has occurred and has resulted in a failed remarketing, holders of notes following February 16, 2005 will have the right to put the notes to us on April 1, 2005, upon at least three business days' prior notice, at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any.

Tax Event Redemption

If a tax event occurs and is continuing, we may, at our option, redeem the notes in whole, but not in part, at any time at a price, which we refer to as the redemption price, equal to, for each note, the redemption amount described below plus accrued and unpaid interest, if any, to the date of redemption. Installments of interest on notes which are due and payable on or prior to a redemption date will be payable to the holders of the notes registered as such at the close of business on the relevant record dates. If, following the occurrence of a tax event, we exercise our option to redeem the notes, the proceeds of the redemption will be payable in cash to the holders of the notes. If the tax event redemption occurs prior to November 16, 2004, or if the notes are not successfully remarketed on the third business day immediately preceding November 16, 2004, prior to February 16, 2005, the redemption price for the notes forming a part of the Income PACS will be distributed to the collateral agent, who in turn will purchase the Treasury portfolio described below on behalf of the holders of Income PACS and remit the remainder of the redemption price, if any, to the purchase contract agent for payment to the holders. The Treasury portfolio will be substituted for the notes and will be pledged to the collateral agent to secure the Income PACS holders' obligations to purchase our common stock under the purchase contracts.

"Tax event" means the receipt by us of an opinion of nationally recognized independent tax counsel experienced in such matters to the effect that, as a result of

- any amendment to, change in, or announced proposed change in, the laws, or any regulations thereunder, of the United States or any political subdivision or taxing authority thereof or therein affecting taxation,
- any amendment to or change in an interpretation or application of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority, or
- any interpretation or pronouncement that provides for a position with respect to any such laws or regulations that differs from the generally accepted position on January 27, 2002,

which amendment, change or proposed change is effective or which interpretation or pronouncement is announced on or after the date of this prospectus supplement, there is more than an insubstantial risk that interest or original issue discount on the notes would not be deductible, in whole or in part, by us for U.S. federal income tax purposes.

[Table of Contents](#)

The Treasury portfolio to be purchased on behalf of the holders of Income PACS will consist of interest or principal strips of U.S. Treasury securities which mature on or prior to February 15, 2005 in an aggregate amount equal to the aggregate principal amount of the notes included in Income PACS and with respect to each scheduled interest payment date on the notes that occurs after the tax event redemption date and on or before February 16, 2005, interest or principal strips of U.S. Treasury securities which mature on or prior to that interest payment date in an aggregate amount equal to the aggregate interest payment that would be due on the aggregate principal amount of the notes on that date if the interest rate of the notes was not reset on the applicable reset date.

Solely for purposes of determining the Treasury portfolio purchase price in the case of a tax event redemption date occurring after November 16, 2004, or February 16, 2005 if the remarketing of the notes on the third business day preceding November 16, 2004 resulted in a failed remarketing, "Treasury portfolio" will mean a portfolio of zero-coupon U.S. Treasury securities consisting of principal or interest strips of U.S. Treasury securities which mature on or prior to February 15, 2007 in an aggregate amount equal to the aggregate principal amount of the notes outstanding on the tax event redemption date and with respect to each scheduled interest payment date on the notes that occurs after the tax event redemption date, interest or principal strips of U.S. Treasury securities which mature on or prior to that interest payment date in an aggregate amount equal to the aggregate interest payment that would be due on aggregate principal amount of the notes outstanding on the tax event redemption date if the interest rate of the notes was not reset on the applicable reset date.

"Redemption amount" means in the case of a tax event redemption occurring prior to November 16, 2004, or prior to February 16, 2005 if the remarketing of the notes on the third business day preceding November 16, 2004 resulted in a failed remarketing, for each note the product of the principal amount of the note and a fraction whose numerator is the Treasury portfolio purchase price and whose denominator is the aggregate principal amount of notes included in Income PACS, and in the case of a tax event redemption date occurring on or after November 16, 2004, or February 16, 2005 if the remarketing of the notes on the third business day preceding November 16, 2004 resulted in a failed remarketing, for each note the product of the principal amount of the note and a fraction whose numerator is the Treasury portfolio purchase price and whose denominator is the aggregate principal amount of the notes outstanding on the tax event redemption date.

"Treasury portfolio purchase price" means the lowest aggregate price quoted by a primary U.S. government securities dealer in New York City to the quotation agent on the third business day immediately preceding the tax event redemption date for the purchase of the Treasury portfolio for settlement on the tax event redemption date.

"Quotation agent" means Merrill Lynch Government Securities, Inc. or its successor or any other primary U.S. government securities dealer in New York City selected by us.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each registered holder of notes to be redeemed at its registered address. Unless we default in payment of the redemption price, on and after the redemption date interest shall cease to accrue on the notes. In the event any notes are called for redemption, neither we nor the trustee will be required to register the transfer of or exchange the notes to be redeemed.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

In the opinion of White & Case LLP, special tax counsel to Williams, the following statements discussing the material U.S. federal income tax consequences of the exchange offer that may be relevant to you if you are a holder of Income PACS, to the extent that they constitute a description of the tax laws and regulations of the United States, are correct in all material respects and constitute the opinion of White & Case LLP regarding such matters. The following discussion addresses the material U.S. federal income tax consequences of the exchange offer to holders of Income PACS. This discussion deals only with Income PACS held as capital assets (generally, assets held for investment) and, except where explicitly addressing the material U.S. federal income tax consequences of the exchange to holders other than U.S. persons (defined below), pertains only to holders that are U.S. persons. The tax treatment of a holder may vary depending on such holder's particular situation. This discussion does not address all of the tax consequences that may be relevant to holders that may be subject to special tax treatment such as, for example, insurance companies, broker dealers, tax-exempt organizations, regulated investment companies, persons holding Income PACS, notes or shares of our common stock as part of a straddle, hedge, conversion transaction or other integrated investment, former U.S. citizens that have expatriated, and U.S. persons whose functional currency is not the U.S. dollar. In addition, this discussion does not address any aspects of state, local, or foreign tax laws. This discussion is based on the U.S. federal income tax laws, regulations, rulings and decisions in effect as of the date of this exchange offer prospectus, which are subject to change or differing interpretations, possibly on a retroactive basis.

CERTAIN ASPECTS OF THE U.S. FEDERAL INCOME TAX TREATMENT OF THE EXCHANGE OFFER ARE NOT DIRECTLY ADDRESSED BY ANY STATUTORY, ADMINISTRATIVE OR JUDICIAL AUTHORITY AND, THEREFORE, MAY BE SUBJECT TO DIFFERING INTERPRETATION. IN ADDITION, THE TAX CONSEQUENCES OF EXCHANGING YOUR INCOME PACS IN THE EXCHANGE OFFER WILL DEPEND ON YOUR PARTICULAR CIRCUMSTANCES. ACCORDINGLY, YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO YOU OF EXCHANGING YOUR INCOME PACS IN THE EXCHANGE OFFER, INCLUDING THE APPLICATION AND EFFECT OF U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS TO YOUR PARTICULAR CIRCUMSTANCES.

For purposes of this discussion, the term "U.S. person" means: (1) a person who is a citizen or resident of the United States; (2) a corporation created or organized in or under the laws of the United States or any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust or (b) such trust has in effect a valid election to be treated as a domestic trust for U.S. federal income tax purposes.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds Income PACS, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partner of a partnership holding Income PACS should consult its tax advisors with respect to the tax treatment of participation in the exchange offer.

Applicable Federal Income Tax Treatment of Income PACS — In General

Each Income PACS you own is a unit consisting of two components — a note and a purchase contract — which, together, constitute an Income PACS. Your initial purchase price for each Income PACS was allocated between the two components in proportion to their respective fair market values at the time of purchase, and such allocation established your initial tax basis in the underlying note and purchase contract. In our original issuance of Income PACS, we reported the fair market value of each note as \$25 and the fair market value of each purchase contract as \$0. If you acquired Income PACS in the original issuance, our reporting position was binding on you (but not on the Internal Revenue Service

[Table of Contents](#)

("IRS")) with respect to such Income PACS unless you explicitly disclosed a contrary position on a statement attached to your timely filed U.S. federal income tax return for the taxable year in which such Income PACS were acquired. If you acquired an Income PACS through a purchase in the secondary market, your purchase price should have been similarly allocated between the note and the purchase contract in proportion to the fair market values of the two components at the time of your purchase.

We have treated the notes as contingent payment debt instruments. As such, you have been required to accrue original issue discount, or OID, on your notes. Your adjusted tax basis in your notes on the date such notes are exchanged pursuant to the exchange offer will, accordingly, reflect increases to your basis in the amount of OID you have been required to include in income with respect to your notes through the date of the exchange and decreases to your basis equal to the total amount of projected payments with respect to your notes through the date of the exchange.

There is no direct authority addressing the treatment, under current law, of the contract adjustment payments, and the U.S. federal income tax treatment of such payments is therefore unclear. The quarterly contract adjustment payments may constitute taxable ordinary income to a holder when received or accrued, in accordance with such holder's regular method of accounting. We have reported such payments on any required information returns as taxable ordinary income to the holder. Holders who may have reported such payments or accruals in a different manner are urged to consult their tax advisors.

The following discussion assumes that your reporting for U.S. federal income tax purposes of the acquisition and ownership of Income PACS has been consistent with our treatment as outlined above.

Federal Income Tax Treatment of Participation in the Exchange

On August 17, 2004, we received a private letter ruling from the IRS regarding the tax consequences to us from an exchange of an Income PACS for one share of our common stock plus a specified amount of cash, pursuant to which the purchase contract component contained in such Income PACS would be cancelled and the note component contained in such Income PACS would be redeemed. The IRS ruled that we would not recognize any gain or loss from the cancellation of the purchase contract component in such Income PACS and would be treated as having redeemed the note component of the Income PACS for its original issue price of \$25.00 increased by the amount of OID included with respect to a note through the date of the exchange and decreased by the total payments made with respect to a note through the date of the exchange, its "adjusted issue price." The IRS expressed no opinion, however, as to whether the exchange would constitute a tax-free reorganization under section 368(a)(1) of the Internal Revenue Code of 1986, as amended (the "Code"), whether the Income PACS would be treated as a note and a purchase contract (each of which is a separate instrument for U.S. federal income tax purposes), or whether the notes would be treated as contingent payment debt instruments for U.S. federal income tax purposes.

In the opinion of White & Case LLP, the Income PACS should be treated as a note and purchase contract (each of which is a separate instrument for U.S. federal income tax purposes) and the notes should be treated as contingent payment debt instruments for U.S. federal income tax purposes. In addition, in the opinion of White & Case LLP, it is more likely than not that the exchange of Income PACS for shares of our common stock and cash will not constitute a tax-free reorganization under the Code, in whole or in part, and will be treated as the cash settlement of each purchase contract component of such Income PACS and the redemption of each note component of such Income PACS for its adjusted issue price. Such opinions, however, are not binding on the IRS or the courts, either or both of which may reach a contrary conclusion.

Table of Contents

Based upon the opinion of White & Case LLP, we plan to treat and to characterize the exchange as a transaction that does not constitute a tax-free reorganization under the Code in which:

(i) the note component of an Income PACS is redeemed by us for an amount equal to:

(A) the fair market value of one share of our common stock as of the date of the exchange; *plus*

(B) an amount of cash which when added to the fair market value of the one share of our common stock equals the adjusted issue price of the note; and

(ii) the purchase contract component of an Income PACS is cash settled for a payment to us equal to:

(A) the adjusted issue price of the note component of the Income PACS; *minus*

(B) the sum of: (x) the fair market value of one share of our common stock as of the date of the exchange; *plus* (y) the actual amount of cash that is paid by us to the exchanging Income PACS holder.

Redemption of the note pursuant to this treatment will give rise to gain or loss equal to the difference between the adjusted issue price of the note as of the date of the exchange and the holder's adjusted basis in the note. Because we have treated the notes as contingent payment debt instruments, any gain recognized on the notes will be treated as ordinary interest income. Loss recognized on such notes will be treated as ordinary loss to the extent of the holder's prior inclusions of original issue discount on his or her notes. Any loss in excess of such amount will be treated as a capital loss. The deductibility of capital losses is subject to limitations.

A holder that purchased an Income PACS in our original issuance of Income PACS or when the purchase contract included in the Income PACS had positive value will recognize a capital loss equal to the amount that is treated as paid by the holder to cancel the purchase contract component of an Income PACS plus the holder's adjusted tax basis for the purchase contract, if any. The deductibility of capital losses is subject to limitations. The treatment to a holder that purchased Income PACS when the purchase contract had a negative value is unclear. Please consult your tax advisor.

A holder's basis in a share of our common stock received on the exchange of an Income PACS will be equal to the fair market value of the share on the date of the exchange. The holding period for the share of our common stock received in the exchange will begin on the day following the holder's acquisition of the stock.

As noted above, the foregoing treatment is not definitively supported by existing authority, and alternative characterizations of the exchange are possible. It is possible that the exchange of an Income PACS for a share of our common stock plus cash pursuant to the exchange offer may be treated as a recapitalization in which the notes are exchanged for shares of our common stock, the termination of the purchase contracts and the amount of cash received in the exchange by Income PACS unit holders. If the exchange of an Income PACS were characterized in this manner, no loss could be recognized by an exchanging holder, a holder's basis in his or her shares of our common stock received in the exchange generally would be determined by reference to the holder's adjusted basis in the note component of his or her Income PACS, and the holding period of such stock would include the period the holder held the notes.

Again in the alternative, the exchange of Income PACS in the exchange offer could possibly be treated as the cash settlement of the purchase contract and a recapitalization in which the notes are redeemed for shares of our common stock and an amount of cash such that the total consideration for the notes equals the adjusted issue price of the notes. If the exchange of an Income PACS were characterized in this manner, no loss could be recognized by an exchanging holder with respect to the redemption of the note, the holder could recognize a capital loss with respect to the cash settlement of the purchase contract, a holder's basis in his or her shares of our common stock received in the exchange generally would be

[Table of Contents](#)

determined by reference to the holder's adjusted basis in the note component of his or her Income PACS, and the holding period of such stock would include the period the holder held the notes.

We will report cash received in lieu of a fractional interest in our common stock as a redemption of such fractional interest in exchange for cash. You would generally realize capital gain or loss on a redemption of a fractional interest in our common stock in an amount equal to the cash received for the fractional share over your basis (determined based on your treatment of the exchange offer, as described above) in such fractional interest. Gain or loss on this redemption will generally be short-term capital gain or loss unless the exchange is treated as a recapitalization for U.S. federal income tax purposes (in which case the gain or loss would be long-term capital gain or loss if the holder has held his or her Income PACS for more than twelve months).

YOU ARE URGED TO CONSULT YOUR TAX ADVISOR CONCERNING THE PROPER TREATMENT OF THE EXCHANGE, AND OF ANY SUBSEQUENT DISPOSITION OF STOCK RECEIVED IN THE EXCHANGE, IN YOUR PARTICULAR CIRCUMSTANCES.

Federal Tax Aspects of Ownership of Common Stock Received in the Exchange Offer

Distributions paid by us out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) on common stock received as part of the exchange offer will constitute a dividend and will be includible in income by holders when received. Under current law, such dividends paid to individual holders may qualify for a special 15 percent tax rate on "qualified dividend income" through December 31, 2008. Dividends may also be eligible for the dividends received deduction if the holder is an otherwise qualifying corporate holder that meets the holding period and other requirements for the dividends received deduction.

Upon a disposition of our common stock, you generally will recognize capital gain or loss equal to the difference between the amount realized and your adjusted tax basis in the common stock. Such capital gain or loss generally will be long-term capital gain or loss if you held such common stock for more than one year immediately prior to such disposition. Long-term capital gains of individuals are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Substitution of Notes to Recreate Income PACS

If you hold Growth PACS and deliver notes to the collateral agent in substitution for Treasury securities, you generally will not recognize gain or loss upon your delivery of such notes or your receipt of the Treasury securities. You will continue to take into account items of income or deduction otherwise includible or deductible, respectively, by you with respect to such Treasury securities and notes, and your adjusted tax bases in the Treasury securities, the notes and the purchase contract will not be affected by such delivery and release.

Backup Withholding Tax and Information Reporting

Unless you are an exempt recipient, such as a corporation, the exchange of Income PACS for shares pursuant to the exchange offer and the receipt of dividends on our common stock received as part of the exchange may be subject to information reporting. In addition, unless you are an exempt recipient, you may be subject to U.S. federal backup withholding tax at a current rate of 28 percent, if you fail to supply an accurate taxpayer identification number or otherwise fail to comply with applicable U.S. information reporting or certification requirements.

Treatment Generally Applicable to Non-U.S. Holders Participating in the Exchange

The following discussion applies to you if you are a holder other than a "U.S. person" as defined in the third paragraph of "Material U.S. Federal Income Tax Consequences," above. Special rules may apply to you if you are a "controlled foreign corporation," "passive foreign investment company," "foreign personal holding company" or are otherwise subject to special treatment under the Code. If you are or

[Table of Contents](#)

may be subject to these special rules, you should consult your own tax advisor to determine the particular U.S. federal, state and local and other tax consequences applicable to you of participating in the exchange offer.

U.S. Federal Withholding Tax

U.S. federal withholding tax should not apply to gain or income allocable to the notes provided that: you do not actually (or constructively) own 10 percent or more of the total combined voting power of all classes of our voting stock within the meaning of the Code and the Treasury regulations; you are not a controlled foreign corporation that is related to us through stock ownership; you are not a bank whose receipt of interest on the notes is described in section 881(c)(3)(A) of the Code; and (a) you provide your name and address on an IRS Form W-8BEN (or a suitable successor form) and certify, under penalty of perjury, that you are not a U.S. person or (b) a financial institution holding the Income PACS on your behalf certifies, under penalty, that it has received an IRS Form W-8BEN (or a suitable successor form) from the beneficial owner and provides us with a copy.

We do not intend to withhold on amounts received in the exchange offer that are allocable to the notes if these requirements are met.

U.S. withholding tax generally will apply at a rate of 30 percent on dividends paid on the shares of our common stock received as part of the exchange. However, if a tax treaty applies, you may be eligible for a reduced rate of withholding. Dividends on our common stock that are effectively connected with the conduct of a trade or business by you within the United States (and, where a tax treaty applies, are attributable to a U.S. permanent establishment maintained by you), are not subject to the withholding tax, but instead are subject to U.S. federal income tax on a net basis, as described below. In order to claim any such exemption or reduction in the 30 percent withholding tax, you should provide a properly executed IRS Form W-8BEN (or a suitable substitute form) claiming a reduction of or an exemption from withholding under an applicable tax treaty or IRS Form W-8ECI (or a suitable substitute form) stating that such payments are not subject to withholding tax because they are effectively connected with your conduct of a trade or business in the United States.

U.S. Federal Income Tax

Assuming you are not subject to U.S. federal withholding tax as described above, any gain or income realized on the notes and any gain or income realized on a disposition of our common stock received as part of the exchange will not be subject to U.S. federal income tax unless: (i) such gain or income is, or is treated as, effectively connected with your conduct of a trade or business in the United States; or (ii) you are an individual who is present in the United States for 183 days or more in the taxable year of that disposition and certain other conditions are met; or, in the case of gain or income realized on a disposition of our common stock, we are or have been a non-publicly traded "U.S. real property holding corporation," as described below, for U.S. federal income tax purposes.

Foreign Investment in Real Property Tax Act of 1980

Gain or loss of a non-U.S. person from the disposition of stock in a "U.S. real property holding corporation" may be treated as effectively connected with the conduct of a trade or business in the United States and subject to U.S. withholding and federal income tax. We do not know whether we are currently a U.S. real property holding corporation for U.S. federal income tax purposes. In any event, if we were to become a U.S. real property holding corporation, so long as our common stock continued to be regularly traded on an established market, you would generally not be subject to U.S. federal income tax on the disposition of our common stock under this rule if you held (at all times during the shorter of the five year period preceding the date of disposition or your holding period) less than five percent of the total outstanding shares of our common stock.

Backup Withholding

No backup withholding will be required as a result of the exchange of an Income PACS for a share of our common stock plus cash or for dividends paid on our common stock received as part of the exchange if you are not a U.S. person and you have provided us with an IRS Form W-8BEN (or, where applicable, an IRS Form W-8ECI) and we do not have actual knowledge or reason to know that you are a U.S. person.

Federal Tax Treatment of Non-Tendering Holders

If you elect not to participate in the exchange, the exchange will have no federal income tax impact on you, and the consequences of your ownership and disposition of Income PACS, Growth PACS, notes or Treasury securities will be as described in the original prospectus supplement dated January 7, 2002.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This exchange offer prospectus includes, or incorporates by reference, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These forward-looking statements relate to anticipated financial performance, management's plans and objectives for future operations, business prospects, outcome of regulatory proceedings, market conditions and other matters. Words such as "anticipate," "believe," "estimate," "expect," "intend," "plan" and "objective" and other similar expressions identify those statements that are forward-looking. These statements are based on management's beliefs and assumptions and on information currently available to management. Actual results could differ materially from those contemplated by the forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with such statements, factors that could cause our actual results to differ materially from those contemplated in any forward-looking statement include, among others:

- our substantial leverage and debt service requirements;
- execution of our planned asset sales;
- volatility of energy prices, including natural gas prices;
- pricing, market strategies, the expansion, consolidation and other activities of competitors;
- the effect of economic conditions in its markets;
- the regulatory environment in which we operate; and
- other factors listed in the documents we incorporate by reference.

All future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by their cautionary statements. We do not intend to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events, except as required by law.

LEGAL MATTERS

The validity of the common stock to be issued in the exchange offer will be passed upon for us by James J. Bender, Senior Vice President and General Counsel of Williams, and certain other legal matters with respect to the exchange offer will be passed upon for us by Gibson, Dunn & Crutcher LLP, Denver, Colorado. Certain U.S. federal income taxation matters will be passed upon for us by White & Case LLP, Washington, D.C. Davis Polk & Wardwell, New York, New York, will pass upon certain legal matters in connection with the exchange offer for the dealer managers. As of September 7, 2004, Mr. Bender was the beneficial holder of 50,000 shares of our common stock. Mr. Bender is a participant in our stock option plan and various other employee benefit plans offered to our employees.

EXPERTS

The consolidated financial statements and schedule of The Williams Companies, Inc. appearing in its current report on Form 8-K dated June 1, 2004 and filed with the Securities and Exchange Commission on September 16, 2004, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon included therein and incorporated by reference herein. Such consolidated financial statements and schedule are incorporated by reference herein. Such consolidated financial statements and schedule are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing. Approximately 98% of our year-end 2003 U.S. proved reserves estimates included in our annual report on Form 10-K for the year ended December 31, 2003, as amended, which is incorporated by reference into this exchange offer prospectus, were either audited by Netherland, Sewell & Associates, Inc. or, in the case of reserves

estimates related to properties underlying the Williams Coal Seam Gas Royalty Trust, were prepared by Miller and Lents, LTD.

WHERE YOU CAN FIND MORE INFORMATION

We file reports and other information with the Securities and Exchange Commission, which we refer to in this exchange offer prospectus as the SEC. You may read and copy any reports or other information that we file with the SEC at the SEC's public reference room located at 450 Fifth Street, N.W., Washington D.C. 20549. You may also receive copies of these documents upon payment of a duplicating fee, by calling the SEC at 1-800-SEC-0330. Our filings are also available to the public on the SEC's web site at <http://www.sec.gov>. You may also inspect our SEC reports on our web site at <http://www.williams.com>. We do not intend for information in our web site to be part of this exchange offer prospectus.

We are incorporating by reference into this exchange offer prospectus information we file with the SEC, which means we are disclosing important information to you by referring you to those documents. The information we incorporate by reference is considered to be part of this exchange offer prospectus, unless we update or supersede that information by the information contained in this exchange offer prospectus or the information we file subsequently that is incorporated by reference into this exchange offer prospectus. We are incorporating by reference the following documents that we have filed with the SEC:

1. annual report on Form 10-K for the fiscal year ended December 31, 2003;
2. quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2004;
3. quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2004;
4. current reports on Form 8-K filed March 31, 2004, May 27, 2004 and September 16, 2004 (two filed on this date);
5. the description of our Income PACS contained in our registration statement on Form 8-A filed with the SEC on January 8, 2002, as amended by an amendment to Form 8-A filed with the SEC on January 23, 2002; and
6. the description of our common stock, par value \$1.00 per share, contained in our registration statement on Form S-3 filed April 4, 2002.

We also incorporate by reference each of the documents that we file with the SEC (excluding those filings made under Items 2.02 or 7.01 of Form 8-K (or any predecessor item)) under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this exchange offer prospectus until the expiration date of the exchange offer.

You may request a copy of any of these filings (other than an exhibit to those filings unless we have specifically incorporated that exhibit by reference into the filing), at no cost, by telephoning or writing us at the address set forth below. To obtain timely delivery of any requested information, FELINE PACS holders must make any request no later than five business days prior to the expiration date of the exchange offer.

The Williams Companies, Inc.

Investor Relations
One Williams Center
Tulsa, Oklahoma 74172
Telephone Number: (918) 573-2000

The exchange agent for the exchange offer is:

JPMorgan Chase Bank

BY REGISTERED OR CERTIFIED

MAIL:

JPMorgan Chase Bank
Institutional Trust Services
P.O. Box 2320
Dallas, Texas 75221-2320
Attention: Frank Ivins

BY HAND:

JPMorgan Chase Bank
Institutional Trust Services Window
4 New York Plaza, 1st Floor
New York, New York 10004-2413

BY COURIER:

JPMorgan Chase Bank
Institutional Trust Services
2001 Bryan Street, 9th Floor
Dallas, Texas 75201
Attention: Frank Ivins

BY FACSIMILE:

Attention: Joanne Adamis

(212) 623-6167

CONFIRM BY TELEPHONE:

(212) 623-6782

The information agent for the exchange offer is:

D.F. King & Co., Inc.

48 Wall Street, 22nd Floor
New York, New York 10005
Banks and Brokers, Call Collect:
(212) 269-5550
All Other Call Toll Free:
(800) 848-2998

The dealer managers for the exchange offer are:

Lead Dealer Manager

Merrill Lynch & Co.

World Financial Center — North Tower
New York, New York 10080
Attn: Liability Management Group
Call Toll-Free: 1-888-654-8637
or Call: 212-449-4914 (collect)

Dealer Managers

Citigroup

Banc of America Securities LLC

Additional copies of this exchange offer prospectus, the letter of transmittal or other tender offer materials may be obtained from the information agent and will be furnished at our expense. Questions and requests for assistance or additional copies hereof or the letter of transmittal should be directed to the information agent.

Questions and requests for information regarding the terms of the exchange offer should be directed to the lead dealer manager.

PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****Item 20. Indemnification of Directors and Officers**

Williams, a Delaware corporation, is empowered by Section 145 of the General Corporation Law of the State of Delaware, subject to the procedures and limitations stated therein, to indemnify any person against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by them in connection with any threatened, pending, or completed action, suit, or proceeding in which such person is made party by reason of their being or having been a director, officer, employee, or agent of Williams. The statute provides that indemnification pursuant to its provisions is not exclusive of other rights of indemnification to which a person may be entitled under any by-law, agreement, vote of stockholders or disinterested directors, or otherwise. The By-laws of Williams provide for indemnification by Williams of its directors and officers to the fullest extent permitted by the General Corporation Law of the State of Delaware. In addition, Williams has entered into indemnity agreements with its directors and certain officers providing for, among other things, the indemnification of and the advancing of expenses to such individuals to the fullest extent permitted by law, and to the extent insurance is maintained, for the continued coverage of such individuals.

Policies of insurance are maintained by Williams under which the directors and officers of Williams are insured, within the limits and subject to the limitations of the policies, against certain expenses in connection with the defense of actions, suits, or proceedings, and certain liabilities which might be imposed as a result of such actions, suits or proceedings, to which they are parties by reason of being or having been such directors or officers.

Item 21. Exhibits and Financial Statement Schedules

(a) Exhibits

Exhibit No.	Description
1.1*	Form of Dealer Manager Agreement
4.1*	Restated Certificate of Incorporation of The Williams Companies, Inc., as amended through August 3, 2004
4.2	Certificate of Designation of Series A Junior Participating Preferred Stock (incorporated herein by reference to Exhibit 4.1 to this registration statement)
4.3*	Restated By-laws, as amended through September 15, 2004
4.4	Rights Agreement between The Williams Companies, Inc. and First Chicago Trust Company of New York (incorporated herein by reference to Exhibit 4 of registrant's current report on Form 8-K filed January 24, 1996)
5.1*	Opinion of James J. Bender, Esq
8.1*	Tax Opinion of White & Case LLP
23.1*	Consent of Ernst & Young LLP, independent registered public accounting firm
23.2*	Consent of James J. Bender, Esq. (included in Exhibit 5.1 to this registration statement)
23.3*	Consent of White & Case LLP (included in Exhibit 8.1 to this registration statement)
23.4*	Consent of Independent Petroleum Engineers and Geologists, Netherland, Sewell & Associates, Inc.
23.5*	Consent of Independent Petroleum Engineers and Geologists, Miller and Lents, LTD.
24.1*	Power of Attorney
99.1*	Form of Letter of Transmittal
99.2*	Form of Letter to Registered Holders and Depository Trust Company Participants
99.3*	Form of Letter to Clients
99.4*	Form of Letter to Holders of FELINE PACS

* Filed herewith

Item 22. Undertakings

(a) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(d) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act , the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Tulsa, state of Oklahoma on September 17, 2004.

THE WILLIAMS COMPANIES, INC.

By: /s/ BRIAN K. SHORE

Name: Brian K. Shore

Title: Secretary

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
* _____ Steven J. Malcolm	President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	September 17, 2004
* _____ Donald R. Chappel	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	September 17, 2004
* _____ Gary R. Belitz	Controller (Principal Accounting Officer)	September 17, 2004
* _____ Hugh M. Chapman	Director	September 17, 2004
* _____ William E. Green	Director	September 17, 2004
* _____ W.R. Howell	Director	September 17, 2004
* _____ Charles M. Lillis	Director	September 17, 2004
* _____ George A. Lorch	Director	September 17, 2004
* _____ William G. Lowrie	Director	September 17, 2004
* _____ Frank T. MacInnis	Director	September 17, 2004

[Table of Contents](#)

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<hr/> * Janice D. Stoney	Director	September 17, 2004
<hr/> * Joseph H. Williams	Director	September 17, 2004
*By: <hr/> /s/ BRIAN K. SHORE		
	<hr/> Name: Brian K. Shore As Attorney-In-Fact	

Exhibits

Exhibit No.	Description
1.1*	Form of Dealer Manager Agreement
4.1*	Restated Certificate of Incorporation of The Williams Companies, Inc., as amended through August 3, 2004
4.2	Certificate of Designation of Series A Junior Participating Preferred Stock (incorporated herein by reference to Exhibit 4.1 to this registration statement)
4.3*	Restated By-laws, as amended through September 15, 2004
4.4	Rights Agreement between The Williams Companies, Inc. and First Chicago Trust Company of New York (incorporated herein by reference to Exhibit 4 of registrant's current report on Form 8-K filed January 24, 1996)
5.1*	Opinion of James J. Bender, Esq
8.1*	Tax Opinion of White & Case LLP
23.1*	Consent of Ernst & Young LLP, independent registered public accounting firm
23.2*	Consent of James J. Bender, Esq. (included in Exhibit 5.1 to this registration statement)
23.3*	Consent of White & Case LLP (included in Exhibit 8.1 to this registration statement)
23.4*	Consent of Independent Petroleum Engineers and Geologists, Netherland, Sewell & Associates, Inc.
23.5*	Consent of Independent Petroleum Engineers and Geologists, Miller and Lents, LTD.
24.1*	Power of Attorney
99.1*	Form of Letter of Transmittal
99.2*	Form of Letter to Registered Holders and Depository Trust Company Participants
99.3*	Form of Letter to Clients
99.4*	Form of Letter to Holders of FELINE PACS

* Filed herewith

THE WILLIAMS COMPANIES, INC.

DEALER MANAGER AGREEMENT

September 17, 2004

MERRILL LYNCH & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
CITIGROUP GLOBAL MARKETS INC.
BANC OF AMERICA SECURITIES LLC

c/o Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Four World Financial Center
New York, New York 10080

Ladies and Gentlemen:

1. General. The Williams Companies, Inc., a Delaware corporation (the "COMPANY"), plans to make a tender offer to exchange (the "OFFER") up to an aggregate of 43,900,000 of the Company's outstanding FELINE PACS in the form of Income PACS (the "SECURITIES") for a combination of cash and shares of the Company's common stock ("COMPANY SHARES") on the terms and subject to the conditions set forth in the Preliminary Prospectus dated the date hereof and included in the Registration Statement (as defined below) (and as amended or supplemented from time to time prior to effectiveness of the Registration Statement, the "PRELIMINARY PROSPECTUS"), and the related Letter of Transmittal (the "LETTER OF TRANSMITTAL") dated the date hereof and filed as Exhibit 99.1 to the Registration Statement.

The following materials to be used by the Company in connection with the Offer, as any of them may be amended, modified or supplemented from time to time, are collectively referred to herein as the "OFFER MATERIAL":

(a) The Company's Registration Statement on Form S-4 filed with the Securities and Exchange Commission (the "COMMISSION") on September 17, 2004 in accordance with the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "1933 ACT"), relating to the Offer and the issuance of the Company Shares in connection therewith. As used in this agreement (the "DEALER MANAGER AGREEMENT" or this "AGREEMENT"), the term "REGISTRATION STATEMENT" means such registration statement, including all exhibits, financial statements, schedules or other

information included or incorporated by reference therein, when it becomes effective under the 1933 Act, and as amended or supplemented from time to time.

(b) The Company's Prospectus relating to the Offer and the Company Shares to be issued in connection therewith. As used in this Agreement, the term "PROSPECTUS" means (i) any prospectus, as amended or supplemented on or prior to the Acceptance Date (as defined below) (including, but not limited to, the Preliminary Prospectus) that the Company uses, prepares, files, distributes or approves in writing which is used to solicit tenders of Securities in the Offer, or (ii) after the effectiveness of the Registration Statement, the prospectus, if any, filed with the Commission pursuant to Rule 424(b) under the 1933 Act, in the form it was first filed, provided that such prospectus was used to solicit tenders of Securities in the Offer on or prior to the Acceptance Date. All references in this Agreement to financial statements and schedules and other information which is "contained", "included" or "stated" in the Registration Statement, any preliminary prospectus or the Prospectus (or other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which is incorporated, or deemed to be incorporated, by reference in the Registration Statement, any preliminary prospectus or the Prospectus, as the case may be. Any reference herein to the Registration Statement or the Prospectus shall be deemed to refer to and include any documents, financial statements and schedules incorporated, or deemed to be incorporated, by reference therein pursuant to Form S-4 under the 1933 Act, as of the effective date of the Registration Statement or the date of the Prospectus, as the case may be, and any reference to any amendment or supplement to the Registration Statement or the Prospectus shall be deemed to refer to and include any documents, financial statements and schedules filed after such date under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder (collectively, the "1934 ACT") and so incorporated, or deemed to be incorporated, by reference (such incorporated documents, financial statements and schedules being herein called the "INCORPORATED DOCUMENTS"). For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

(c) The Tender Offer Statement on Schedule TO (the "SCHEDULE TO") filed or to be filed by the Company with the Commission pursuant to Rule 13e-4 under the 1934 Act and all amendments to the Schedule TO (each an "AMENDMENT" and, collectively, the "AMENDMENTS") and the Letter of Transmittal.

(d) The Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 relating to the Offer.

(e) The form of letter to Registered Holders and The Depository Trust Company Participants relating to the Offer, and the form of letter to Clients of Registered Holders and The Depository Trust Company Participants relating to the Offer.

(f) The form of letter to Holders of The Williams Companies, Inc.'s FELINE PACS relating to the Offer.

(g) Any other documents or materials whatsoever (including newspaper announcements and press releases) relating to the Offer that are distributed or made available to the public or the holders of the Securities by or at the direction of the Company in connection with the Offer.

2. Engagement as Dealer Managers. (a) The Company hereby retains each of Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and Banc of America Securities LLC to act as the exclusive dealer managers with respect to the Offer (each a "DEALER MANAGER" and together, the "DEALER MANAGERS"). On the basis of the representations and warranties and agreements of the Company herein contained and subject to and in accordance with the terms and conditions hereof and of the Offer Material, you hereby agree to act as Dealer Managers in connection with the Offer and in connection therewith, you shall act in accordance with your customary practices and shall perform those services in connection with the Offer that are customarily performed by investment banking firms in connection with acting as a dealer manager of exchange offers of a like nature, including, but not limited to, soliciting tenders pursuant to the Offer and communicating generally regarding the Offer with brokers, dealers, commercial banks and trust companies and other persons, including the holders of the Securities. The Dealer Managers shall have no obligation to cause copies of the Offer Material to be transmitted generally to the holders of the Securities.

(b) The Company acknowledges and agrees that each of the Dealer Managers have been retained hereunder to act solely as a Dealer Manager. In such capacity, each of the Dealer Managers shall act hereunder as an independent contractor and shall not be deemed the agent or fiduciary of the Company or any of its affiliates, equity holders or creditors or of any other person, and any of the duties of the Dealer Managers arising out of the Dealer Managers' engagement pursuant to this Agreement shall be owed solely to the Company. None of the Dealer Managers shall be liable to the Company, its affiliates, equity holders or creditors or to any other person for any act or omission on the part of, and shall not be deemed to be the agent or fiduciary of, any broker or dealer, commercial bank or trust company and no such broker or dealer, commercial bank or trust company shall be deemed to be acting as the agent or fiduciary of any of the Dealer Managers (including, without limitation, for purposes of Section 10 of this

Agreement). Nothing contained in this Agreement shall constitute any of the Dealer Managers a partner of or joint venturer with the Company.

3. Solicitation Material, Withdrawal. The Company agrees to furnish you with as many copies as you may reasonably request of any Offer Material, and hereby authorizes you to use the Offer Material in connection with the Offer. The Company agrees that, within a reasonable time prior to using any Offer Material, it will submit copies of such material to you and your counsel and will not use or publish any such material to which you reasonably object. The Company agrees that the Offer Material have been or will be prepared and approved by, and are the sole responsibility of, the Company. The Company shall inform you promptly after it receives notice or becomes aware of the happening of any event, or the discovery of any fact, that would require the making of any change in any Offer Material then being used or that would affect the accuracy or completeness of any representation or warranty contained in this Agreement if such representation or warranty were being made immediately after the happening of such event or the discovery of such fact.

In the event that (i) the Company uses or permits the use of any Offer Material (a) that has not been submitted to you and your counsel for comment or (b) that has been so submitted and with respect to which you or your counsel have made comments, but which comments have not resulted in a response reasonably satisfactory to you to reflect such comments, (ii) the Company shall have breached any of its representations, warranties, agreements, obligations or covenants contained herein, (iii) there shall have occurred any material adverse change, or any development or event involving a material adverse change, in the financial condition, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole (a "MATERIAL ADVERSE CHANGE"), that, in your judgment, makes it impracticable or inadvisable to carry out the Offer, the exchange of Securities pursuant thereto or the performance of this Agreement, (iv) the Offer is terminated or withdrawn for any reason other than as a result of the gross negligence, bad faith or willful misconduct of any Dealer Manager or (v) any stop order, restraining order, injunction or denial of an application for approval has been issued in connection with the Offer and not thereafter stayed or vacated or any proceeding, litigation or investigation in connection with the Offer has been initiated, that, in either case in your judgment, makes it impracticable or inadvisable to carry out the Offer, the exchange of Securities pursuant thereto or the performance of this Agreement, then in any such case you shall be entitled to withdraw as a Dealer Manager, by providing written notice of such withdrawal to the Company, without any liability or penalty to you or any other Indemnified Party (as defined in Section 10) and without loss of any right to the payment of all expenses payable in accordance with Section 5 hereunder which have been incurred by you to the date of such withdrawal. If you withdraw as a Dealer Manager in accordance with the foregoing provision, the reimbursement for your expenses through the date of such withdrawal shall be paid to you promptly after

such date. Notwithstanding anything contained in this Agreement to the contrary, the Company may, in its discretion, carry out the Offer after your withdrawal as Dealer Manager, provided that the Company (y) amends or supplements the Offer Material to disclose that you have withdrawn as Dealer Manager and (z) utilizes a means reasonably calculated to reach holders of the Securities to inform them of such withdrawal.

4. Compensation. The Company agrees that it will pay all of the compensation due to the Dealer Managers for their services as Dealer Managers hereunder and agrees that such compensation will be as set forth in Schedule I hereto and that such compensation will be paid in cash immediately upon the completion of the Offer.

5. Expenses. The Company agrees that it will pay all of the following expenses related to the Offer: (i) all fees and expenses relating to the preparation, printing, mailing and publishing of the Offer Material, including the cost of preparation and filing of the Registration Statement and any amendment thereto and Schedule TO and any Amendments thereto, and the cost of furnishing copies thereof to the Dealer Managers, (ii) all fees and expenses of the Company's counsel and accountants and of the Exchange Agent and Information Agent (each as defined in Section 6), (iii) all advertising charges, (iv) all fees and expenses of any depository, transfer agent or other person rendering services in connection with the Offer, (v) mailing and handling expenses incurred by brokers and dealers (including you), commercial banks, trust companies and other nominees in forwarding the Offer Material to their customers, (vi) the cost of the preparation, issuance and delivery of the Company Shares, including any and all transfer and other taxes payable thereon, except as otherwise stated in the Letter of Transmittal, (vii) all expenses in connection with the qualification of the Company Shares for offer and delivery, (viii) all costs and expenses incident to the additional listing of the Company Shares on the New York Stock Exchange, (ix) all fees and expenses of Davis Polk & Wardwell as counsel to the Dealer Managers and (x) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section 5. All payments to be made by the Company pursuant to this Section 5 shall be made promptly after the expiration or termination of the Offer or withdrawal by you from acting as Dealer Managers in accordance with Section 3 or, if later, promptly after the related fees or expenses accrue and are invoiced. The Company shall perform its obligations set forth in this Section 5 whether or not the Offer is commenced or the Company acquires any Securities pursuant to the Offer or otherwise.

6. Exchange Agent and Information Agent. (a) The Company will arrange for JPMorgan Chase Bank, a New York banking corporation, to serve as exchange agent (the "EXCHANGE AGENT") in connection with the Offer and, as such, to advise you at least daily as to such matters relating to the Offer as you

may request. The Company shall provide you or cause The Depository Trust Company ("DTC") to provide you with copies of the records or other lists showing the names and addresses of, and number of Securities held by, the holders of Securities as of a recent date and shall, from and after such date, use its commercially reasonable efforts to cause you to be advised from day to day during the pendency of the Offer of all transfers of Securities, such notification consisting of the name and address of the transferor and transferee of any Securities and the date of such transfer. The Company will arrange for D.F. King & Co., Inc., to serve as information agent ("INFORMATION AGENT") in connection with the Offer and, as such, to advise you as to such matters relating to the Offer as you may reasonably request and to furnish you with any written reports concerning any such information as you may reasonably request.

(b) The Company authorizes you to communicate with the Exchange Agent, the Information Agent and with DTC in its capacity as depository, with respect to matters relating to the Offer.

7. Representations, Warranties and Certain Agreements of the Company. The Company represents and warrants to each of the Dealer Managers, and agrees with each of the Dealer Managers, as of the date hereof, as of the date of commencement of the Offer pursuant to Section 13(e) of the 1934 Act (if different than the date hereof) (the "COMMENCEMENT DATE") and as of the date on which the Securities are accepted by the Company pursuant to the Offer (the "ACCEPTANCE DATE") (unless another date is specifically referenced in which case the representation and warranty shall speak as of such date):

(a) Compliance with Registration Requirements. The Company meets the requirements for use of Form S-4 under the 1933 Act and, on or prior to the Commencement Date, has filed with the Commission the Registration Statement and paid the applicable filing fees. As of the Acceptance Date, the Registration Statement and any post-effective amendment thereto have become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement and any post-effective amendment thereto has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement and any post-effective amendments thereto become effective and at the Acceptance Date, the Registration Statement and any amendments thereto will comply in all material respects with the requirements of the 1933 Act and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Neither the Prospectus nor any amendments and supplements thereto included or will include

an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the foregoing does not apply to statements in or omissions from any of such documents based upon written information furnished to the Company by you or on your behalf specifically for use therein.

Each preliminary prospectus and prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto, complied when so filed in all material respects with the 1933 Act and each preliminary prospectus and the Prospectus prepared for use in connection with the Offer will, at the time of such delivery, be identical to any electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(b) Offer Material. A complete and correct copy of the Offer Material has been furnished to you and your counsel or will be furnished no later than the Commencement Date. The Offer Material, as then amended or supplemented (other than the Prospectus and the Registration Statement, and any amendments and supplements thereto, which are covered in subsection (a) above), complied and will comply in all material respects with the requirements of the 1933 Act and the 1934 Act, as applicable, and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Neither the Offer Material nor any amendments or supplements thereto (other than the Prospectus and the Registration Statement, and any amendments and supplements thereto, which are covered in subsection (a) above) included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) Incorporated Documents. The Company has filed all documents with the Commission that it is required to file under the 1933 Act and the 1934 Act, as applicable; the Incorporated Documents, at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the 1934 Act, and, when read together with the other information in the Prospectus, at the date of the Prospectus and at the Acceptance Date, did not and will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) Financial Statements. The financial statements of the Company, together with the related schedules and notes to such financial statements, included in the Registration Statement and the Prospectus present fairly in all material respects the financial position of the Company and its consolidated

subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and except as otherwise disclosed in the Prospectus, such financial statements comply as to form with the applicable accounting requirements of the 1933 Act and have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States applied on a consistent basis throughout the periods involved (except as stated therein); and any schedules included in the Registration Statement present fairly in all material respects in accordance with GAAP the information required to be stated therein. The selected historical financial data set forth under the caption "Selected Historical Consolidated Financial Data" in the Prospectus present fairly the information shown therein and have been compiled as described in the Prospectus under the caption "Selected Historical Consolidated Financial Data."

(e) Independent Accountants. Ernst & Young LLP, who have reported upon the audited financial statements and schedules included or incorporated by reference in the Prospectus, are independent public auditors with respect to the Company within the meaning of the rules and regulations promulgated under the 1933 Act.

(f) No Material Adverse Change in Business. Neither the Company nor any of its Significant Subsidiaries has sustained, since the date of the latest audited financial statements included or incorporated by reference in the Prospectus, any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, which would be reasonably likely to result in any Material Adverse Effect, or any development involving a material adverse change in or affecting the financial condition, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Prospectus, and, since the respective dates as of which information is given in the Prospectus or since the date of the Prospectus, there has not been (i) any material change in the capital stock or long-term debt of the Company or any of its subsidiaries, (ii) any material adverse change in or affecting the financial condition, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole or (iii) any transaction entered into by the Company or any of its Significant Subsidiaries, other than in the ordinary course of business, that is material to the Company and its subsidiaries, taken as a whole, otherwise than as disclosed, in each case, in the Prospectus.

(g) Good Standing of the Company. The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to do business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such

qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the financial condition, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole (a "MATERIAL ADVERSE EFFECT").

(h) Good Standing of Subsidiaries. Each significant subsidiary of the Company (as defined in Rule 1-02 of Regulation S-X under the 1933 Act (each, a "SIGNIFICANT SUBSIDIARY" and collectively, "SIGNIFICANT SUBSIDIARIES") has been duly organized or validly formed, is validly existing and in good standing under the laws of the jurisdiction of its formation or incorporation, has the power (corporate or other) and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to do business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect; all of the issued and outstanding shares of capital stock or other equity interests of each Significant Subsidiary have been duly authorized and validly issued and, if applicable, are fully paid and nonassessable and, except as disclosed in the Prospectus, are owned directly or indirectly by the Company, free and clear of all liens encumbrances, equities and claims.

(i) Capital Stock. The Company has an authorized capitalization as set forth in the Prospectus and Offer Material; all of the issued shares of capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable, and conform to the description thereof contained in the Prospectus and Offer Material; and none of such shares of capital stock was issued in violation of preemptive or other similar rights of any securityholder of the Company.

(j) Authorization of this Agreement. This Agreement has been duly authorized, executed and delivered by the Company.

(k) Authorization of Company Shares. The Company has duly authorized for issuance a number of Company Shares sufficient to consummate the Offer pursuant to its terms and, when any Company Shares are issued and delivered by the Company as provided in the Offer Material, such Company Shares will be validly issued and fully paid and non-assessable; the Company Shares conform in all material respects to the respective statements relating thereto contained in the Prospectus and Offer Material and the issuance of the Company Shares by the Company is not subject to any preemptive or other similar rights of any security holder of the Company.

(l) Noncontravention. The Company has full power and authority to make and consummate the Offer in accordance with its terms and to execute, deliver and perform its obligations under this Agreement. The (i) execution,

delivery and performance by the Company of this Agreement, (ii) making and consummation of the Offer by the Company (including but not limited to the issuance and delivery of Company Shares thereunder), (iii) obtaining and use by the Company of funds required in connection with the Offer, (iv) use of the Offer Material and the filing of the Registration Statement, the Prospectus and the Schedule T0, and any amendments or supplements thereto and (v) consummation by the Company of the transactions contemplated by this Agreement and in the Offer Material, in each case, have been duly authorized by all necessary action (corporate or other) on the part of the Company and do not and will not (x) result in any violation of the charter or by-laws of the Company or (y) conflict with, or result in a breach of any of the terms or provisions of, or constitute a default or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its affiliates is a party or by which the Company or any of its affiliates is bound (except for such conflicts, breaches or defaults, in the case of this clause (x), that could not reasonably be expected to have a Material Adverse Effect), nor does or will such action result in any violation of any statute applicable to the Company or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its properties.

(m) Absence of Proceedings. Other than as set forth or incorporated by reference in the Prospectus, there is no action, suit or proceeding before or by any government, governmental instrumentality or court, domestic or foreign, now pending or, to the knowledge of the Company, threatened against or affecting the Company or any Significant Subsidiary or to which any of their respective properties are subject that could reasonably be expected to result in any Material Adverse Effect, or that could reasonably be expected to adversely affect the consummation of the Offer or the other transactions contemplated in this Agreement.

(n) Absence of Further Requirements. No consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body having jurisdiction over the Company or any of its properties is required for the execution, delivery and performance by the Company of this Agreement, in connection with the consummation of the Offer or the other transactions described in the Offer Material by the Company, except as may be required by the securities or Blue Sky laws of the various states in connection with the Offer.

(o) Possession of Licenses and Permits. The Company and its Significant Subsidiaries each have all consents, authorizations, approvals, orders, certificates and permits of and from, and has made all declarations and filings with, all federal, state, local and other governmental authorities, and all courts or other tribunals (collectively, the "LICENSES") necessary to own, hold, or lease, as

the case may be, and to operate its properties and to carry on its business as presently conducted, except where the failure to possess such Licenses could not reasonably be expected to have a Material Adverse Effect, and neither the Company nor any of its Significant Subsidiaries has received any notice of proceedings relating to revocation or modification of any such Licenses, except to the extent that any such revocation or modification would not have a Material Adverse Effect.

(p) Sufficient Funds. The funds to be made available by the Company for consummation of the Offer as described in the Offer Material are available or will be available to the Company by the Acceptance Date and the Company will have sufficient authority under applicable law to use such funds as described to enable the Company promptly to pay the cash consideration for the Securities pursuant to the Offer as described in the Prospectus.

(q) Officers' Certificates. Any certificate signed by any officer of the Company delivered to you or to your counsel and requested in writing with respect to this Agreement shall be deemed a representation and warranty by the Company to each Dealer Manager as to the matters covered thereby.

(r) Absence of Defaults and Conflicts. The Company is not (i) in violation of its charter or by-laws, as applicable, (ii) in default, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, obligation, agreement, covenant or condition contained in any material contract, indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it is bound or which any of its properties or assets may be subject or (iii) in violation of any law, ordinance, governmental rule, regulation or court decree to which it or its property or assets may be subject, except with respect to (ii) or (iii), for any such violations or defaults that would not be reasonably likely, singly or in the aggregate, to have a Material Adverse Effect.

(s) Compliance with Environmental Laws. (i) Each of the Company and its Significant Subsidiaries (A) is in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("ENVIRONMENTAL LAWS"), (B) has received all permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its business as presently conducted and (C) is in compliance with all terms and conditions of any such permit, license or approval, except, with respect to (A), (B) and (C), as may be disclosed in the Prospectus and except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not be reasonably likely to, singly or in the aggregate, have a Material Adverse Effect.

(ii) There has been no storage, disposal, generation, manufacture, refinement, transportation, handling or treatment of toxic wastes, medical wastes, hazardous wastes or hazardous substances by the Company or any of its Significant Subsidiaries (or, to the knowledge of the Company, any of their predecessors in interest) at, upon or from any of the property now or previously owned or leased by the Company or its Significant Subsidiaries in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, except as may be disclosed in the Prospectus and except for any violation or remedial action which would not be reasonably likely to have, singularly or in the aggregate, a Material Adverse Effect; there has been no material spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto such property or into the environment surrounding such property of any toxic wastes, medical wastes, solid wastes, hazardous wastes or hazardous substances due to or caused by the Company or any of its Significant Subsidiaries or with respect to which the Company or any of its Significant Subsidiaries have knowledge, except for any such spill, discharge, leak, emission, injection, escape, dumping or release which would not be reasonably likely to have, singularly or in the aggregate, a Material Adverse Effect; and the terms "hazardous wastes", "toxic wastes", "hazardous substances" and "medical wastes" shall have the meanings specified in any applicable local, state, federal and foreign laws or regulations with respect to environmental protection

(t) Internal Controls. The Company (i) makes and keeps books and records which accurately reflect transactions and dispositions of the Company's assets and (ii) maintains internal accounting controls which provide reasonable assurance that (A) transactions are executed in accordance with management's general or specific authorization, (B) transactions are recorded as necessary to permit preparation of its financial statements and to maintain accountability for its assets, (C) access to its assets is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for its assets is compared with existing assets at reasonable intervals.

(u) Disclosure Controls and Procedures. (i) (A) The Company has established and maintains disclosure controls and procedures (as such terms are defined in Rule 13a-15(e) and 15d-15(e) under the 1934 Act); (B) such disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the 1934 Act is accumulated and communicated to the Company's management, including its

principal executive officer and its principal financial officer, as appropriate, to allow timely decisions regarding required disclosure; and (C) such disclosure controls and procedures are effective in all material respects to perform the functions for which they were established.

(ii) Since the date of the filing of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, the Company's auditors and the audit committee of the board of directors of the Company (or persons fulfilling the equivalent function) have not been advised of (i) any significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data nor any material weaknesses in internal controls; and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

(iii) Since the date of the filing of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

(v) Investment Company Act. The Company is not and, after giving effect to the issuance of the Company Shares in connection with the Offer, will not be an "investment company" required to be registered under the Investment Company Act of 1940, as amended.

(w) ERISA Compliance. The Company is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"); no Reportable Event has occurred with respect to any "pension plan" (as defined by ERISA) for which the Company would have any material liability; the Company has not incurred and does not expect to incur material liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "CODE"); and each "pension plan" for which the Company would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification. "REPORTABLE EVENT" means any of the events set forth in Section 4043(c) of ERISA, other than those events described in Section 4043(c)(3) and other than those events as to which the thirty day notice period

is waived under subsections .22, .24 (solely with respect to partial termination of a Plan), .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg.ss. 4043).

(x) Insurance. The Company and its Significant Subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as is reasonable in accordance with customary practices for companies engaged in similar businesses in similar industries for the conduct of their respective businesses and the value of their properties.

(y) Listing. The Company Shares have been approved for listing on the New York Stock Exchange, subject to official notice of issuance.

8. Additional Agreements. (a) The Company shall notify you immediately and, if requested, shall notify you in writing of (i) when the Registration Statement has become effective and when any Prospectus is mailed (or otherwise sent) for filing pursuant to Rule 424 under the 1933 Act, (ii) the receipt of any comments from the Commission, (iii) any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information, (iv) the filing of any post-effective amendment to the Registration Statement, (v) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or of any order preventing or suspending the use of the Preliminary Prospectus or any Offer Material, or of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes, (vi) the occurrence of any event that would reasonably be expected to cause the Company to withdraw or terminate the Offer or would permit the Company to exercise any right not to accept tendered Securities, (vii) any proposal or requirement to make, amend or supplement any other Offer Material, (viii) the commencement of any material litigation or the issuance of any order or the taking of any other action by any administrative or judicial tribunal or other governmental agency or instrumentality concerning the Offer (and, if in writing, will furnish you a copy thereof), (ix) the issuance by any state securities commission or other regulatory authority of any order suspending the qualification or the exemption from qualification of the Company Shares under state securities or blue sky laws or the initiation or threatening of any proceeding for that purpose, (x) the occurrence of any event, or the discovery of any fact, the occurrence or existence of which would reasonably be expected to (a) cause the Company to amend, withdraw or terminate the Offer, (b) cause any representation or warranty contained in this Agreement to be untrue or inaccurate, or (c) permit the Company to exercise any right not to exchange the Securities tendered under the Offer (and the Company will so advise you before such rights are exercised) and (xi) any other information relating to the Offer which you may from time to time reasonably request.

The Company agrees that if any event occurs or condition exists as a result of which the Offer Material (other than the Registration Statement and the Prospectus, which are discussed in Section 8(g) below) would include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances existing when the Offer Material is delivered to a holder of Securities, not misleading, or if, in the opinion of the Company, after consultation with you, it is necessary at any time to amend or supplement the Offer Material to comply with applicable law, the Company shall immediately notify you, prepare an amendment or supplement to the Offer Material that will correct such statement or omission or effect such compliance and supply such amended or supplemented Offer Material to you.

(b) The Company will promptly effect the filings necessary pursuant to Rule 424 and will take such steps as it deems necessary to ascertain promptly whether the Prospectus transmitted for filing under Rule 424 was received for filing by the Commission and, in the event that it was not, it will promptly file the Prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, will make every reasonable effort to obtain the lifting thereof at the earliest possible moment.

The Company will file promptly all reports or information statements required to be filed with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of the Preliminary Prospectus and for so long as the delivery of a prospectus is required in connection with the Offer. The Company will promptly file with the Commission on the Commencement Date a Schedule TO and will promptly file as required any and all necessary Amendments.

(c) On the Commencement Date, the Company will cause to be delivered to each registered holder of the Securities, as soon practicable, a copy of the Preliminary Prospectus and Letter of Transmittal and all other appropriate Offer Material. Thereafter, to the extent practicable until the expiration or termination of the Offer, the Company will use its best efforts to cause copies of such material to be mailed to each person who becomes a registered holder of any Company Shares.

(d) The Company will give you notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b) of the 1933 Act regulations), or any amendment, supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the Prospectus, whether pursuant to the 1933 Act, the 1934 Act or otherwise, will furnish you with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which you shall reasonably object in writing.

(e) The Company has furnished or will deliver to you, without charge, one conformed copy of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated or deemed to be incorporated by reference therein) and conformed copies of all consents and certificates of experts, and will also deliver to you, without charge, as many conformed copies of the Registration Statement as originally filed and of each amendment thereto (without exhibits) as you may reasonably request. The Company further agrees that the Registration Statement and each amendment thereto furnished to you will be identical to any electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(f) The Company will deliver to you, without charge, as many copies of the Prospectus as you may reasonably request, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to you, without charge, during the period when the Prospectus is required to be delivered under the 1933 Act or the 1934 Act, such number of copies of the Prospectus as you may reasonably request. The Company further agrees that the Prospectus and any amendments or supplements thereto furnished to you will be identical to any electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(g) The Company will comply with the 1933 Act and the 1934 Act so as to permit the completion of the distribution of the Company Shares as contemplated in this Agreement and in the Registration Statement and the Prospectus. If at any time when the Prospectus is required by the 1933 Act or the 1934 Act to be delivered in connection with the distribution of the Company Shares, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of your counsel or counsel for the Company, to amend the Registration Statement in order that the Registration Statement will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or to amend or supplement the Prospectus in order that the Prospectus will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time it is delivered to a holder of Securities, not misleading, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement the Prospectus in order to comply with the requirements of the 1933 Act, the Company will promptly prepare and file with the Commission, subject to the terms of this Agreement, such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectus comply with such requirements, and the Company will furnish to you, without

charge, such number of copies of such amendment or supplement as you may reasonably request.

(h) The Company will use its commercially reasonable efforts, in cooperation with you and in accordance with Rule 13e-4 of the 1934 Act, to qualify the Company Shares for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as you and the Company may reasonably designate and to maintain such qualifications in effect for a period of not less than one year from the date of this Agreement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Company Shares have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the date of this Agreement.

(i) The Company will not, directly or indirectly, distribute the Offer Material to any holder of Securities in or from any jurisdiction outside the United States, or otherwise extend the Offer to any holder of Securities residing in any jurisdiction outside the United States, except under circumstances that will result in compliance with the applicable laws and regulations of such jurisdiction.

(j) The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its security holders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(k) On or prior to the Commencement Date, the Company will have entered into agreements with the Information Agent and the Exchange Agent and will have made appropriate arrangements, to the extent applicable, with DTC or any other "qualified" securities depository to allow for the book-entry movement of the tendered Securities between depository participants and the Exchange Agent.

9. Documentary Covenants. (a) The Company covenants that it shall, on the Commencement Date, deliver or cause to be delivered to you each of (i) the signed opinions, dated the Commencement Date, of James J. Bender, Esq., Senior Vice President and General Counsel of the Company, Gibson, Dunn & Crutcher LLP, counsel for the Company, and White & Case LLP, tax counsel for the Company, each substantially in the form set forth in Exhibits A, B and C hereto with customary qualifications, assumptions and exceptions reasonably satisfactory to you, (ii) a certificate of the Treasurer of the Company and the chief financial officer or chief accounting officer of the Company, dated as of the

Commencement Date, to the effect that, (y) the Company Shares have been duly approved for listing on the New York Stock Exchange, subject to official notice of issuance and (z) since the date of the most recent financial statements included in the Registration Statement and the Prospectus, there has been no Material Adverse Change (other than as set forth in the Prospectus), (iii) a certificate, dated the Commencement Date, of the Secretary of the Company in form and substance reasonably satisfactory to you and (iv) a letter from Ernst & Young LLP, dated as of the Commencement Date, in form and substance reasonably satisfactory to you, containing statements and information of the type ordinarily included in accountants' "comfort letters" with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus.

(b) Unless you have previously withdrawn as Dealer Managers, the Company covenants that it shall, on the Acceptance Date, deliver or cause to be delivered to you each of the documents listed in clauses (i) through (v) below and that it will not accept Securities tendered pursuant to the Offer unless on such Acceptance Date: (i) the Company shall have delivered or caused to be delivered to you the signed opinions, dated the Acceptance Date, of James J. Bender, Esq., Senior Vice President and General Counsel of the Company, Gibson, Dunn & Crutcher LLP, counsel for the Company, and White & Case LLP, tax counsel to the Company, each substantially in the form set forth in Exhibits D, E and F hereto with customary qualifications, assumptions and exceptions reasonably satisfactory to you, (ii) the Company shall have delivered or caused to be delivered written evidence that the Company Shares are duly authorized for listing on the New York Stock Exchange, (iii) the Company shall have delivered or caused to be delivered to you a certificate of the Treasurer of the Company and the chief financial officer or chief accounting officer of the Company, dated as of the Acceptance Date, to the effect that (w) since the date of this Agreement, there has been no Material Adverse Change (other than as set forth in the Prospectus), (x) the Company's representations and warranties in this Agreement are true and correct with the same force and effect as though expressly made at and as of the Acceptance Date, and (y) the Company has complied with all agreements and taken all actions to be performed or satisfied by the Company pursuant to this Agreement at or prior to the Acceptance Date, and (z) the Registration Statement has been declared effective by the Commission and no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted, are pending or, to the best of such officer's knowledge, are threatened by the Commission, (iv) the Company shall have delivered or caused to be delivered to you a certificate, dated the Acceptance Date, of the Secretary of the Company in form and substance reasonably satisfactory to you, (v) the Company shall have delivered or have caused to be delivered to you a letter from Ernst & Young LLP, dated as of the Acceptance Date, to the effect that Ernst & Young LLP reaffirms the statements made in the letter furnished pursuant to subsection (a)(iv) of this Section 9, except that the

specified date referred to shall be a date not more than three business days prior to the Acceptance Date and (vi) there shall not be any reasonable likelihood that the acceptance for exchange of the outstanding Securities pursuant to the Offer will cause the outstanding Securities to be de-listed from the New York Stock Exchange for any reason.

10. Indemnification and Contribution. (a) The Company agrees to indemnify and hold harmless each Dealer Manager and the affiliates and respective directors, officers, employees, representatives, advisors and agents of each Dealer Manager and each person who controls any of the Dealer Managers within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act (each of the Dealer Managers and each such person being an "INDEMNIFIED PARTY") as follows:

(i) from and against any and all losses, claims, damages, liabilities and reasonable expenses whatsoever, joint or several, as incurred, to which such Indemnified Party may become subject under any applicable federal or state law, or otherwise, and related to, arising out of, or based on (A) any untrue statement or alleged untrue statement of a material fact contained in the Offer Material, as amended or supplemented, or the omission or alleged omission therefrom of a 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, (B) any breach by the Company of any of its representations, warranties or agreements contained herein, (C) the Company's failure to make or consummate the Offer or the withdrawal, rescission, termination, amendment or extension of the Offer or any other failure on the Company's part to comply with the terms and conditions contained in the Offer Material, (D) any of the transactions contemplated in the Offer Material or the engagement of the Dealer Managers pursuant to, and the performance by the Dealer Managers of the services contemplated by, this Agreement except in the case of this clause (D) to the extent that any losses, claims, damages, liabilities or expenses are found in a final judgment by a court of competent jurisdiction to have resulted from the gross negligence, bad faith or willful misconduct of an Indemnified Party, or (E) any action taken or omitted to be taken by an Indemnified Party with the consent of the Company or in conformity with the instructions or actions or omissions of the Company;

(ii) from and against any and all losses, claims, damages, liabilities and reasonable expenses whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever related to, arising out of or based on any matter described in subparagraph (i) above,

provided that any such settlement is effected with the written consent of the Company (which consent shall not be unreasonably withheld); and

(iii) from and against any and all reasonable expenses whatsoever, as incurred (including the fees and disbursements of counsel chosen by you), reasonably incurred in investigating, preparing or defending against any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever related to, arising out of or based on any matter described in (i) above, whether or not such Indemnified Party is a party and whether or not such claim, action or proceeding is initiated or brought by or on behalf of the Company, to the extent that any such expense is not paid under subparagraph (i) or (ii) above;

provided, however, that the Company shall not be liable under clause (A) of subparagraph (i) above to the extent that any losses, claims, damages, liabilities or expenses arise out of any untrue statement or omission or alleged untrue statement or omission made in the Offer Material in reliance upon and in conformity with written information furnished to the Company by the Dealer Managers expressly for use in the Offer Material, it being understood and agreed that the only such information furnished by any Dealer Manager consists of such Dealer Manager's legal and marketing name.

(b) The Company agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company, its security holders or creditors relating to or arising out of the engagement of the Dealer Managers pursuant to, or the performance by the Dealer Managers of the services contemplated by, this Agreement except to the extent that any loss, claim, damage, liability or expense is found in a final judgment by a court of competent jurisdiction to have resulted from the gross negligence, bad faith or willful misconduct of the Dealer Managers.

(c) If the indemnification provided for in Section 10(a) hereof is for any reason unavailable to or insufficient to hold harmless an Indemnified Party in respect of any losses, liabilities, claims, damages or expenses referred to therein (other than as a result of the proviso to Section 10(a) or, in the case of clause (D) of Section 10(a)(i), as a result of the gross negligence, bad faith or willful misconduct of an Indemnified Party), then the Company agrees to contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such Indemnified Party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits to the Company on the one hand and to the Dealer Managers on the other hand from the Offer (whether or not consummated) or (ii) if, but only if, the allocation provided by clause (i) is for any reason held unenforceable, 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 Company on the one hand and of the Dealer Managers on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations. The relative benefits to the Company on the one hand and the Dealer Managers on the other hand, in connection with the Offer (whether or not consummated) shall be deemed to be in the same proportion as the total value paid or proposed to be paid to holders of the Securities pursuant to the Offer (whether or not consummated) bears to the fees actually received by the Dealer Managers pursuant to Section 4 hereunder. The relative fault of the Company on the one hand and the Dealer Managers on the other hand shall be determined by reference to, among other things, whether any such 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 Company or by the Dealer Managers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Dealer Managers agree that it would not be just and equitable if contribution pursuant to this Section 10(c) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 10(c). The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an Indemnified Party and referred to above in this Section 10(c) shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission; provided, however, that to the extent permitted by applicable law, in no event shall any of the Dealer Managers be required to contribute any amount which, in the aggregate, exceeds the aggregate fees received by such Dealer Manager under Section 4 of this Agreement.

(d) In the event an Indemnified Party is requested or required to appear as a witness in any action brought by or on behalf of or against the Company, the Company agrees to reimburse such Indemnified Party for all reasonable expenses as incurred by such Indemnified Party in connection with such Indemnified Party's appearing and preparing to appear as such a witness, including, without limitation, the reasonable fees and disbursements of its legal counsel.

(e) Promptly after receipt by an Indemnified Party of written notice of any claim or commencement of an action or proceeding with respect to which indemnification or contribution may be sought hereunder, such Indemnified Party shall notify the Company in writing of such claim or of the commencement of such action, claim or proceeding, but failure so to notify the Company will not relieve the Company from any liability which it may have hereunder to such

Indemnified Party except to the extent that the Company has been prejudiced in any material respect by such failure, and in any event will not relieve the Company from any other liability that it may have to such Indemnified Party. In the event of any such claim, action or proceeding, if such Indemnified Party shall notify the Company of the commencement thereof, the Company shall be entitled to participate therein and, to the extent that it wishes, may assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Party, and shall pay the reasonable fees and expenses of such counsel; provided, however, (i) if the Company fails to assume such defense within fifteen business days after receiving written notice of any such claim, action or proceeding or (ii) if there exists or may exist a conflict of interest that would make it inappropriate in the reasonable judgment of such Indemnified Party for the same counsel to represent both the Indemnified Party and the Company, then such Indemnified Party shall be entitled to retain its own counsel at the reasonable expense of the Company provided, further, however, that the Company shall not be required to pay the fees and expenses of more than one separate counsel (in addition to any local counsel) for all Indemnified Parties in any jurisdiction in respect of any single claim, action or proceeding. In respect of any claim, action or proceeding the defense of which shall have been assumed by the Company in accordance with the foregoing, each Indemnified Party shall have the right to participate in such litigation and to retain its own counsel at its own expense.

(f) The Company agrees that, without your prior written consent, it will not settle, compromise or consent to the entry of any judgment in or with respect to any pending or threatened claim, action, investigation or proceeding in respect of which indemnification or contribution could be sought under this Section 10 (whether or not you or any other Indemnified Party is an actual or potential party to such claim, action, investigation or proceeding), unless such settlement, compromise or consent (i) includes an unconditional release of each Indemnified Party from all liability arising out of such claim, action, investigation or proceeding and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an Indemnified Party. The Company shall not be liable for any settlement of any proceeding effected without its written consent (which consent shall not be unreasonably withheld), but if settled with such consent the Company agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement.

(g) If at any time an Indemnified Party shall have requested that the Company reimburse the Indemnified Party for fees and expenses of counsel, the Company agrees that it shall be liable for any settlement effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by the Company of the aforesaid request, (ii) the Company shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) the Company shall not have reimbursed

such Indemnified Party in accordance with such request prior to the date of such settlement.

(h) The rights of any Indemnified Party under this Agreement shall be in addition to and not in limitation of any rights that any Indemnified Party may have at common law or otherwise.

11. Survival of Indemnities, Representations, Warranties, Etc. The indemnity and contribution agreements contained in Section 10, the provisions of Sections 4 and 5 and the representations and warranties of the Company set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any failure to commence, or the withdrawal, termination or consummation of, the Offer or the termination or assignment of this Agreement, (ii) any investigation made by or on behalf of the Company or any Indemnified Party and (iii) any withdrawal by you pursuant to Section 3.

12. Severability of Provisions. 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 provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the agreements contained herein is not affected in any manner adverse to any party. Upon such determination that any term or provision is invalid, illegal or unenforceable, the parties hereto 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 agreements contained herein may be performed as originally contemplated to the fullest extent possible.

13. Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in two or more separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14. Parties In Interest. This Agreement, including any right to indemnity or contribution hereunder, shall inure to the benefit of and be binding upon the Company, the Dealer Managers and the other Indemnified Parties (as defined in Section 10) and their respective successors and assigns. Nothing in this Agreement is intended, or shall be construed, to give to any other person or entity any right hereunder or by virtue hereof.

15. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED IN AND PERFORMED IN THAT STATE.

16. References to the Dealer Managers. The Company agrees that any reference to any of the Dealer Managers in the Registration Statement, Prospectus or Offer Material, or in any other release or communication relating to the Offer, is subject to your prior approval, which approval shall not be unreasonably withheld or delayed.

17. Notices. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed given when so delivered in person, by overnight courier, by facsimile transmission (with receipt being confirmed by telephone or by automatic transmission report) or two business days after being sent by registered or certified mail (postage prepaid, return receipt requested), as follows:

(a) If to the Dealer Managers:
Merrill Lynch & Co.,
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Four World Financial Center
New York, New York 10080
Facsimile No. (212) 738-2227
Attention: David B. Parsons

with a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Facsimile No. (212) 450-3800
Attention: Marlene Alva, Esq./Michael
Kaplan, Esq.

and

(b) If to the Company:
The Williams Companies, Inc.
One William Center, Suite 5000
Tulsa, Oklahoma 74172
Facsimile No. (918) 573-2065
Attention: Treasurer

with a copy to:

Gibson, Dunn & Crutcher LLP
1801 California Street, Suite 4100
Denver, Colorado 80202
Facsimile No. (303) 296-5310
Attention: Richard M. Russo, Esq.

18. Securities Positions. The Company acknowledges that it has no objection to the fact that, in the course of trading activities, the Dealer Managers may from time to time have positions in, and, in accordance with applicable law, buy or sell securities of, the Company and its affiliates.

19. Tombstone. You may place an announcement in such newspapers and periodicals as you may choose, stating that the Dealer Managers are acting or have acted as exclusive dealer managers to the Company in connection with the Offer. Any such announcement shall be at your sole option and expense and subject to the reasonable approval of the Company.

20. Waiver of Right to Trial by Jury and Applicable Law. The Dealer Managers and the Company each waive any right to trial by jury in any action, claim, suit or proceeding with respect to the engagement of the Dealer Managers hereunder.

21. Miscellaneous. The descriptive headings contained in this Agreement are incorporated for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

22. Entire Agreement; Amendment. This Agreement supersedes all prior agreements and undertakings, both written and oral, of the parties hereto, or any of them, with respect to the subject matter hereof and constitutes the entire understanding of the parties hereto with respect to the subject matter hereof. This Agreement may not be waived, amended or modified except in writing signed by each party to be bound hereby.

[SIGNATURE PAGES FOLLOW]

Please indicate your willingness to act as a Dealer Manager on the terms set forth herein and your acceptance of the foregoing provisions by signing in the space provided below for that purpose and returning to us a copy of this letter, whereupon this letter shall constitute a binding agreement among us.

Very truly yours,

THE WILLIAMS COMPANIES, INC.

By:

Name:

Title:

Accepted as of the date first above written:

MERRILL LYNCH & CO.,
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: -----
Name:
Title:
CITIGROUP GLOBAL MARKETS INC.

By: -----
Name:
Title:
BANC OF AMERICA SECURITIES LLC

By: -----
Name:
Title:

CERTIFICATE OF RETIREMENT

OF THE

MARCH 2001 MANDATORILY CONVERTIBLE SINGLE RESET PREFERRED STOCK
(\$1.00 PAR VALUE)

PURSUANT TO SECTION 243

OF THE GENERAL CORPORATION LAW OF DELAWARE

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, 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 March 2001 Mandatorily Convertible Single Reset Preferred Stock, \$1.00 par value (the "Preferred Stock"), was filed in the office of the Secretary of State of Delaware on March 28, 2001;

That the Company has reacquired all of the issued shares of the Preferred Stock;

That the Board of Directors of said Company at a meeting duly called and convened on July 16, 2004, 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 the amount of 14,000 shares.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by James J. Bender, Senior Vice President and General Counsel, and attested by Brian K. Shore, its Secretary, this 3rd day of August, 2004.

THE WILLIAMS COMPANIES, INC.

By: /s/ James J. Bender

James J. Bender
Senior Vice President and
General Counsel

ATTEST:

By: /s/ Brian K. Shore

Brian K. Shore
Secretary

Delaware
The First State

PAGE 1

I, HARRIET SMITH WINDSOR, 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 "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE TWENTY-FIRST DAY OF NOVEMBER, A.D. 2003, AT 3:42 O'CLOCK P.M.

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

AND I DO HERBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF RETIREMENTS IS THE TWENTY-THIRD DAY OF NOVEMBER, A.D. 2003.

/s/ Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 2768747

DATE: 11-24-03

CERTIFICATE OF RETIREMENT

OF THE

DECEMBER 2000 CUMULATIVE CONVERTIBLE PREFERRED STOCK
(\$1.00 PAR VALUE)

PURSUANT TO SECTION 243

OF THE GENERAL CORPORATION LAW OF DELAWARE

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, 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 December 2000 Cumulative Convertible Preferred Stock, \$1.00 par value (the "Preferred Stock"), was filed in the office of the Secretary of State of Delaware on December 28, 2000;

That the Company has reacquired all of the issued shares of the Preferred Stock;

That the Certificate of Incorporation prohibits the reissuance of preferred stock, thereby reducing the total number of authorized shares.

That the Board of Directors of said Company at a meeting duly called and convened on September 17, 2003, 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 the amount of 400,000 shares.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by James J. Bender, Senior Vice President and General Counsel, and attested by Brian K. Shore, its Secretary, this 31st day of October, 2003.

THE WILLIAMS COMPANIES, INC.

By: /s/ James J. Bender

James J. Bender
Senior Vice President and
General Counsel

ATTEST:

By: /s/ Brian K. Shore

Brian K. Shore
Secretary

Delaware
The First State

PAGE 1

I, HARRIET SMITH WINDSOR, 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 "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE EIGHTH DAY OF DECEMBER, A.D. 2003, AT 6:59 O'CLOCK P.M.

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

/s/ Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 2796815

DATE: 12-09-03

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:18 PM 12/08/2003
030786861 -- 2116534

CERTIFICATE OF RETIREMENT

OF THE

9-7/8% CUMULATIVE CONVERTIBLE PREFERRED STOCK
(\$1.00 PAR VALUE)

PURSUANT TO SECTION 243

OF THE GENERAL CORPORATION LAW OF DELAWARE

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, 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 9-7/8% Cumulative Convertible Preferred Stock, \$1.00 par value (the "Preferred Stock"), was filed in the office of the Secretary of State of Delaware on March 27, 2002;

That the Company has reacquired all of the issued shares of the Preferred Stock;

That the Certificate of Incorporation prohibits the reissuance of preferred stock, thereby reducing the total number of authorized shares.

That the Board of Directors of said Company at a meeting duly called and convened on November 20, 2003, 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 the amount of 1,466,667 shares.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by James J. Bender, Senior Vice President and General Counsel, and attested by Brian K. Shore, its Secretary, this 8th day of December, 2003.

THE WILLIAMS COMPANIES, INC.

By: /s/ James J. Bender

James J. Bender
Senior Vice President and
General Counsel

ATTEST:

By: /s/ Brian K. Shore

Brian K. Shore
Secretary

Delaware
The First State

PAGE 1

I, HARRIET SMITH WINDSOR, 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-SEVENTH DAY OF MARCH, A.D. 2002, AT 11:30 O'CLOCK A.M.

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

/s/ Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 1690674

DATE: 03-27-02

CERTIFICATE OF DESIGNATION

OF THE

9-7/8% CUMULATIVE CONVERTIBLE PREFERRED STOCK

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 by the Board of Directors of The Williams Companies, Inc., a Delaware corporation (hereinafter called the "Corporation"), with the rights, powers and preferences set forth therein relating to dividends, conversion, redemption, dissolution and distribution of assets of the Corporation having been fixed by the Board of Directors pursuant to authority wanted to it under Article FOURTH of the Corporation's Restated Certificate of Incorporation and 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 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 shall consist of up to 1,466,667 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 MID AMOUNT. The designation of such series of the Preferred Stock authorized by this resolution shall be the 9-7/8% Cumulative Convertible Preferred Stock (the "9-7/8% Preferred Stock"). The total number of shares of the 9-7/8% Preferred Stock shall be 1,466,667.

2. RANKING. The 9-7/8% Preferred Stock shall rank senior, with respect to dividends and with respect to distributions upon the liquidation, winding up or dissolution of the Corporation, as to the Common Stock and any other stock of the Corporation ranking junior to the 9-7/8% Preferred Stock (collectively, the "Junior Stock"). All series of stock of the Corporation with which the 9-7/8% 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 Stock" and the 9-7/8% Preferred Stock shall rank, as to dividends and distributions upon the liquidation, winding up or dissolution of the Corporation, on a parity with such Parity Stock, which shall include the Existing Parity Preferred Stock. For purposes of this Certificate of Designation, the term "Existing Parity Preferred Stock" shall mean the December

2000 Cumulative Convertible Preferred Stock of the Corporation, par value \$1.00 per share or the March 2001 Mandatorily Convertible Single Reset Preferred Stock of the Corporation, par value \$1.00 per share (the "March 2001 Preferred Stock"), as applicable.

3. DIVIDENDS.

(a) The holders of 9-7/8% Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation (the "Board of Directors"), out of the assets of the Corporation legally available for payment, cumulative cash dividends per share equal to 9-7/8% per annum of the Stated Value (as herein defined) of such 9-7/8% Preferred Stock. All dividends declared upon the 9-7/8% Preferred Stock shall be declared pro rata per share. For purposes hereof, the term "Stated Value" shall mean \$187.50 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, stock distribution or combination with respect to the 9-7/8% Preferred Stock.

(b) Dividends on the 9-7/8% Preferred Stock will be payable in equal quarterly installments (except as provided below) in arrears on each January 1, April 1, July 1 and October 1, commencing on July 1, 2002 (each such date being referred to hereinafter as a "Dividend Payment Date") provided, that if 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 payment shall 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 of Directors. Dividends on the 9-7/8% Preferred Stock shall accrue on a daily basis commencing on and including the date of issuance, 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 and continue to the day next preceding the next succeeding Dividend Payment Date. Accumulated unpaid dividends shall not accrue interest. Dividends payable on the 9-7/8% 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 9-7/8% 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. The holders of the 9-7/8% Preferred Stock shall not be entitled to any dividends in excess of the cumulative dividends provided herein. 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. Dividends on the 9-7/8% Preferred Stock shall cease to accrue on the day immediately preceding the date of conversion in the event of an Optional Conversion, the Mandatory Conversion Date in the event of a Mandatory Conversion, or the Redemption Date in the event of an Optional Redemption (provided, in the event of any conversion or an Optional Redemption, the shares of 9-7/8% Preferred Stock are actually converted or redeemed on the terms provided herein, as applicable). In the case of an Optional Conversion of the 9-7/8% Preferred Stock, the payment of accrued and unpaid dividends shall be subject to Section 6(e).

(c) 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 9-7/8% 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 9-7/8% Preferred Stock and such outstanding shares of Parity Stock bear to each other.

If dividends on any shares of 9-7/8% Preferred Stock are in arrears: (i) no dividends (in cash, stock or other property) may be declared, paid or set aside for payment or any other distribution made on any Parity Stock (except as set forth, above) or Junior Stock (other than dividends or distributions in shares of Junior Stock or options, warrants or rights to subscribe for Junior Stock) and (ii) no Parity Stock or Junior Stock may be redeemed, purchased or otherwise acquired by the Corporation or any subsidiary, except by conversion of such stock into, or exchange of such stock for shares of Junior Stock or options, warrants or rights to subscribe for Junior Stock and cash in lieu of fractional shares of such Junior Stock in connection therewith.

(d) Any dividend payment made on the 9-7/8% Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to the 9-7/8% Preferred Stock.

(e) For the purposes of this Certificate of Designation, "business day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law to close.

4. LIQUIDATION.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of shares of 9-7/8% Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, before any payment shall be made to the holders of Common Stock or any other class or series of Junior Stock, an amount in cash equal to the Stated Value per share plus any dividends (whether or not declared) accrued and unpaid, on the shares of 9-7/8% Preferred Stock to the date of final distribution (the "Liquidation Preference"). After payment of the full amount of the Liquidation Preference, the holders of shares of 9-7/8% Preferred Stock will not be entitled to any further participation in any distribution in the assets of the Corporation. If, upon any such liquidation, dissolution or winding up of the affairs of the Corporation, the assets of the Corporation, or proceeds thereof, available for the distribution among the holders of shares of 9-7/8% Preferred Stock and Parity Stock shall be insufficient to pay the holders of shares of 9-7/8% Preferred Stock and any Parity Stock the full amount to which they shall be entitled, the holders of shares of 9-7/8% Preferred Stock and Parity Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect to the shares held by them upon such distribution if all amounts payable on or with respect to said shares were paid 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 corporation

with or into the Corporation, nor a sale or 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 affair of the Corporation.

(b) After the payment of all preferential amounts required to be paid to the holders of 9-7/8% Preferred Stock and any other Parity Stock, the holders of shares of Junior Liquidation Stock then outstanding shall be entitled to receive the remaining assets and funds of the Corporation available for distribution to its stockholders.

5. VOTING RIGHTS. The holders of 9-7/8% Preferred Stock shall have no right to vote except as otherwise specifically provided herein, in the Certificate of Incorporation or as required by statute.

(a) in The event the holders of 9-7/8% Preferred Stock shall become entitled to exercise the right to vote as a separate class together with other shares of Preferred Stock then entitled to vote on such matter with the 9-7/8% Preferred Stock, if any, as provided in Section 5(c), each share of 9-7/8% Preferred Stock shall be entitled to one vote.

(b) So long as any shares of 9-7/8% Preferred Stock are outstanding, in addition to any other vote or consent of shareholders required in the Certificate of Incorporation or by law, the affirmative vote of the holders of at least a majority of the shares of 9-7/8% 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:

(i) any amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation which alters or changes the rights, powers or preferences of the shares of 9-7/8% Preferred Stock so as to affect them adversely. 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 Junior Stock shall not require approval by the holders of the 9-7/8% Preferred Stock and such holders shall not be entitled to vote thereon to the fullest extent permitted by law;

(ii) 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, or on parity with (including the Existing Parity Preferred Stock), the 9-7/8% Preferred Stock with respect to (A) dividends, and/or (B) distributions upon the liquidation, winding up or dissolution of the Corporation;

(iii) the merger or consolidation of the Corporation with or into any other corporation or other entity in any case where (A) such merger or consolidation would affect adversely the rights, powers or preferences of the 9-7/8% Preferred Stock, or (B) each holder of shares of 9-7/8% Preferred Stock immediately preceding such merger or consolidation shall not receive or continue to hold in the surviving or resulting corporation or other entity the same number of shares, with substantially the same rights, powers amid preferences (except for those rights, powers and preferences that could be affected without the vote of the holders of the 9-7/-% Preferred. Stock, such as the

authorization and issuance of Junior Stock), as correspond to the shares of 9-7/8% Preferred Stock held immediately prior to such merger or consolidation (and if neither (A) nor (B) is applicable, then, and in such event, such merger or consolidation shall, not be subject to approval by the holders of the 9-7/8% Preferred Stock and such holders shall not be entitled to vote thereon);

(iv) any reclassification of the 9-7/8% Preferred Stock; and

(v) any amendment of 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 9-7/8% 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).

(c) (i) In the event that (i) full cumulative dividends on the 9-7/8% Preferred Stock are not paid and are in arrears for four quarterly dividend periods (whether or not consecutive) or (ii) The holders of shares of any other series of Parity Stock 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 9-7/8% 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 Section 5(c)(ii.). Whenever (i) all arrearages of dividends on the 9-7/8% 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 no longer have the present right to elect one or more directors for any reason (clause (i) and (ii) hereinafter referred to collectively as a "Special Director Termination Event"), then the right of the holders of shares of the 9-7/8% 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), and the terms of office of all persons previously elected as directors by the holders of shares of the 9-7/8% Preferred Stock and such other Class Voting Stock shall forthwith terminate and the number of the Board of Directors shall be reduced accordingly.

(ii) At any time after the voting power referred to in Section 5(c)(i) shall have been so vested, in the holders of shares of the 9-7/8% 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 9-7/8% 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 9-7/8% Preferred Stock and all other Class Voting Stock for the election of the directors to be elected by them pursuant to Section 5(c)(i); 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 9-7/8% 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 9-7/8% Preferred Stock and such other Class Voting Stock then outstanding shall constitute a quorum for the purpose of electing directors as contemplated in Section 5(c)(i). If at any such meeting or adjournment thereof, a quorum of such holders of 9-7/8% Preferred Stock and, if applicable, such other Class Voting Stock shall not be present, no election of directors by the 9-7/8% 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 9-7/8% 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 9-7/8% 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 9-7/8% 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.

(iii) Any director who shall have been elected by holders of shares of 9-7/8% 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 the period in which the holders of shares of the 9-7/8% Preferred Stock voting together, if applicable, as a single class with the holders of one or more other series of Class Voting Stock are entitled to elect directors (such period being referred to herein as 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 9-7/8% Preferred Stock (and, if applicable, one or more other series of Class Voting 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 9-7/8% Preferred Stock and, if applicable the other series, if any, of Class Voting Stock; provided, however, that a Special Director Termination Event has not occurred at the time of such class voting period. In case any vacancy (other than as provided in the preceding sentence) shall occur among the directors elected by the holder of shares of the 9-7/8% Preferred Stock (and, if applicable, such other Class Voting Stock), and provided that a Special Director Termination Event has not occurred, 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 9-7/8% Preferred Stock (and, if applicable, such other Class Voting Stock) or the successor of such remaining director.

(d) So long as any shares of 9-7/8% Preferred Stock remain outstanding, the unanimous vote or consent of the shares of the 9-7/8% Preferred Stock outstanding (voting separately as a class) given in person or by Proxy, either by written consent or at any special or annual meeting called for the purpose, shall be necessary to effect any amendment to these resolutions that would (i) except as otherwise permitted by Section 7, increase the Conversion Price or (ii) reduce the annual cash dividends payable on the shares of the Preferred Stock.

(e) Holders of 9-7/8% 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.

6. OPTIONAL CONVERSION. Each share of 9-7/8% Preferred Stock may be converted at any time, at the option of the holder thereof ("Optional Conversion"), into the number of fully-paid and non-assessable shares of Common Stock obtained by dividing the Stated Value by the Conversion Price then in effect (the "Conversion Rate") provided, however, that on any Optional Redemption of the 9-7/8% Preferred Stock pursuant to Section 10 or any liquidation of the Corporation, the right of conversion shall terminate at the close of business on the business day next preceding the date fixed for such redemption or for the payment of any amounts distributable on liquidation to the holders of 9-7/8% Preferred Stock; provided, further, however, that in the event the Company fails to redeem any of the 9-7/8% Preferred Stock in accordance with Section 10 hereof, the right of conversion hereunder with respect to the shares of 9-7/8% Preferred Stock not so redeemed shall continue in full force and effect.

(a) The initial conversion price, subject to adjustment as provided herein, is equal to \$18.75 (the "Conversion Price"). The applicable Conversion Price from time to time in effect is subject to adjustment as hereinafter provided.

(b) The Corporation shall not issue fractions of shares of Common Stock upon conversion of 9-7/8% Preferred Stock or scrip in lieu thereof. If any fraction of a share of Common Stock would, except for the provisions of this Section 6(b), be issuable upon conversion of any 9-7/8% Preferred Stock, the Corporation shall in lieu thereof pay to the person entitled thereto an amount in cash equal to the current value of such fraction, calculated to the nearest one-hundredth (1/100) of a share, to be computed (i) if the Common Stock is quoted or listed or admitted to trading on any national securities exchange or quotation system, on the basis of the last sales price of the Common Stock on such exchange or quotation system (or the quoted closing bid price if there shall have been no sales) on the last business day immediately preceding the date of conversion, or (ii) if the Common Stock shall not be listed, on the basis of the fair market value per share as determined by the Board of Directors.

(c) In order to exercise the conversion privilege, the holder of any 9-7/8% Preferred Stock to be converted shall surrender its certificate or certificates therefore to the Corporation at its principal office, and shall give written notice to the Corporation at such office that the holder elects to convert the 9-7/8% Preferred Stock represented by such certificates, or any number thereof. Such notice shall also state the name or names (with address) in which the

certificate or certificates for shares of Common Stock which shall be issuable on such conversion shall be issued, subject to any restrictions on transfer relating to shares of Common Stock upon conversion thereof. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly authorized in writing. The date of receipt by the Corporation of the certificates and notice shall be the conversion date. As soon as practicable after receipt of such notice and the surrender of the certificate or certificates for 9-7/8% Preferred Stock as aforesaid, the Corporation shall cause to be issued and delivered at such office to such holder, or on its written order, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, cash as provided in Section 6(b) hereof in respect of any fraction of a share of Common Stock otherwise issuable upon such conversion and, if less than all shares of 9-7/8% Preferred Stock represented by the certificate or certificates so surrendered are being converted, a residual certificate or certificates representing the shares of 9-7/8% Preferred Stock not converted.

(d) The Corporation shall at all times when the 9-7/8% Preferred Stock shall be outstanding reserve and keep available out of its authorized but unissued stock, for the purposes of effecting the conversion of the 9-7/8% Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding 9-7/8% Preferred Stock. Before taking any action that would cause an adjustment reducing the Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of the 9-7/8% Preferred Stock, the Corporation will take any corporate action that 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 such Common Stock at such adjusted Conversion Price.

(e) Upon any conversion, all accrued and unpaid dividends on the 9-7/8% Preferred Stock surrendered for conversion shall be paid at the election of the Corporation, in cash or in shares of Common Stock. In the event such dividends are paid in additional shares of Common Stock, the number of shares of Common Stock to be issued in payment of the dividend with respect to each outstanding share of Common Stock shall be determined by dividing the amount of the dividend that would have been payable had such dividend been paid in cash by an amount equal to the Conversion Price, to the extent that any such dividend would result in the issuance of a fractional share of Common Stock (which shall be determined with respect to the aggregate number of shares of Common Stock held of record by each holder), then the amount of such fraction multiplied by the Conversion Price shall be paid in cash (unless there are no legally available funds with which to make such cash payment, in which event such cash payment shall be made as soon as possible). Notwithstanding the foregoing, holders of shares of 9-7/8% Preferred Stock whose shares are converted following the record date for the payment of a quarterly dividend and prior to the Dividend Payment Date with respect to such record date shall not be entitled to the quarterly dividend, payment for the quarterly dividend period ending on such Dividend Payment Date if such conversion is an Optional Conversion, but shall be entitled to such quarterly dividend payment if such conversion is a Mandatory Conversion. A holder of shares of 9-7/8% Preferred Stock surrendered for Optional Conversion in the circumstances described in the preceding sentence shall pay the Corporation a cash amount equal to the amount of such quarterly dividend at the time such holder surrenders its shares for conversion and such holder shall be entitled to retain the quarterly dividend payment received from the Corporation;

provided, however, that in the event the Corporation shall fail to pay such quarterly dividend payment, the Corporation shall promptly refund the cash amount paid by the holder to the Corporation at the time such holder surrendered its shares for conversion.

(f) All shares of 9-7/8% Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares, including the rights, if any, to receive notices and to vote, shall forthwith cease and terminate except only the right of the holder thereof to receive shares of Common Stock in exchange therefore and payment of any accrued and unpaid dividends thereon. Any shares of 9-7/8% Preferred Stock so converted, shall be retired and canceled and shall not be reissued, and the Corporation may from time to time take such appropriate action as may be necessary to reduce the authorized 9-7/8% Preferred Stock accordingly.

(g) 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 conversion of shares of 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 9-7/8% 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 tax, or has established, to the satisfaction of the Corporation, that such tax has been paid,

7. ANTI-DILUTION PROVISIONS. 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 on any class of capital stock of the Corporation 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 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. 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 record date for determination of the 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 reduced 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 reduction 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 the minimum aggregate amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board in good faith as described in a resolution of 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, stmh 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 evidences of its indebtedness or assets (including securities of the Corporation or any subsidiary, including rights or warrants, but excluding any rights or warrants referred to in Section 7(b), and excluding any dividend paid exclusively in cash (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 9-7/8% 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 9-7/8% Preferred Stock into Common Stock immediately prior to the Record Date (as defined in Section 7(g)(iv)) 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 in good faith, whose determination shall be conclusive, and described in a resolution of the Board a copy of which will be provided to the holders of the 9-7/8% Preferred Stock) on the Record Date of the portion of the Securities 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 9-7/8% Preferred Stock shall have the right to receive upon conversion the amount of Securities such holder would have received had such holder converted its 9-7/8% 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 Corporation'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 or other event of the type described in the preceding paragraph to the extent that such rights or warrants are actually distributed, or reserved by the Corporation for distribution, to holders of 9-7/8% Preferred Stock upon conversion by such holders of 9-7/8% 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 deter 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 regular quarterly cash dividend on the Common Stock payable from the earnings of the Company to the extent the annualized rate of such cash dividend does not exceed the Maximum Permitted Dividend Rate (as defined below), and (y) any dividend or distribution in connection with the liquidation, dissolution or winding up of the Corporation, 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 paragraph) 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 9-7/8% Preferred Stock shall have the right to receive upon conversion, out of funds legally available therefore, the amount of cash such holder would have received had such holder converted such 9-7/8% 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.

The "Maximum Permitted Dividend Rate" shall mean an annualized dividend rate of \$0.80 per share of Common Stock (as adjusted to appropriately reflect any of the events referred to in Sections 7(a) or 7(c)) (the "Current Rate"). The Maximum Permitted Dividend Rate will be adjusted to a rate in excess of the Current Rate only on the following terms:

(i) if the regular dividend rate on the Common Stock is reduced to a rate less than the Current Rate, the regular dividend rate may thereafter be increased but (except as provided in clause (ii) below) not to an annualized rate exceeding the Current Rate.

(ii) Having been reduced as contemplated by clause (i), if the annualized dividend rate on the Common Stock is increased to the Current Rate, it may not thereafter be increased to a rate greater than the Current Rate for a period of four consecutive quarters. Thereafter, the Maximum Permitted Dividend Rate shall increase annually at a rate of increase of 10% per annum.

(iii) If the regular dividend rate on the Common Stock is not reduced as contemplated in clause (i), the Maximum Dividend Rate shall increase annually at a rate of increase of 10% per annum for the dividend period commencing October 1, 2002.

(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, upto 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:

(i) "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.

(ii) "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.

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

(iv) "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).

(v) "Trading Day" shall mean (x) if the applicable security is quoted or listed or admitted for trading on the New York Stock Exchange or another national securities exchange or quotation system, a day on which the New York Stock Exchange or such other national securities exchange or quotation system is open for business or (y) if the applicable security is not so quoted, listed or admitted for trading, 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) In case the Corporation shall agree or resolve to issue, or issue or sell, or shall be deemed to have issued or sold, within nine months after the date of issuance of the 9-7/8% Preferred Stock:

(i) any shares of Common Stock without consideration or for consideration per share less than the Conversion Price in effect on the date of and immediately prior to such agreement, resolution, issuance or sale;

(ii) any options, warrants or other rights to subscribe for or purchase shares of Common Stock with an exercise or purchase price per share less than the Conversion Price in effect on the date of and immediately prior to such agreement, resolution, issuance or sale; or

(iii) any securities convertible into or exchangeable for Common Stock or otherwise entitling the holder thereof to acquire (whether for consideration or otherwise) or requiring the Corporation to issue in respect thereof, Common Stock with a conversion or exchange price per share of Common Stock less than the Conversion Price in effect on the date of and immediately prior to such agreement, resolution, issuance or sale,

then the Conversion Price shall be reduced to a price equal to the amount of such consideration or price (as applicable), effective from the date of such issuance or sale. The foregoing provisions shall not apply to the issuance of options pursuant to the Corporation's stock option or employee benefit plans, or the exercise of any options issued pursuant to such plans. In determining (I) the aggregate offering price of such shares of Common Stock, (II) whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at a purchase price per share less than the Conversion Price in effect on the date of and immediately prior to such issuance or sale and (III) whether any securities are convertible into or exchangeable for, or otherwise entitling the holder thereof to acquire, Common Stock with a conversion or exchange price per share of Common Stock less than the Conversion Price in effect on the date of and immediately prior to such issuance or sale, in each such case, there shall be taken into account any consideration received by the Corporation in connection with such issuance or sale of Common Stock, rights, warrants or other securities and the minimum aggregate amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board in good faith as described in a resolution of the Board.

(i) If, on or after the successful completion of the remarketing of the March 2001 Preferred Stock, conducted in accordance with the terms of the Williams Preferred Stock Remarketing Registration Rights and Support Agreement, dated as of March 28, 2001, by and among the Corporation, Williams Share Trust, WCG Note Trust, United States Trust Company of New York and Credit Suisse First Boston Corporation (or any successor agreement), the conversion price per share of Common Stock for the March 2001 Preferred Stock (as measured by the amount of liquidation preference or stated value required to be surrendered per share of Common Stock) is less than the Conversion Price then in effect, the Conversion Price shall be reduced so as to equal such conversion price per share of Common Stock of the March 2001 Preferred Stock. The reduction of the Conversion Price hereunder shall be effective as and from the date the conversion price of the March 2001 Preferred Stock is established.

(j) The Corporation may (but is not obligated to) make such reductions in the Conversion Price, in addition to those required by this Certificate of Designation 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 Corporation, 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 9-7/8% 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.

(k) 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(k) 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 9-7/8% Preferred Stock becomes convertible into cash, assets, property or securities (other than capital stock of the Corporation), 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 9-7/8% Preferred Stock may be convertible.

(l) Whenever the Conversion Price shall be adjusted as herein provided, the Corporation shall forthwith file at each office designated for the conversion of 9-7/8% Preferred Stock, a statement, signed by the Chairman of the Board, the President, any Vice President or Treasurer of the Corporation, showing in reasonable detail the facts requiring such adjustment and the Conversion Rate that will be effective after such adjustment. The Corporation shall also cause a notice setting forth any such adjustments to be sent by mail, first class, postage prepaid, to each record holder of 9-7/8% Preferred Stock at his or its address appearing on the stock register. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(m) 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), or (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 9-7/8% 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(b) or Section 6(e). For purposes of this Section 7(m), the term "Adjustment Event" shall mean:

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

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

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

(iv) in any case referred to in clause (4) hereof, the date a sale or exchange of Common Stock pursuant to such tender or exchange offer is consummated and becomes irrevocable.

(n) 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 Corporation.

(o) If any event occurs as to which, in the opinion of the Board of Directors, the provisions of this Section 7 are not strictly applicable or if strictly applicable would not fairly protect the rights of the holders of the 9-7/8% Preferred Stock in accordance with the essential intent and principles of such provisions, then the Board of Directors shall make an adjustment in the application of such provisions, in accordance with such essential intent and principles, so as to protect such rights as aforesaid, but in no event shall any adjustment have the effect of increasing the Conversion Price as otherwise determined pursuant to any of the provisions of this Section 7 except in the case of a combination of shares of a type contemplated in Section 7(e) hereof and then in no event to an amount larger than the Conversion Price as adjusted pursuant to Section 7(c) hereof. The determination of the Board of Directors as to whether an adjustment should be made pursuant to the provisions of this Section 7(o), 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..

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 9-7/8% 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 9-7/8% Preferred Stock would have received upon such reclassification, change, consolidation., merger, combination, sale or conveyance had such holder converted such share of 9-7/8% 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 (but after giving effect to the adjustment of the Conversion Price required in Section 10(a)), 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, the 9-7/8% Preferred Stock is converted into share's 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 9-7/8% 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 9-7/8% 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. MANDATORY CONVERSION. On or alter March 27,2017, the Corporation may, by giving notice to the holders of 9-7/8% Preferred Stock (the "Forced Conversion Notice"), convert each share of 9-7/8% Preferred Stock held by such holder (the "Mandatory Conversion") into the number of shares of the Common Stock (the "Mandatory Conversion Rate") equal to the Stated Value plus all accrued and unpaid dividends to the date of conversion (whether or not declared) divided by the Conversion Price then in effect; provided that in order to be allowed to exercise this right to compel Mandatory Conversion, the average of the last reported Closing Prices (as defined in Section 7(g)) for the Common Stock for the 20 day

period ending not more than 10 days prior to the date of the giving of the Forced Conversion Notice must be greater Than 1 28% of the Conversion Price then in effect. Such conversion shall be effective as of the date (the "Mandatory Conversion Date") the Forced Conversion Notice is given by the Corporation and the holders of 9-7/8% Preferred Stock shall promptly surrender their certificates evidencing their ownership of 9-7/8% Preferred Stock for Common Stock certificates. The provisions of Section 6 shall be applicable to any Mandatory Conversion.

10. OPTIONAL REDEMPTION

(a) Upon a Merger (as defined below), the Corporation may, upon written notice (the "Redemption Notice") to the holders of 9-7/8% Preferred Stock, redeem all, but not less than all, of the then outstanding shares of 9-7/8% Preferred Stock (the "Optional Redemption") for cash at a redemption price per share equal to 120% of the Stated Value plus accrued and unpaid dividends (whether or not declared) (the "Redemption Price"). The Redemption Notice shall be given no later than 10 business days following the consummation of the Merger. In the event the value of the consideration paid per share to holders of Common Stock in such Merger (the "Merger Consideration") is less than the Conversion Price in effect on the date of and immediately prior to such Merger, then the Conversion Price shall be reduced to a price equal to the value of the Merger Consideration. In the event the Merger Consideration payable to holders of Common Stock is not entirely in cash, the value to be ascribed to the Merger Consideration per share for purposes of this Section 10 shall be the Current Market Price of the Common Stock on the date the Merger occurs. "Merger" shall be deemed to have occurred when the Corporation consolidates with or merges into any other person or any other person merges into the Corporation or conveys, transfers or leases all or substantially all of its assets to any person other than a subsidiary or subsidiaries, and the outstanding Common Stock of the Corporation is changed or exchanged into other assets or securities as a result, unless the shareholders of the Corporation immediately before such transaction owns directly or indirectly immediately following such transaction, more than 50% of the combined voting power of the outstanding voting securities of the person resulting from such transaction or the transferee person.

(b) The Corporation shall mail the Redemption Notice, postage prepaid, to each holder of record of 9-7/8% Preferred Stock to be redeemed, at his or its post office address last shown on the books of the Corporation, notifying such holder of the date of the Optional Redemption, which shall be at least 30 days but not more than 45 days after such notice (the "Redemption Date"), the Redemption Price and the date on which such holder's conversion rights (pursuant to Section 6 hereof) as to such shares terminate and calling upon such holder to surrender to the Corporation, in the manner and at the place designated, his or its certificate or certificates representing the shares to be redeemed. On or prior to the Redemption Date, each holder of 9-7/8% Preferred Stock to be Seemed shall surrender its certificate or certificates representing such shares to the Corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price of such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled. From and after the Redemption Date, unless there shall have been a default in payment of the Redemption Price, all rights of the holders of the 9-7/8% Preferred Stock designated for redemption in the Redemption Notice as holders of 9-7/8% Preferred Stock (except the right to receive the Redemption Price without interest upon

surrender of their certificate or certificates) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of the Corporation or be deemed to be outstanding for any purpose whatsoever.

(c) If the Corporation is unable on the Redemption Date to redeem all of the shares of 9-7/8% Preferred Stock then to be redeemed because such redemption would violate the applicable laws of the State of Delaware, then the Corporation shall be permitted to redeem only as many shares of 9-7/8% Preferred Stock as it may legally redeem, ratably from the holders thereof in proportion to the number of shares held by them.

(d) Except as provided in Section 10(a) hereof, the Corporation shall have no right to redeem the shares of 9-7/8% Preferred Stock, Any shares of 9-7/8% Preferred Stock so redeemed shall be permanently retired, shall no longer be deemed outstanding and shall not under any circumstances be reissued. Nothing herein contained shall prevent or restrict the purchase by the Corporation, from time to time either at public or private sale, of the whole or any part of the 9-7/8% Preferred Stock at such price or prices as the Corporation may determine, subject to the provisions of applicable law.

11. ACTIONS NOT Requiring CONSENT. No consent of the holders of the 9-7/8% Preferred Stock shall be required for (a) the creation of any indebtedness of any kind of the Corporation, (b) subject to Section S, 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 9-7/8% Preferred Stock or (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.

12. EXCLUSION OF OTHER RIGHTS. Unless otherwise required by law, shares of this series of Preferred Stock shall not have any relative rights, powers or preferences or other special rights other than those specifically set forth in this Certificate of Designation or otherwise in the Certificate of Incorporation.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation of 9-7/8% Cumulative Convertible Preferred Stock to be duly executed by its President this 27th day of March, 2002.

THE WILLIAMS COMPANIES, INC.

By: /s/ Steven J. Malcolm

Name: Steven J. Malcolm
Title: President

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

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.

(1) 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

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

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:

Redemption Price	Year	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 O'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
DATE: 09/28/1993

723271110

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 reversion 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 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
1992	\$52.7125
1997	\$50.7750
1993	\$52.3250
1998	\$50.3875
1994	\$51.9375
1999	\$51.5500
1995	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

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated May 15, 1987 (the "Agreement"), by and between THE WILLIAMS COMPANIES, a Nevada corporation (the "Company"), and THE WILLIAMS COMPANIES, INC., a Delaware corporation and a wholly owned subsidiary of the Company ("TWC, Inc."), the Company and TWC, Inc. are hereinafter sometimes collectively referred to as the "Constituent Corporations."

WITNESSETH:

WHEREAS, the Company is a corporation duly organized and existing under the laws of the State of Nevada, having been incorporated on February 3, 1949, by the filing of Articles of Incorporation with the Secretary of State of Nevada on February 3, 1949, said Articles of Incorporation having been restated on July 21, 1971 and having been amended from time to time thereafter; the principal office of the Company in the State of Nevada is located at Suite 1400, First National Bank Building, One East First Street, Reno, Nevada; and the name of the registered agent at such office is Nevada Agency and Trust Company; and

WHEREAS, TWC, Inc. is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated hereunder by a Certificate of Incorporation filed with the Secretary of State of Delaware and recorded in the Office of the Recorder of Deeds of the County of New Castle, Delaware on February 3, 1987; the registered office of TWC, Inc. in the State of Delaware is located at 1209 Orange Street, in the City of Wilmington, County of New Castle; and the name of its registered agent at such office is The Corporation Trust Company; and

WHEREAS, the Company on February 20, 1987, had an authorized capitalization consisting of (1) 120,000,000 shares of Common Stock, \$1 par value, of which 35,104,080 shares (which, including any additional share of Common Stock issued between such date and the effective date of the merger, are herein called the "Common Shares") were issued and outstanding at such date and 6,674,809 shares are reserved for issuance under the Company's Automatic Dividend Reinvestment and Common Stock Purchase Plan and under various employee benefit plans sponsored by the Company and its subsidiaries, and (ii) 30,000,000 shares of Preferred Stock, \$1 par value, 200,000 shares of which, designated series A Junior Participating Preferred Stock are reserved for issuance upon the exercise of rights to purchase such Series A Junior Participating Preferred Stock (the "Rights"); and

WHEREAS, TWC, Inc. has an authorized capitalization consisting of (i) 120,000,000 shares of Common Stock, \$1 par value, of which 1,000 shares (the "TWC Shares") are now issued and outstanding and owned by the Company, and (ii) 30,000,000 shares of Preferred Stock, \$1 par value, none of which are issued and outstanding; and

WHEREAS, the Board of Directors of the Constituent Corporations deem the transaction contemplated herein to be in the best interests of their respective stockholders, and, accordingly, such Boards of Directors have unanimously approved and adopted this Agreement and directed that it be submitted to a vote of the respective stockholders of the Constituent Corporations; and

WHEREAS, the Constituent Corporations desire, upon the terms and subject to the conditions herein stated, that the Company be merged with and into TWC, Inc. pursuant to the applicable statutes of the State of Nevada and Delaware with (i) the outstanding Common Shares of the Company converted into share of Common Stock, \$1 par value, of TWC, Inc., (ii) the outstanding Rights to purchase the Preferred Stock converted into rights to purchase Series A Junior Participating Preferred Stock of TWC, Inc., and (iii) the 1,000 TWC Shares owned by the Company be returned to TWC, Inc. by the Company and canceled by TWC, Inc., so that after the effective time of the merger all of the outstanding Common Stock and rights to purchase Series A Junior Participating Preferred Stock of TWC, Inc. will be owned by those who, immediately prior to the effective time of the merger, owned the outstanding Common Shares and Rights of the Company;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I

TERMS

1.1 Upon the terms and conditions herein stated, it is agreed that upon the effective time of the merger, as defined in Section 2.1 below, the Company shall be merged with and into TWC, Inc. in accordance with the applicable statutes of the States of Nevada and Delaware, and the separate existence of the Company shall cease, and TWC, Inc. shall continue under the laws of the State of Delaware as the surviving corporation under the name "The Williams Companies, Inc."

1.2 Upon the effective time of the merger:

(a) The 1,000 TWC Shares outstanding (all of which are owned of record and beneficially by the Company) shall be contributed to, and transferred by, the Company to TWC, Inc. and canceled and retired; all rights in respect thereof shall cease; and no shares of stock or other securities of TWC, Inc. shall be issued in respect thereof.

(b) Each of the Common Shares of the Company issued and outstanding immediately prior to the effective time of the merger shall, forthwith and without the surrender of stock certificates or any other action on the part of the holder thereof, be converted into one fully paid and nonassessable share of Common Stock, \$1 par value, of TWC, Inc.

(c) Each Right to purchase the Preferred Stock of the Company outstanding immediately prior to the effective time of the merger shall, forthwith and without any action on the part of the holder thereof, be converted into the right to purchase the same number of shares of Series A Junior Participating Preferred Stock of TWC, Inc.

(d) Issued and outstanding certificates representing Common Shares of the Company shall, at and after the effective time of the merger, be deemed for all purposes to represent the same number of shares of the Common Stock of TWC, Inc.; and the holders of such certificates shall have precisely the same rights as if such certificates had been issued by TWC, Inc.

(e) After the effective time of the merger, each holder of a certificate representing previously issued and outstanding Common Shares of the Company may, but shall not be required to, surrender the same to TWC, Inc., and each holder shall be entitled, upon such surrender, to receive a certificate or certificates representing the same number of shares of TWC, Inc. as the number of Common Shares of the Company which were previously held by such holder.

(f) Each of the Common Shares of the Company held in the treasury of the Company, if any, at the effective time of the merger, shall forthwith and without any further action be converted into an equal number of shares of Common Stock of TWC, Inc. held in the treasury of TWC, Inc.

(g) TWC, Inc. shall be entitled to the protection of, and to rely upon, the stock records of the Company to the same extent as if the same were its own records; and such records shall be deemed to be the records of TWC, Inc. for all corporate purposes.

ARTICLE II

EFFECTIVE TIME OF MERGER

2.1 This Agreement has been or shall be submitted to the stockholders of each of the Constituent Corporations as provided by the applicable laws of the States of Nevada and Delaware, and if this Agreement shall have been duly adopted by the requisite vote of such stockholders in accordance with such applicable laws, then at the earliest convenient time thereafter this Agreement, and all other instruments or documents required by applicable law for consummation of the merger thereunder, shall be filed in accordance with the laws of such States and become effective upon the issuance of a certificate of merger by the Secretary of State of the State of Delaware (the time of such issuance being sometimes herein referred to as the "effective time of the merger"), unless this Agreement shall have been terminated in accordance with the provisions of Article V.

2.2 The Restated Certificate of Incorporation and By-laws of TWC, Inc. in existence and effect immediately prior to the effective time of the merger shall continue in full force and effect as the Rested Certificate of Incorporation and By-laws of TWC, Inc. until the same shall thereafter be altered, amended or repealed, in accordance with their respective terms.

2.3 At the effective time of the merger, all and singular the rights, privileges, powers and franchises, both of a public as well as a private nature, and all the property, real, personal and mixed, of each of the Constituent Corporations, and all debts due to either of them on whatever account, including subscriptions to shares and all other things in action, or belonging to

either of them shall be taken and deemed to be transferred to, and shall be vested in and possessed by TWC, Inc. without further act or deed; and all of the property, rights, privileges, powers and franchises of each of the Constituent Corporations, and all and every other interest shall be thereafter as effectually the property of TWC, Inc. as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise in either of the Constituent Corporations shall not revert or be in any way impaired by reason of the merger; but TWC, Inc. shall thenceforth be liable for all debts, liabilities, obligations, duties and penalties of the Constituent Corporations, and the same shall henceforth attach to TWC, Inc. and may be enforced against it to the same extent as if said debts, liabilities, obligations, duties and penalties had been incurred or contracted by it. No liability or obligation due at the effective time of the merger, or then to become due, claim or demand for any cause then existing against either of the Constituent Corporations, or any stockholder, officer or director thereof, shall be released or impaired by the merger, and all rights of creditors and all liens upon property of either of the Constituent Corporations shall be preserved unimpaired.

2.4 The parties hereto agree that from time to time as and when requested by TWC, Inc. or by its successors or assigns, the officers and directors of the Company and of TWC, Inc. are fully authorized in the name of the Company or otherwise to execute and deliver all such deeds, assignments or other instruments and to take or cause to be taken all such further action as TWC, Inc. or any such officer of TWC, Inc. may deem necessary or desirable in order to vest in and confirm to TWC, Inc. and its successors and assigns, title to and possession of the property, rights, privileges, powers and franchises referred to in Section 2.3 hereof, and otherwise to carry out the intent and purpose of this Agreement.

2.5 The merger shall be accounted for in accordance with generally accepted accounting principles. As of the effective time of the merger the assets and liabilities of the Constituent Corporations shall be taken up or continued, as the case may be, on the books of TWC, Inc., at the amounts at which they respectively shall be carried on the books of the respective Constituent Corporations immediately prior to the effective time of the merger.

2.6 Upon the effective time of the merger, all corporate acts, resolutions, plans, policies, agreements, arrangements, approvals and authorizations of the Company, its stockholders, Board of Directors and committees thereof, officers and agents which were valid and effective immediately prior to the effective time of the merger, shall be taken for all purposes as the acts, resolutions, plans, policies, agreements, approvals and authorizations of TWC, Inc. and shall be as effective and binding thereon as the same were with respect to the Company, and TWC, Inc. will succeed to all rights and obligations of the Company under the rights agreement pursuant to which the Rights were issued.

2.7 Upon the effective time of the merger, all of the Company's executive, employee and stockholders' benefit plans (including, without limitation, the Company's Retirement Income Plan, Supplemental Retirement Plan Agreements, Indemnity Agreements, Employees' Investment Plan, Thrift Plan, Investment Plan for Classified Employees, Executive Incentive Compensation Plan, Employee Stock Ownership Plan, Bonus Employee Stock Ownership Plan, Stock Option Plans and Stockholders' Automatic Dividend Reinvestment and Common Stock Purchase Plan) shall be assumed by TWC, Inc. and shall continue in full force and effect relating

to the same executives, employees and stockholders to which such plans related immediately prior to the merger, and such executives, employees and stockholders shall be entitled to the same number of shares of TWC, Inc. or amount of other forms of remuneration or benefits after the effective time of the merger, as the number of shares of the Company's Common Stock or amount of other forms of remuneration or benefits as such executives, employees and shareholders were entitled to immediately prior to the merger.

2.8 Upon the effective time of the merger, the directors and officers of the Company shall be the directors and officers of TWC, Inc., and each such director shall hold office until a successor shall have been elected and qualified in accordance with the term of the class to which such director was a member immediately prior to the merger as specified in the By-laws of the Company or such director's earlier resignation or removal, and each such officer shall hold office until a successor shall have been elected and qualified in accordance with the By-laws of TWC, Inc. or such officer's earlier resignation or removal.

ARTICLE III

COVENANTS AND AGREEMENTS

3.1 From the date hereof until the effective time of the merger or until abandonment or deferral of the merger pursuant to Article V hereof:

(a) Each of the Constituent Corporations will exercise all reasonable efforts to obtain requisite consents and approvals to the merger herein contemplated and to comply with any and all instruments or agreements to which either corporation is a party or by which either may be bound.

(b) TWC, Inc. shall not transact any business, enter into any transactions, permit any change in its capital stock, or perform any acts except as shall be necessary or appropriate to the consummation of the transactions contemplated hereby.

(c) The Board of Directors of TWC, Inc. shall cause to be taken all steps necessary to secure listing of the shares of Common Stock and rights to purchase Series A Junior Participating Preferred Stock of TWC, Inc. on the New York and Pacific Stock Exchanges.

(d) The Company shall present this Agreement for adoption or rejection by a vote of the holders of the Common Shares of the Company at the Company's 1987 Annual Meeting of Stockholders, will furnish to such holders such documents and information in connection therewith as required by law, and will recommend approval and adoption of this Agreement by such holders.

ARTICLE IV

CONDITIONS

4.1 The obligations of the Company and TWC, Inc. to consummate the transactions contemplated hereby are subject to the rights of the Company and TWC, Inc. to terminate or defer this Agreement pursuant to Article V hereof and to the receipt of the favorable legal opinion, dated the effective time of the merger and in form and substance satisfactory to the Company and to TWC, Inc., to the effect that (i) TWC, Inc. is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) the Board of Directors and the stockholders of the Company and of TWC, Inc. have taken all action necessary to adopt this Agreement, and this Agreement is a valid and binding agreement in accordance with its terms; and (iii) for federal income tax purposes (A) the merger herein contemplated will constitute a reorganization within the meaning of Section 368(a)(1)(F) of the Internal Revenue Code; (B) no gain or loss will be recognized to the Company or to TWC, Inc. by reason of the merger herein contemplated; (C) the basis of the assets transferred to TWC, Inc pursuant to such merger will be the same as the basis for such assets in the hands of the Company immediately prior to the effective time of such merger; and (D) no gain or loss will be recognized to the holders of the Common Shares of the Company upon receipt of the shares of Common Stock of TWC, Inc.

ARTICLE V

TERMINATION

5.1 Anything herein or elsewhere to the contrary notwithstanding, this Agreement and the merger herein provided for, may be terminated and abandoned, or deferred for a reasonable period of time if such would be in the best interests of the Constituent Corporations or their stockholders, by the Board of Directors of the Company at any time before the effective date of the merger for any reason, in the sole discretion of said Board of Directors, either before or after stockholder approval, subject to applicable law.

5.2 In the event of termination or abandonment by the Board of Directors of the Company, this Agreement shall become wholly void and of no effect and there shall be no liability on the part of either of the Constituent Corporations or their respective Boards of Directors or stockholders.

ARTICLE VI

MISCELLANEOUS PROVISIONS

6.1 TWC, Inc. hereby (i) agrees that it may be served with process in the State of Nevada in any proceeding for the enforcement of any obligation of the Company, as well as for the enforcement of any obligation of TWC, Inc. arising from the merger; (ii) irrevocably appoints the Secretary of State of the State of Nevada or its agent to accept service of process in any such suit or other proceeding; and (iii) specifies One Williams Center, Tulsa, Oklahoma 74172, as the address to which a copy of such process shall be mailed by the Secretary of State of the State of Nevada. Nothing herein shall be deemed to imply that any stockholder of the Company has rights of appraisal nor shall anything herein be deemed an acknowledgment by the Company or TWC, Inc. that any stockholder has such rights.

6.2 Subject of applicable law, this Agreement may be amended by an agreement in writing, before or after the meeting of stockholders of the Company, at any time prior to the effective time of the merger, with respect to any of the terms contained herein except the terms of the conversion provided for in Section 1.2.

6.3 This Agreement shall be construed under and in accordance with and be governed by the laws of the State of Delaware.

6.4 This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns.

6.5 This Agreement may be executed in one or more counterparts, each of which when duly executed shall be deemed an original, and such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, The Williams Companies and The Williams Companies, Inc. by their duly authorized officers, have duly executed this Agreement as of the date first above written.

THE WILLIAMS COMPANIES
a Nevada corporation

By /s/ Signature Illegible

President

(CORPORATE SEAL)

Attest:

/s/ DAVID M. HIGBEE

Secretary

THE WILLIAMS COMPANIES, INC.
a Delaware corporation

By /s/ Signature Illegible

Vice President

(CORPORATE SEAL)

Attest:

/s/ DAVID M. HIGBEE

Secretary

CERTIFICATE OF SECRETARY

I, David M. Higbee, Secretary of The Williams Companies, a Nevada corporation ("the Company"), do hereby certify as such Secretary in accordance with the general Corporation Laws of the States of Nevada and Delaware, that a form of the Agreement and Plan of Merger (the "Agreement") to which this Certificate is attached was duly submitted to the shareholders of the Company, and that said Agreement was approved by such shareholders at the Annual Meeting of Shareholders held May 19, 1987 and that 19,497,355 shares of Common Stock, constituting a majority of the outstanding shares of Common Stock, were voted for the adoption of said Agreement and that thereby said Agreement was therefore duly adopted as the act of the shareholders of the Company and all the agreement and act of the Company.

IN WITNESS WHEREOF, I have executed this Certificate this 19th day of May, 1987.

/s/ DAVID M. HIGBEE

David M. Higbee
Secretary

CERTIFICATE OF SECRETARY

I, David M. Higbee, Secretary of The Williams Companies, Inc., a Delaware corporation ("TWC, Inc."), do hereby certify as such Secretary in accordance with the Corporation Laws of the States of Delaware and Nevada, that the Agreement and Plan of Merger (the "Agreement") to which this Certificate is attached, after having been first duly adopted and executed by TWC, Inc. and The Williams Companies, a Nevada corporation, was duly submitted to the sole shareholder of TWC, Inc. and was approved by such sole stockholders by written consent dated May 19, 1987, that by virtue of such written consent, 1,000 shares of Common Stock, constituting all of the outstanding shares of Common Stock of TWC, Inc., were voted for the adoption of said Agreement and that thereby such Agreement was duly adopted as the act of the sole shareholder of TWC, Inc. and as the agreement and act of TWC, Inc., all as provided in Subchapter Vii of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, I have executed this Certificate this 19th day of May, 1987.

/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 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

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 depository, 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 depository other than the Company, that any funds held by such depository 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

BY-LAWS
OF
THE WILLIAMS COMPANIES, INC.
(hereinafter called the "Company")

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the Company shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Other Offices. The Company may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. Meetings of the stockholders for the election of Directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The Annual Meetings of the Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meetings, at which meetings the stockholders shall elect by a plurality vote the Directors to be elected at such meetings, and transact such other business as may properly be brought before the meetings. Written notice of the Annual Meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 3. Special Meetings. Unless otherwise prescribed by law or by the Restated Certificate of Incorporation, Special Meetings of Stockholders, for any purpose or purposes, may be called by either the Chairman of the Board, if one has been elected, or the President, and shall be called by either such officer or the Secretary at the request in writing of a majority of the Board of Directors. Such request shall state the purpose or purposes of the proposed meeting. Written notice of a Special Meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 4. Quorum. Except as otherwise provided by law or by the Restated Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present or represented by proxy at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented by proxy, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a written notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

Section 5. Voting. At each meeting of stockholders held for any purpose, each stockholder of record of Common Stock entitled to vote thereat shall be entitled to one vote for every share of such stock standing in such stockholder's name on the books of the Company on the date determined in accordance with Section 5 of Article V of these By-laws, and each stockholder of record of Preferred Stock entitled to vote thereat shall be entitled to the vote as set forth in the resolution or resolutions of the Board of Directors providing for such series for each share of Preferred Stock standing in such stockholder's name on the books of the Company on the date determined in accordance with Section 5 of Article V of these By-laws. On any matter 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.

Each stockholder entitled to vote at any meeting of stockholders may authorize not in excess of three persons to act for such stockholder by a proxy signed by such stockholder or such stockholder's attorney-in-fact. Any such proxy shall be delivered to the secretary of such meeting at or prior to the time designated for holding such meeting, but in any event not later than the time designated in the order of business for so delivering such proxies. No such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Except as otherwise provided by law or by the Restated Certificate of Incorporation, at each meeting of the stockholders, all corporate actions to be taken by vote of the stockholders shall be authorized by a majority of the votes cast by the stockholders entitled to vote thereon, present in person or represented by proxy, and where a separate vote by class is required, a majority of the votes cast by the stockholders of such class, present in person or represented by proxy, shall be the act of such class.

Unless required by law or determined by the chairman of the meeting to be advisable, the vote on any matter, including the election of Directors, need not be by written ballot. In the case of a vote by written ballot, each ballot shall be signed by the stockholder voting, or by such stockholder's proxy, and shall state the number of shares voted.

Section 6. List of Stockholders Entitled to Vote. The officer of the Company who has charge of the stock ledger of the Company shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder or person representing a stockholder by proxy, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Company who is present.

Section 7. Stock Ledger. The stock ledger of the Company shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Company, or to vote in person or by proxy at any meeting of stockholders.

Section 8. Nature of Business at Meetings of Stockholders. No business may be transacted at an Annual Meeting of Stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any Stockholder of the Company (i) who is a Stockholder of record on the date of the giving of the notice provided for in this Section 8 and on the record date for the determination of Stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 8.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a Stockholder, such Stockholder must have given timely notice thereof in proper written form to the Secretary of the Company.

To be timely, a Stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Company not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders; provided, however, that in the event that the Annual Meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the Stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs.

To be in proper written form, a Stockholder's notice to the Secretary must set forth as to each matter such Stockholder proposes to bring before the Annual Meeting (i) a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such

business at the Annual Meeting, (ii) the name and record address of such Stockholder, (iii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such Stockholder, (iv) a description of all arrangements or understandings between such Stockholder and any other person or persons (including their names) in connection with the proposal of such business by such Stockholder and any material interest of such Stockholder in such business and (v) a representation that such Stockholder intends to appear in person or by proxy at the Annual Meeting to bring such business before the meeting.

No business shall be conducted at the Annual meeting of Stockholders except business brought before the Annual Meeting in accordance with the procedures set forth in this Section 8; provided, however, that, once business has been properly brought before the Annual Meeting in accordance with such procedures, nothing in this Section 8 shall be deemed to preclude discussion by any Stockholder of any such business. If the Chairman of an Annual Meeting determines that business was not properly brought before the Annual Meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

ARTICLE III

DIRECTORS

Section 1. Number, Nomination, and Election of Directors. The number of Directors constituting the Board of Directors shall be no more than seventeen nor less than five, the precise number within such limitations to be fixed by resolution of the Board of Directors from time to time. Except as provided in Section 2 of this Article III, the Directors to be elected at each Annual Meeting of Stockholders shall be elected by a plurality of the votes cast at such Annual Meeting of Stockholders, and each Director so elected shall hold office until the third Annual Meeting of Stockholders following such election and until a successor is duly elected and qualified, or until earlier resignation or removal. Any Director may resign at any time upon notice to the Company. Directors need not be stockholders.

Notwithstanding the foregoing, whenever the holders of any Preferred Stock, as may at any time be provided in the Restated Certificate of Incorporation or in any resolution or resolutions of the Board of Directors establishing any such Preferred Stock, shall have the right, voting as a class or as classes, to elect Directors at any Annual or Special Meeting of Stockholders, the then authorized number of Directors of the Company may be increased by such number as may therein be provided, and at such meeting the holders of such Preferred Stock shall be entitled to elect the additional Directors as therein provided. Any Directors so elected, unless so reelected at the Annual Meeting of Stockholders or Special Meeting held in place thereof, next succeeding the time when the holders of any such Preferred Stock became entitled to elect Directors as above provided, shall not hold office beyond such Annual or Special Meeting. Any such provision for election of Directors by holders of the Preferred Stock shall apply notwithstanding the maximum number of Directors set forth in the provisions hereinabove.

Only persons who are nominated in accordance with the following procedures shall be eligible for election as Directors of the Company, except as may be otherwise provided in the Restated Certificate of Incorporation with respect to the right of holders of preferred stock of the Company to nominate and elect a specified number of Directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any Annual Meeting of Stockholders, or at any Special Meeting of Stockholders called for the purpose of electing Directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any Stockholder of the Company (i) who is a Stockholder of record on the date of the giving of the notice provided for in this Section 9 and on the record date for the determination of Stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 9.

In addition to any other applicable requirements, for a nomination to be made by a Stockholder, such Stockholder must have given timely notice thereof in proper written form to the Secretary of the Company.

To be timely, a Stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Company (a) in the case of an Annual Meeting, not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders; provide however, that in the event that the Annual Meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the Stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs; and (b) in the case of a Special Meeting of Stockholders called for the purpose of electing Directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the Special meeting was mailed or public disclosure of the date of the Special meeting was made, whichever first occurs.

To be in proper written form, a Stockholder's notice to the Secretary must set forth (a) as to each person whom the Stockholder proposes to nominate for election as a Director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the Stockholder giving the notice (i) the name and record address of such Stockholder, (ii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such Stockholder, (iii) a description of all arrangements or understandings between such Stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nominations are to be made by such Stockholder, (iv) a representation that such Stockholder intends to appear in person or by proxy

at the meeting to nominate the persons named in its notice and (v) any other information relating to such Stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a Director if elected.

No person shall be eligible for election as a Director of the Company unless nominated in accordance with the procedures set forth in this Section 9. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 2. Vacancies. Subject to the provisions of the Restated Certificate of Incorporation, vacancies and newly created directorships resulting from any increase in the authorized number of Directors may be filled by a majority of the Directors then in office, though less than a quorum, or by a sole remaining Director, and the Directors so chosen shall hold office for a term that shall coincide with the unexpired portion of the term of that directorship, and until their successors are duly elected and qualified, or until their earlier resignation or removal.

Section 3. Duties and Powers. The business of the Company shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Company and do all such lawful acts and things as are not by statute or by the Restated Certificate of Incorporation or by these By-laws directed or required to be exercised or done by the stockholders.

Section 4. Meetings. The Board of Directors of the Company may hold meetings, both regular and special, within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board, if one has been elected, or by the President or any three Directors. Notice thereof stating the place, date and hour of the meeting shall be given to each Director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or telegram on twenty-four (24) hours notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 5. Quorum. Except as may be otherwise specifically provided by law, the Restated Certificate of Incorporation or these By-laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 6. Actions of the Board. Unless otherwise provided by the Restated Certificate of Incorporation or these By-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board of Directors or committee.

Section 7. Meetings by Means of Conference Telephone. Unless otherwise provided by the Restated Certificate of Incorporation or these By-laws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 7 shall constitute presence in person at such meeting.

Section 8. Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the Directors. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, or in the By-laws of the Company, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Company, and may authorize the seal of the Company to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by Delaware law to be submitted to stockholders for approval; or (ii) adopting, amending or repealing any By-law of the Company. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 9. Compensation. The Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and such compensation for serving as a Director and attending each meeting of the Board of Directors as may be fixed from time to time by resolution of the Board. No such payment shall preclude any Director from serving the Company in any other capacity and receiving compensation therefor. Members of special or standing committees may also be paid such compensation for committee service or for attending committee meetings as the Board may establish from time to time.

Section 10. Retirement Policy. The normal retirement date for a Director shall be at the first Annual Meeting of Stockholders of the Company following the Director's 72nd birthday, and except as provided in this Section 10, no one shall serve as a Director beyond this normal retirement date. A Director may be nominated (and elected) to serve as a Director after the normal retirement date provided that: (i) the Director expresses to the Board of Directors a willingness to serve as a

Director after the normal retirement date; (ii) at the time of being a nominee for a term of office that would extend beyond the normal retirement date, such person was a Director and was so elected by the stockholders of the Company; (iii) the Director's nomination as a nominee for the term extending beyond the normal retirement date was by majority vote of all Directors then in office; (iv) the stockholders of the Company were advised fully regarding the Director's intent to serve on the Board after the normal retirement date; and (v) the Director was thereafter elected a Director by the stockholders in accordance with the Restated Certificate of Incorporation and By-laws of the Company. Nothing herein shall be construed to create a right of any Director to be nominated for reelection to the Board or as a limitation upon the right of the Board of Directors not to nominate any Director for such reelection.

ARTICLE IV

OFFICERS

Section 1. General. The officers shall be elected by the Board of Directors and shall include a President, a Secretary and a Treasurer and, at the discretion of the Board of Directors, may include a Chairman of the Board, one or more Vice Presidents and such other officers as the Board of Directors may from time to time deem necessary or appropriate. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Restated Certificate of Incorporation or these By-laws. The officers need not be stockholders nor, except in the case of the Chairman of the Board, need such officers be Directors.

Section 2. Election. The Board of Directors shall elect the officers of the Company who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers shall hold office until their successors are chosen and qualified, or until their death, resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office shall be filled by the Board of Directors.

Section 3. Voting Securities Owned by the Company. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Company may be executed in the name of and on behalf of the Company by the Chief Executive Officer, any Vice President or the Secretary, and any such officer may in the name of and on behalf of the Company, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Company may own securities and at any such meeting shall possess ownership of such securities and which, as the owner thereof, the Company might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chief Executive Officer. If no Chairman of the Board has been elected, the President shall be the Chief Executive Officer. If a person has been elected as both Chairman of the Board and President, that person shall be the Chief Executive Officer. Otherwise, if a Chairman

of the Board has been elected, the Board of Directors shall designate either the Chairman of the Board or the President as Chief Executive Officer. Subject to the directions of the Board of Directors or any duly authorized committee of Directors, the Chief Executive Officer shall direct the policy of the Company and shall have general direction of the Company's business, affairs and property and over its several officers, in addition to his duties set forth in Section 5 or 6 of this Article IV, as the case may be.

Section 5. Chairman of the Board. If one has been elected, the Chairman of the Board shall, if present, preside at all meetings of the Board of Directors and of the stockholders. The Chairman of the Board may, with the Treasurer or the Secretary, or an Assistant Treasurer or an Assistant Secretary, sign certificates for stock of the Company and any other documents, of whatever nature, in the name of the Company, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by a duly authorized committee of Directors, or by these By-laws to some other officer or agent of the Company, or shall be required by law otherwise to be signed or executed and shall perform such other duties as may from time to time be assigned by the Board of Directors or by any duly authorized committee of Directors.

Section 6. President. The President, unless he is serving as Chief Executive Officer, shall be responsible to the Chairman of the Board. During the absence or disability of the Chairman of the Board, or if one shall not have been elected, the President shall exercise all the powers and discharge all the duties of the Chairman of the Board. The President may, with the Treasurer or the Secretary, or an Assistant Treasurer or an Assistant Secretary, sign certificates for stock of the Company and any other documents, of whatever nature, in the name of the Company, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by a duly authorized committee of Directors, or by these By-laws, to some other officer or agent of the Company, or shall be required by law otherwise to be signed or executed and shall perform such other duties as may from time to time be assigned by the Board of Directors or by any duly authorized committee of Directors.

Section 7. Vice Presidents. In the absence of the President or in the event of inability or refusal of the President to perform the duties of his office, the Vice Presidents, if any have been elected, in the order designated by the Board of Directors or, in the absence of such designation, in the order of seniority in office, shall perform the duties and possess the authority and powers of the President. Any Vice President may also sign and execute in the name of the Company deeds, mortgages, bonds, contracts and other instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by a duly authorized committee of Directors, or by these By-laws, to some other officer or agent of the Company, or shall be required by law otherwise to be signed or executed. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe.

Section 8. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all of the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform, or cause to be performed, like duties for the standing committees when required. The Secretary shall give, or cause to be given,

notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer. If the Secretary shall be unable or shall refuse to cause notice to be given of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors, the Chairman of the Board, if one has been elected, or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Company and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Company and to attest the affixing by such officers a signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 9. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Company as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all transactions of the Treasurer and of the financial condition of the Company.

Section 10. Assistant Secretaries. Except as may be otherwise provided in these By-laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, any Vice President or the Secretary, and in the absence of the Secretary or in the event of the disability or refusal of the Secretary to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 11. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, any Vice President or the Treasurer, and in the absence of the Treasurer or in the event of the disability or refusal to act of the Treasurer, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer.

Section 12. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors.

ARTICLE V

STOCK

Section 1. Form of Certificates. Every holder of stock in the Company shall be entitled to have a certificate signed in the name of the Company (i) by the Chairman of the Board, if one has been elected, or the President; and (ii) by the Secretary or an Assistant Secretary of the Company, certifying the number of shares owned.

Section 2. Signatures. Where a certificate is countersigned by (i) a transfer agent other than the Company or its employee, or (ii) a registrar other than the Company or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, the certificate may be issued by the Company with the same effect as if such officer or entity were an officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Company alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or such owner's legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Company a bond in such sum as it may direct as indemnity against any claim that may be made against the Company and its transfer agents and registrars with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfers. Stock of the Company shall be transferable in the manner prescribed by law and in these By-laws. Transfers of stock shall be made on the books of the Company only by the person named in the certificate or by such person's attorney lawfully constituted in writing and filed with the Secretary of the Company, or a transfer agent for such stock, if any, and upon the surrender of the certificate therefor, which shall be canceled before a new certificate shall be issued.

Section 5. Record Date. In order that the Company may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action for which a record date is required. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE VI

NOTICES

Section 1. Notices. Whenever written notice is required by law, the Restated Certificate of Incorporation or these By-laws, to be given to any Director, member of a committee or stockholder, such notice may be given by mail, addressed to such Director, member of a committee or stockholder, at such address as appears on the records of the Company, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable.

Section 2. Waivers of Notice. Whenever any notice is required by law, the Restated Certificate of Incorporation or these By-laws, to be given to any Director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Company, subject to the provisions of the Restated Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Company available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Company, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Fiscal Year. The fiscal year of the Company shall be fixed by resolution of the Board of Directors.

Section 3. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Company, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed, affixed, reproduced or otherwise.

Section 4. By-laws Subject to Law and Restated Certificate of Incorporation of the Company. Each provision of these By-laws is subject to any contrary provision of the Restated Certificate of Incorporation of the Company or of an applicable law as from time to time in effect, and to the extent any such provision is inconsistent therewith, such provision shall be superseded thereby for as long as such inconsistency shall exist, but for all other purposes these By-laws shall continue in full force and effect.

ARTICLE VIII

INDEMNIFICATION

Section 1. Power to Indemnify in Actions, Suits or Proceedings Other Than Those by or in the Right of the Company. Subject to Section 3 of this Article VIII, the Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that such person is or was a Director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Company. Subject to Section 3 of this Article VIII, the Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that such person is or was a Director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company; except that no indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the Company unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of the State of Delaware or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the Director, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made (i) by the

Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders. To the extent, however, that a Director, officer, employee or agent of the Company has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on the records or books of account of the Company or another enterprise, or on information supplied to such person by the officers of the Company or another enterprise in the course of their duties, or on the advice of legal counsel for the Company or another enterprise or on information or records given or reports made to the Company or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Company or another enterprise. The term "another enterprise" as used in this Section 4 shall mean any other corporation or any partnership, joint venture, trust or other enterprise of which such person is or was serving at the request of the Company as a director, officer, employee or agent. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any Director, officer, employee or agent may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the Director, officer, employee or agent is proper in the circumstances because such person has met the applicable standards of conduct set forth in Sections 1 and 2 of this Article VIII, as the case may be. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Company promptly upon the filing of such application.

Section 6. Expenses Payable in Advance. Expenses by an officer or Director incurred in defending a civil or criminal action, suit or proceeding may be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the Director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Company as authorized in this Article VIII.

Such expenses incurred by other employees and agents shall be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

Section 7. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-law, agreement, contract, vote of stockholders or disinterested Directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Company that indemnification of the persons specified in Sections 1 and 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Sections 1 or 2 of this Article VIII but whom the Company has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware or otherwise.

Section 8. Insurance. The Company may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Company would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VIII.

Section 9. Meaning of "Company" and "Other Enterprises" for the Purposes of Article VIII.

A. For purposes of this Article VIII, references to "the Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

B. For purposes of this Article VIII, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a Director, officer, employee or agent of the Company which imposes duties on, or involves services by, such Director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE IX

AMENDMENTS

Section 1. Amendments of By-laws. These By-laws may be altered, amended, supplemented or repealed and new By-laws may be adopted by an affirmative vote of the holders of 75 percent to the voting power of all shares of outstanding stock of the Company entitled to vote at any duly constituted Annual or Special Meeting of Stockholders, and, except as otherwise expressly provided in a By-law made by the stockholders, by the Board of Directors at any duly constituted regular or special meeting thereof; provided that no amendment of these By-laws changing the place named therein for the annual election of Directors shall be made within sixty days next before the day on which any such election is to be held.

September 17, 2004

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

Ladies and Gentlemen:

You have requested me, as General Counsel of The Williams Companies, Inc., to render my opinion regarding certain matters in connection with the preparation and filing of the Registration Statement by The Williams Companies, Inc. (the "Company") on Form S-4 (as amended, the "Registration Statement") under the Securities Act of 1933, as amended, with respect to the contemplated issuance by the Company of up to 43,900,000 shares of the Company's common stock, par value \$1.00 per share (the "Common Stock").

I am familiar with the Certificate of Incorporation and the By-laws, each as amended to date, of the Company and I, or attorneys under my supervision, have examined the originals, or copies certified or otherwise identified to my satisfaction, of corporate records of the Company, statutes, and other instruments and documents as the basis for the opinion expressed herein. In this examination, I have without independent verification assumed the genuineness of all signatures and the authenticity of all documents submitted to me as certified or photostatic copies. Based upon and subject to the foregoing and to other qualifications and limitations set forth herein, and having regard for such legal considerations as I have deemed relevant, I am of the opinion that, when duly issued and delivered by the Company and duly paid for by the purchasers thereof in accordance with exchange procedures set forth in the Registration Statement, the Common Stock will be validly issued, fully paid, and non-assessable.

In connection with my opinion expressed above, I have assumed that, at or prior to the time of the delivery of any such Common Stock, the Registration Statement has been declared effective and that the authorization of such Common Stock will not have been modified or rescinded.

I am a member of the Bar of the State of Minnesota and the foregoing opinion is limited to the federal laws of the United States of America and the General Corporation Law of the State of Delaware. I hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to the undersigned appearing under the caption "Legal Matters" in the related prospectus. The opinions expressed herein are as of the date hereof only and are based on laws and facts as of such date, and I disclaim any obligation to update this opinion letter after such date or to advise you of changes of facts stated or assumed herein or any subsequent changes in applicable law.

Very truly yours,

/s/ James J. Bender

James J. Bender

[Letterhead of White & Case LLP]

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

September 17, 2004

Re: Form S-4 Registration Statement of the Williams Companies,
Inc.

Dear Ladies and Gentlemen:

Reference is made to The Williams Companies, Inc. Form S-4 Registration Statement, dated September 17, 2004 (the "Registration Statement"). We have functioned as special tax counsel to The Williams Companies, Inc. with respect to the transactions described in the Registration Statement.

We are pleased to advise you that, in our opinion, the statements under the caption "Material U.S. Federal Income Tax Consequences" in the Registration Statement, to the extent that they constitute a description of the tax laws and regulations of the United States, of any of its agencies, authorities or other government or quasi-governmental bodies, or documents or proceedings or conclusions of U.S. law, are correct in all material respects.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. We also consent to the reference to our firm under the heading "Legal Matters" in the Registration Statement. In giving this consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Commission.

Very truly yours,

/s/ White & Case LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Experts" in the Registration Statement on Form S-4 and related prospectus of The Williams Companies, Inc. for the registration of 43,900,000 shares of its common stock and to the incorporation by reference therein of our report dated February 18, 2004 (except for the matters described in the third paragraph of the "Basis of presentation" section in Note 1 and the second paragraph in Note 2, as to which the date is September 14, 2004) with respect to the consolidated financial statements and schedule of The Williams Companies, Inc. included in its Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 16, 2004.

Ernst & Young LLP

Tulsa, Oklahoma
September 14, 2004

NETHERLAND, SEWELL & ASSOCIATES, INC.

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS AND GEOLOGISTS

We consent to the incorporation by reference in this Registration Statement of The Williams Companies, Inc. on Form S-4 of the reference to us appearing on page 17 in the Annual Report on Form 10-K of The Williams Companies, Inc. for the year ended December 31, 2003. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

NETHERLAND, SEWELL & ASSOCIATES, INC.

/s/ FREDERIC D. SEWELL

Name: Frederic D. Sewell

Title: Chairman and Chief Executive Officer

Dallas, Texas

September 9, 2004

MILLER AND LENTS, LTD.

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS AND GEOLOGISTS

We consent to the incorporation by reference in this Registration Statement of The Williams Companies, Inc. on Form S-4 of the reference to us appearing on page 17 in the Annual Report on Form 10-K of The Williams Companies, Inc. for the year ended December 31, 2003. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

MILLER AND LENTS, LTD.

/s/ Stephen M. Hamburg

Stephen M. Hamburg, P.E.

Houston, Texas

September 10, 2004

THE WILLIAMS COMPANIES, INC.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each of the undersigned individuals, in their capacity as a director or officer, or both, as hereinafter set forth below their signature, of THE WILLIAMS COMPANIES, INC., a Delaware corporation ("Williams"), does hereby constitute and appoint JAMES J. BENDER, BRIAN K. SHORE, TAMI L. CARSON, AND RICHARD M. CARSON their true and lawful attorneys and each of them (with full power to act without the other) their true and lawful attorneys for them and in their name and in their capacity as a director or officer, or both, of Williams, as hereinafter set forth below their signature, to sign registration statements on Form S-4 for the registration under the Securities Act of 1933, as amended, and/or exchange of up to Eight Hundred Million Dollars (\$800,000,000) of securities, and any and all amendments and post-effective amendments to said registration statements and any and all instruments necessary or incidental in connection therewith; and

THAT the undersigned Williams does hereby constitute and appoint JAMES J. BENDER, BRIAN K. SHORE, TAMI L. CARSON, AND RICHARD M. CARSON its true and lawful attorneys and each of them (with full power to act without the other) its true and lawful attorney for it and in its name and on its behalf to sign said registration statements and any and all amendments and post-effective amendments thereto and any and all instruments necessary or incidental in connection therewith.

Each of said attorneys shall have full power of substitution and resubstitution, and said attorneys or either of them or any substitute appointed by either of them hereunder shall have full power and authority to do and perform in the name and on behalf of each of the undersigned, in any and all capacities, every act whatsoever requisite or necessary to be done in the premises, as fully to all intents and purposes as each of the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys or either of them or of any such substitute pursuant hereto.

IN WITNESS WHEREOF, the undersigned have executed this instrument, all as of the 16th day of July, 2004.

/s/ Steven J. Malcolm

Steven J. Malcolm
Chairman of the Board, President,
Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Donald R. Chappel

Donald R. Chappel
Senior Vice President
(Principal Financial Officer)

/s/ Gary R. Belitz

Gary R. Belitz
Controller
(Principal Accounting Officer)

/s/ Hugh M. Chapman

Hugh M. Chapman
Director

/s/ W. R. Howell

W. R. Howell
Director

/s/ George A. Lorch

George A. Lorch
Director

/s/ Frank T. MacInnis

Frank T. MacInnis
Director

/s/ Joseph H. Williams

Joseph H. Williams
Director

/s/ William E. Green

William E. Green
Director

/s/ Charles M. Lillis

Charles M. Lillis
Director

/s/ William G. Lowrie

William G. Lowrie
Director

/s/ Janice D. Stoney

Janice D. Stoney
Director

THE WILLIAMS COMPANIES, INC.

By: /s/ James J. Bender

James J. Bender
Senior Vice President and General Counsel

ATTEST:

/s/ Brian K. Shore

Brian K. Shore
Secretary

THE WILLIAMS COMPANIES, INC.

LETTER OF TRANSMITTAL

Offer To Exchange

One (1.0000) Share of Common Stock Plus \$1.47 in Cash

For Each

Outstanding FELINE PACSSM

In the Form of Income PACSSM (CUSIP 969457886)

Up to an Aggregate of 43,900,000 Income PACS

Pursuant to the Exchange Offer Prospectus dated September 17, 2004

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON OCTOBER 18, 2004 (THE "EXPIRATION TIME"), UNLESS THE EXCHANGE OFFER IS EXTENDED OR EARLIER TERMINATED. YOU MAY WITHDRAW INCOME PACS THAT YOU TENDER AT ANY TIME BEFORE THE EXCHANGE OFFER EXPIRES. IN ADDITION, YOU MAY WITHDRAW ANY TENDERED INCOME PACS AFTER NOVEMBER 15, 2004, IF WE HAVE NOT ACCEPTED THEM FOR EXCHANGE.

The Exchange Agent for the Exchange Offer is:

JPMorgan Chase Bank

PLEASE READ CAREFULLY THE ACCOMPANYING INSTRUCTIONS

If you desire to accept the Exchange Offer, this Letter of Transmittal should be completed, signed and submitted to the Exchange Agent as follows:

By Registered or Certified Mail:
JPMorgan Chase Bank
Institutional Trust Services
P.O. Box 2320
Dallas, Texas 75221-2320
Attention: Frank Ivins

By Hand:
JPMorgan Chase Bank
Institutional Trust Services Window
4 New York Plaza, 1st Floor
New York, New York 10004-2413

By Courier:
JPMorgan Chase Bank
Institutional Trust Services
2001 Bryan Street, 9th Floor
Dallas, Texas 75201
Attention: Frank Ivins

By Facsimile:

Attention: Joanne Adamis
(212) 623-6167
Confirm By Telephone:
(212) 623-6782

Delivery of this Letter of Transmittal to an address, or transmission of this Letter of Transmittal via facsimile, other than as set forth above will not constitute a valid delivery.

IF YOU WISH TO EXCHANGE CURRENTLY OUTSTANDING INCOME PACS FOR (1) ONE (1.0000) SHARE OF THE COMPANY'S COMMON STOCK AND (2) \$1.47 IN CASH PURSUANT TO THE EXCHANGE OFFER, YOU MUST VALIDLY TENDER (AND NOT WITHDRAW) INCOME PACS TO THE EXCHANGE AGENT PRIOR TO THE EXPIRATION TIME.

"FELINE PACS," "Income PACS" and "Growth PACS" are service marks of Merrill Lynch & Co., Inc.

The undersigned hereby acknowledges receipt and review of the exchange offer prospectus, dated September 17, 2004 (the “*Exchange Offer Prospectus*”), of The Williams Companies, Inc., a Delaware corporation (the “*Company*”), and this Letter of Transmittal (the “*Letter of Transmittal*”), which together describe the Company’s offer (the “*Exchange Offer*”) to exchange one (1.0000) share of the Company’s common stock, par value \$1.00 per share (the “*Common Stock*”), plus \$1.47 in cash (together, the “*Exchange Consideration*”), for each validly tendered and accepted FELINE PACS in the form of an Income PACS up to an aggregate of 43,900,000 Income PACS.

The FELINE PACS consists of units referred to as Income PACS and Growth PACS. Each Income PACS consists of (1) a purchase contract that obligates the holder to purchase from the Company on February 16, 2005 newly issued shares of common stock at a purchase price of \$25 and (2) a note due February 16, 2007, in the principal amount of \$25. The Company is only tendering for Income PACS. The Company is not tendering for Growth PACS. If you hold Growth PACS and would like to tender them for exchange pursuant to the Exchange Offer, then before tendering you must recreate Income PACS from your Growth PACS as described in the Exchange Offer Prospectus in the section entitled “Description of FELINE PACS — Recreating Income PACS.”

The Company reserves the right, at any time or from time to time, to extend the Exchange Offer at its discretion, in which event the term “Expiration Time” shall mean the latest time to which the Exchange Offer is extended. The Company shall give notice of any extension by giving written notice to the Exchange Agent and by making a public announcement by press release prior to 9:00 a.m., New York City time, on the next business day following the previously scheduled expiration date. The term “business day” shall mean any day that is not a Saturday, Sunday or day on which banks are authorized by law to close in the State of New York.

This Letter of Transmittal is to be used by a holder of Income PACS if (i) certificates representing Income PACS are to be physically forwarded herewith to the Exchange Agent or (ii) if delivery of Income PACS is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company (“*DTC*”) pursuant to the procedures set forth in the Exchange Offer Prospectus in the section entitled “The Exchange Offer — Procedures for Tendering Income PACS.” Tenders by book-entry transfer may also be made by delivering an agent’s message (as defined in the Exchange Offer Prospectus) pursuant to DTC’s Automated Tender Offer Program in lieu of this Letter of Transmittal. DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT.

The term “holder” with respect to the Exchange Offer means any person in whose name Income PACS are registered on the books of the Company, any other person(s) authorized to become registered holder(s) by endorsements or powers from the registered holder(s), a copy of which must be transmitted with this Letter of Transmittal or persons whose names appear on a DTC security position listing as a holder of Income PACS. Holders who wish to tender their Income PACS must complete this Letter of Transmittal in its entirety.

SIGNATURES MUST BE PROVIDED.

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.

Ladies and Gentlemen:

1. The undersigned hereby tenders to the Company the Income PACS described in the box entitled "Description of Income PACS Tendered" pursuant to the Company's offer of the Exchange Consideration in exchange for each Income PACS validly tendered and accepted, up to an aggregate of 43,900,000 Income PACS, upon the terms and subject to the conditions contained in the Exchange Offer Prospectus, receipt of which is hereby acknowledged, and in this Letter of Transmittal. Subject to and effective upon the acceptance for exchange of the number of Income PACS tendered in accordance with this Letter of Transmittal, the undersigned hereby exchanges, assigns and transfers to the Company all right, title and interest in and to the Income PACS tendered for exchange hereby. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as the agent and attorney-in-fact of the undersigned (with full knowledge that the Exchange Agent also acts as the agent of the Company in connection with the Exchange Offer) with respect to the tendered Income PACS with full power of substitution to:

- deliver such Income PACS, or transfer ownership of such Income PACS on the account books maintained by DTC, to the Company and deliver all accompanying evidences of transfer and authenticity, and
- present such Income PACS for transfer on the books of the Company and receive all benefits and otherwise exercise all rights of beneficial ownership of such Income PACS,

all in accordance with the terms of the Exchange Offer. The power of attorney granted in this paragraph shall be deemed to be irrevocable and coupled with an interest.

2. THE UNDERSIGNED HEREBY REPRESENTS AND WARRANTS THAT THE UNDERSIGNED HAS FULL POWER AND AUTHORITY TO TENDER, EXCHANGE, ASSIGN AND TRANSFER THE INCOME PACS TENDERED HEREBY AND TO ACQUIRE THE EXCHANGE CONSIDERATION ISSUABLE UPON THE EXCHANGE OF SUCH TENDERED INCOME PACS, AND THAT THE COMPANY WILL ACQUIRE GOOD AND UNENCUMBERED TITLE THERETO, FREE AND CLEAR OF ALL LIENS, RESTRICTIONS, CHARGES AND ENCUMBRANCES AND NOT SUBJECT TO ANY ADVERSE CLAIM, WHEN THE SAME ARE ACCEPTED FOR EXCHANGE BY THE COMPANY.

3. The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be necessary or desirable to complete the exchange, assignment and transfer of the Income PACS tendered hereby, including the transfer of such Income PACS on the account books maintained by DTC.

4. For purposes of the Exchange Offer, the Company shall be deemed to have accepted for exchange validly tendered Income PACS when, as and if the Company gives oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent. Any tendered Income PACS that are not accepted for exchange pursuant to the Exchange Offer for any reason will be returned, without expense, to the undersigned at the address shown below or at a different address as may be indicated herein under "Special Delivery Instructions" as promptly as practicable after the Expiration Time.

5. All authority conferred or agreed to be conferred by this Letter of Transmittal shall survive the death, incapacity or dissolution of the undersigned, and every obligation of the undersigned under this Letter of Transmittal shall be binding upon the undersigned's heirs, personal representatives, successors and assigns.

6. The undersigned acknowledges that the acceptance of properly tendered Income PACS by the Company pursuant to the procedures described in the section of the Exchange Offer Prospectus entitled "The Exchange Offer — Procedures for Tendering Income PACS" and in the instructions hereto will constitute a binding agreement between the undersigned and the Company upon the terms and subject to the conditions of the Exchange Offer.

7. Unless otherwise indicated under "Special Issuance Instructions," please issue the Exchange Consideration issued in exchange for the Income PACS accepted for exchange, and return any Income PACS not tendered or not exchanged, in the name(s) of the undersigned. Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail or deliver the Exchange Consideration issued in exchange for the Income PACS accepted for exchange and any Income PACS not tendered or not exchanged (and accompanying documents, as appropriate) to the undersigned at the address shown below the undersigned's signature(s). In the event that both "Special Issuance Instructions" and "Special

Delivery Instructions” are completed, please issue the Exchange Consideration issued in exchange for the Income PACS accepted for exchange in the name(s) of, and return any Income PACS not tendered or not exchanged to, the person(s) so indicated. The undersigned recognizes that the Company has no obligation pursuant to the “Special Issuance Instructions” and “Special Delivery Instructions” to transfer any Income PACS from the name of the registered holder(s) thereof if the Company does not accept for exchange any of the Income PACS so tendered for exchange.

THE INSTRUCTIONS INCLUDED WITH THIS LETTER OF TRANSMITTAL MUST BE FOLLOWED. QUESTIONS AND REQUESTS FOR ASSISTANCE OR FOR ADDITIONAL COPIES OF THE EXCHANGE OFFER PROSPECTUS AND THIS LETTER OF TRANSMITTAL MAY BE DIRECTED TO THE INFORMATION AGENT, D.F. King & Co., Inc., TOLL-FREE AT (800) 848-2998.

List below the Income PACS to which this Letter of Transmittal relates. If the space below is inadequate, list the certificate numbers and number of units on a separate signed schedule and affix the list to this Letter of Transmittal.

DESCRIPTION OF INCOME PACS TENDERED

Name(s) and Address(es) of Registered Holder(s) or Name of DTC Participant and Participant's DTC Account Number in Which the Income PACS are Held (Please Fill In Blank)

Certificate Numbers*	Number of Income PACS Tendered**	Number of Income PACS Not Tendered**
----------------------	----------------------------------	--------------------------------------

Total Income

PACS Tendered***

* Need not be completed by book-entry holders.

** Unless otherwise specified, it will be assumed that the entire number of Income PACS set forth above is being tendered.

*** If the undersigned does not designate an order, in the event that less than all Income PACS tendered are exchanged due to proration, Income PACS will be selected for purchase by DTC. See Instruction 8.

METHOD OF DELIVERY

Check here if tendered Income PACS are enclosed herewith.

Check here if tendered Income PACS are being delivered by book-entry transfer made to an account maintained by the Exchange Agent with DTC and complete the following (for use by eligible institutions only):

Name of Tendering Institution:

Account Number:

Transaction Code Number:

SPECIAL ISSUANCE INSTRUCTIONS

(See Instructions 4 and 5)

To be completed ONLY (i) if Income PACS in an amount not tendered, or Exchange Consideration issued in exchange for Income PACS accepted for exchange, are to be issued in the name of someone other than the undersigned, or (ii) if Income PACS tendered by book-entry transfer that are not exchanged are to be returned by credit to an account maintained at DTC other than to the account indicated above.

Issue Exchange Consideration and/or Income PACS to:

Name: _____

(Type or Print)

Address: _____

(Include Zip Code)

(Tax Identification or Social Security Number)
(Complete Substitute Form W-9)

Credit Unexchanged Income PACS

Delivered by Book-Entry Transfer
to DTC Account Number
Set Forth Below:

SPECIAL DELIVERY INSTRUCTIONS

(See Instructions 4 and 5)

To be completed ONLY if Income PACS in an amount not tendered, or Exchange Consideration issued in exchange for Income PACS accepted for exchange, are to be mailed or delivered to someone other than the undersigned, or to the undersigned at an address other than that shown below the undersigned's signature.

Mail or deliver Exchange Consideration and/or Income PACS to:

Name: _____

(Type or Print)

Address: _____

(Include Zip Code)

(Tax Identification or Social Security Number)

IMPORTANT

**PLEASE SIGN HERE WHETHER OR NOT
INCOME PACS ARE BEING PHYSICALLY TENDERED HEREBY
(Complete Accompanying Substitute Form W-9)**

(Signature(s) of Registered Holders of Income PACS):

Dated: _____, 2004

(The above lines must be signed by the registered holder(s) of Income PACS as the name(s) appear(s) on the Income PACS, or on a security position listing, or by person(s) authorized to become registered holder(s) by endorsements or powers from the registered holder(s), a copy of which must be transmitted with this Letter of Transmittal. If Income PACS to which this Letter of Transmittal relate are held of record by two or more joint holders, then all such holders must sign this Letter of Transmittal. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, then such person must set forth his or her full title below and, unless waived by the Company, submit evidence satisfactory to the Company of such person's authority so to act. See Instruction 4 regarding completion of this Letter of Transmittal, printed below.)

Name(s):

(Please Type or Print)

Capacity:

Address:

(Include Zip Code)

Area Code and Telephone Number:

SIGNATURE GUARANTEE (If Required by Instruction 4)

Certain Signatures Must be Guaranteed by an Eligible Institution

(Name of Eligible Institution Guaranteeing Signatures)

(Address, including zip code, of Eligible Institution)

(Telephone Number, including area code, of Eligible Institution)

(Authorized Signature)

(Printed Name)

(Title)

Dated:

COMPLETE ONLY IF APPLICABLE:

SOLICITED TENDERS

As described in the Exchange Offer Prospectus, the Company will pay, in the amounts and on the terms and conditions set forth in the Exchange Offer Prospectus, Retail Soliciting Dealer Fees (see Instruction 14) to designated soliciting dealers (as described in the Exchange Offer Prospectus).

This "Solicited Tenders" box must be completed and delivered to the Exchange Agent in order to receive payment of the Retail Soliciting Dealer Fee, if eligible, regardless of the method of delivery selected for tendering Income PACS, including through DTC's Automated Tender Offer Program.

The above signed tendering holder of Income PACS represents that the soliciting dealer that solicited and obtained this tender is:

Name of Firm:

(Please Type or Print)

Name of Individual Broker:

Address:

(Include Zip Code)

If Income PACS specified in this Letter of Transmittal are held by the above signed as custodian, specify below each beneficial owner of such Income PACS whose tender you have solicited. If the space below is inadequate, attach a separate signed schedule using the same format.

NAME OF BENEFICIAL OWNER

NUMBER OF INCOME PACS (MUST BE EQUAL TO OR FEWER
10,000)

The acceptance of compensation by such soliciting dealer will constitute a representation by it that (a) it has complied with the applicable requirements of the Securities Exchange Act of 1934, as amended, and the applicable rules and regulations thereunder, in connection with such solicitation; (b) it is entitled to such compensation for such solicitation under the terms and conditions of the Exchange Offer; (c) in soliciting a tender, it has used no solicitation materials other than those furnished by the Company; and (d) if it is a foreign broker or dealer not eligible for membership in the National Association of Securities Dealers, Inc. (the "NASD"), it has agreed to conform to the NASD's Rules of Fair Practice in making solicitations. See also Instruction 14.

SOLICITATION FEE PAYMENT INSTRUCTIONS

ISSUE CHECK TO:

Name of Firm:

(Please Type or Print)

Attention:

Address:

(Include Zip Code)

Phone Number:

Taxpayer Identification or Social Security Number:

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. Delivery of This Letter of Transmittal and Income PACS or Book-Entry Confirmations

All physically delivered Income PACS or any confirmation of a book-entry transfer to the Exchange Agent's account at DTC of Income PACS tendered by book-entry transfer (a "*Book-Entry Confirmation*"), as well as a properly completed and duly executed copy of this Letter of Transmittal (or facsimile hereof) or Agent's Message (as defined in the Exchange Offer Prospectus) in lieu thereof, and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at its address set forth herein prior to the Expiration Time.

The method of delivery of the tendered Income PACS, this Letter of Transmittal and all other required documents to the Exchange Agent is at the election and risk of the holder and, except as otherwise provided below, the delivery will be deemed made only when actually received or confirmed by the Exchange Agent. If such delivery is by mail, it is recommended that registered mail, properly insured, with return receipt requested, be used. Instead of delivery by mail, it is recommended that the holder use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure delivery to the Exchange Agent before the Expiration Time. No Letter of Transmittal or Income PACS should be sent to the Company.

2. Tender by Holder

Only a registered holder of Income PACS may tender such Income PACS in the Exchange Offer. Any beneficial owner of Income PACS who is not the registered holder and who wishes to tender should arrange with the registered holder to execute and deliver this Letter of Transmittal on its behalf or to deliver an agent's message (as defined in the Exchange Offer Prospectus) on its behalf pursuant to DTC's Automated Tender Offer Program.

3. Partial Tenders

If fewer than all of the Income PACS are tendered, the tendering holder should fill in the number of Income PACS tendered in the second column of the box entitled "Description of Income PACS Tendered" above. The entire number of Income PACS delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated. If the entire number of Income PACS is not tendered, then Income PACS for the number of Income PACS not tendered and the Exchange Consideration issued in exchange for any Income PACS accepted for exchange will be sent to the holder at its registered address, unless a different address is provided in the appropriate box on this Letter of Transmittal, promptly after the Income PACS are accepted for exchange.

4. Signatures on this Letter of Transmittal; Powers and Endorsements; Guarantee of Signatures

If this Letter of Transmittal (or facsimile hereof) is signed by the registered holder(s) of the Income PACS tendered hereby, the signature must correspond with the name(s) as written on the face of the Income PACS in every particular, without alteration, enlargement or any change whatsoever. If this Letter of Transmittal (or facsimile hereof) is signed by a DTC participant, the signature must correspond with the name as it appears on the security position listing as the holder of the Income PACS. If the Income PACS to be tendered hereby are registered in the name of two or more joint owners, all such owners must sign this Letter of Transmittal (or facsimile hereof).

If this Letter of Transmittal (or facsimile hereof) is signed by the registered holder or holders of Income PACS listed and tendered hereby and the Exchange Consideration issued in exchange therefor is to be issued (or any untendered Income PACS are to be reissued) to the registered holder, the registered holder need not and should not endorse any tendered Income PACS, nor provide a separate power. In any other case, the registered holder must either properly endorse the Income PACS tendered or transmit a properly completed separate power with this Letter of Transmittal.

If this Letter of Transmittal (or facsimile hereof) is signed by a person other than the registered holder or holders of any Income PACS listed, such Income PACS must be endorsed or accompanied by appropriate powers, in each case signed as the name of the registered holder or holders appears on the Income PACS.

If this Letter of Transmittal (or facsimile hereof) or any Income PACS or powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, evidence satisfactory to the Company of their authority to act must be submitted with this Letter of Transmittal.

Endorsements on Income PACS or signatures on powers required by this Instruction 4 must be guaranteed by an Eligible Institution that is a member of or participates in the Security Transfer Agent Medallion Program or such other signature guarantee program as may be acceptable to the Company.

No signature guarantee is required if:

- this Letter of Transmittal (or facsimile hereof) is signed by the registered holder(s) of the Income PACS tendered herein (or by a DTC participant whose name appears on a security position listing as the owner of the tendered Income PACS) and the Exchange Consideration is to be issued directly to such registered holder(s) (or, if signed by a DTC participant, deposited to such participant's account at DTC) and neither the box entitled "Special Delivery Instructions" nor the box entitled "Special Issuance Instructions" has been completed; or
- such Income PACS are tendered for the account of an Eligible Institution.

In all other cases, all signatures on this Letter of Transmittal (or facsimile hereof) must be guaranteed by an Eligible Institution that is a member of or participates in the Security Transfer Agent Medallion Program or such other signature guarantee program as may be acceptable to the Company.

5. Special Issuance and Delivery Instructions

Tendering holders should indicate, in the applicable box or boxes, the name and address (or account at the book-entry transfer facility) to which Exchange Consideration or substitute Income PACS for Income PACS not tendered or not accepted for exchange are to be issued or sent, if different from the name and address of the person signing this Letter of Transmittal. In the case of issuance in a different name, the taxpayer identification or social security number of the person named must also be indicated.

6. Transfer Taxes

The Company will pay all transfer taxes, if any, applicable to the exchange of Income PACS pursuant to the Exchange Offer. If, however, Income PACS not tendered or accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Income PACS tendered hereby, or if tendered Income PACS are registered in the name of any person other than the person signing this Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Income PACS pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or on any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with this Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

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

7. Backup U.S. Federal Income Tax Withholding and Substitute Form W-9

Under the U.S. federal income tax laws, payments that may be made by the Company on account of Exchange Consideration issued pursuant to the Exchange Offer may be subject to backup withholding at the rate of 28%. In order to avoid such backup withholding, each tendering holder should complete and sign the attached Substitute Form W-9 and either (a) provide the correct taxpayer identification number ("TIN") and certify, under penalties of perjury, that the TIN provided is correct, that the holder is a U.S. Person, including a U.S. resident alien, and that (1) the holder has not been notified by the U.S. Internal Revenue Service (the "IRS") that the holder is subject to backup withholding as a result of failure to report all interest or dividends or (2) the IRS has notified the

holder that the holder is no longer subject to backup withholding; or (b) provide an adequate basis for exemption. If the tendering holder has not been issued a TIN and has applied for one, or intends to apply for one in the near future, such holder should write “Applied For” in the space provided for the TIN in Part I of the Substitute Form W-9, sign and date the Substitute Form W-9 and sign the Certificate of Awaiting Taxpayer Identification Number. If “Applied For” is written in Part I, the Company will retain 28% of payments made to the tendering holder during the 60-day period following the date the Substitute Form W-9 is received by the Exchange Agent. If the holder furnishes the holder’s TIN within such 60-day period, the Company will remit such amounts retained during the 60-day period to the holder and no further amounts shall be retained or withheld from payments made to the holder thereafter. If, however, the holder has not provided the Exchange Agent or the Company with the holder’s TIN within such 60-day period, the Company will remit such previously retained amounts to the IRS as backup withholding. In general, if a holder is an individual, the TIN is the social security number of such individual. If the Exchange Agent or the Company are not provided with the correct TIN, the holder may be subject to a \$50 penalty imposed by the IRS.

Certain holders (including, among others, all corporations) are not subject to these backup withholding and reporting requirements if such Holders complete the Substitute Form W-9 to establish their exemption. Generally, in order for a non-U.S. individual to qualify as an exempt recipient, such holder must submit a statement (generally, IRS Form W-8BEN), signed under penalty of perjury, attesting to that individual’s foreign status. Such statements can be obtained from the Exchange Agent. Failure to complete the Substitute Form W-9 will not, by itself, cause Income PACS to be deemed invalidly tendered, but may require the Company to withhold 28% of the amount of any payments made on account of the Exchange Consideration. Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of a person subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a credit or refund may be obtained from the IRS.

See the attached “Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9” for more information.

8. Order of Exchange in Event of Proration.

As described in the section of the Exchange Offer Prospectus entitled “The Exchange Offer — Priority of Exchanges and Proration,” holders can specify in the “Description of Income PACS Tendered” box of the Letter of Transmittal the order in which specified portions of their Income PACS will be exchanged if, as a result of the proration provisions, some but not all of the tendered Income PACS are exchanged in the Exchange Offer. The order of exchange may have an effect on the federal income tax treatment of the consideration for the shares exchanged. See the section of the Exchange Offer Prospectus entitled “Material U.S. Federal Income Tax Consequences.”

9. Validity of Tenders

The Company will determine in its sole discretion all questions as to the validity, form, eligibility (including time of receipt), acceptance, and withdrawal of tendered Income PACS. The Company reserves the absolute right to reject any and all Income PACS not properly tendered or any Income PACS the acceptance for exchange of which may, in the opinion of the Company’s counsel, be unlawful. The Company also reserves the right to waive any defects, irregularities or conditions of tender of any particular Income PACS either before or after the Expiration Time. The interpretation of the terms and conditions by the Company of the Exchange Offer (which includes this Letter of Transmittal and the instructions hereto) shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Income PACS must be cured within such time as the Company shall determine. Neither the Company, the Exchange Agent, nor any other person shall have any duty or will incur any liability for failure to notify a holder of defects or irregularities. Tenders of Income PACS will not be considered to have been made until any defects or irregularities have been cured or waived.

Any Income PACS received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering holders, unless otherwise provided in this Letter of Transmittal, as soon as practicable following the Expiration Time.

10. Waiver of Conditions

Except for the nonwaivable conditions set forth in the section of the Exchange Offer Prospectus entitled “The Exchange Offer — Conditions to the Exchange Offer,” the Company reserves the absolute right to waive, in whole or part, any of the conditions to the Exchange Offer set forth in the Exchange Offer Prospectus or in this Letter of Transmittal.

11. No Conditional Tender

No alternative, conditional, irregular or contingent tender of Income PACS or transmittal of this Letter of Transmittal will be accepted.

12. Mutilated, Lost, Stolen or Destroyed Income PACS

Any holder whose Income PACS have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

13. Request for Assistance or Additional Copies

Requests for assistance or for additional copies of the Exchange Offer Prospectus or this Letter of Transmittal may be directed to the information agent, D.F. King & Co., Inc., toll-free at (800) 848-2998. Holders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Exchange Offer.

14. Retail Soliciting Dealer Fee Instructions

Upon the terms and subject to the conditions set forth in this Letter of Transmittal and the Exchange Offer Prospectus, in the event that the relevant beneficial owner so designates, the Company will pay, promptly after the Expiration Time, to persons who were responsible for soliciting tenders from beneficial owners whose individual ownership is equal to or fewer than 10,000 Income PACS, a fee (the “*Retail Soliciting Dealer Fee*”) equal to \$0.0625 per Income PACS for which instructions to tender have been given due to the efforts of such soliciting person, provided that the instructions and Letter of Transmittal relating thereto have been validly delivered. The “Solicited Tenders” box should be completed to designate a soliciting dealer. No person may receive the Retail Soliciting Dealer Fee unless such person is (i) a broker or dealer in securities, including a dealer manager in its capacity as a dealer or broker, that is a member of any national securities exchange or of the National Association of Securities Dealers, Inc. (“*NASD*”), (ii) a foreign broker or dealer not eligible for membership in the NASD that agrees to conform to the NASD’s Rules of Fair Practice in soliciting tenders outside the U.S. to the same extent as though it were an NASD member or (iii) a bank or trust company legally authorized to receive such fees. Beneficial owners are able to nominate such retail soliciting dealers in the appropriate section of this Letter of Transmittal.

15. Withdrawal

Tenders may be withdrawn only pursuant to the limited withdrawal rights set forth in the section of the Exchange Offer Prospectus entitled “The Exchange Offer — Withdrawals of Tenders.”

IMPORTANT: THIS LETTER OF TRANSMITTAL OR A MANUALLY SIGNED FACSIMILE HEREOF (TOGETHER WITH THE INCOME PACS DELIVERED BY BOOK-ENTRY TRANSFER OR IN ORIGINAL HARD COPY FORM) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO THE EXPIRATION TIME.

SUBSTITUTE

PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW

Part I — Social Security Number OR Employer Identification Number

Form W-9

Name

(If awaiting TIN, write "Applied For")

**Department of the Treasury
Internal Revenue Service**

Business Name

**Payer's Request for Taxpayer
Identification Number (TIN)**

Please check appropriate box:

- Individual/Sole Proprietor
- Partnership
- Corporation
- Other

Part II — For Payees exempt from backup withholding, see the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9, check the Exempt box below, and complete the Substitute Form W-9.

Exempt

Address

City, State, Zip Code

Certification — Under penalties of perjury, I certify that:

- (1) The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
- (2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
- (3) I am a U.S. Person (including a U.S. Resident alien).

Certification Instructions — You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item (2) does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. (Also see instructions in the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.)

SIGNATURE: _____

DATE: _____

NOTE: FAILURE TO COMPLETE AND RETURN THIS SUBSTITUTE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF 28% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE EXCHANGE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL INSTRUCTIONS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU WROTE "APPLIED FOR" IN PART I OF THE SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number within 60 days, 28% of all reportable payments made to me will be withheld until I provide a taxpayer identification number.

SIGNATURE: _____

DATE: _____

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION

NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER. Social Security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employer Identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the Payer.

For this type of account:	Give NAME and SOCIAL SECURITY number (SSN) of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
4. (a) The usual revocable savings trust (grantor is also trustee)	The grantor-trustee(1)
(b) So-called trust account that is not a legal or valid trust under state law	The actual owner(1)
5. Sole proprietorship or single-owner LLC	The owner(3)
6. A valid trust, estate, or pension trust	The legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(4)
7. Corporation or LLC electing corporate status under Form 8832	The corporation
8. Association, club, religious, charitable, educational or other tax-exempt organization	The organization
9. Partnership	The partnership
10. A broker or registered nominee	The broker or nominee
11. Account with the Department of Agriculture in the name of a public entity (such as State or local government, school district, or prison) that receives agricultural program payments	The public entity

- (1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.
- (2) Circle the minor's name and furnish the minor's SSN.
- (3) You must show your individual name, but you may also enter your business or "DBA" name. You may use either your SSN or EIN (if you have one).
- (4) List first and circle the name of the legal trust, estate, or pension trust.

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

THE WILLIAMS COMPANIES, INC.
LETTER TO REGISTERED HOLDERS AND
THE DEPOSITORY TRUST COMPANY PARTICIPANTS

Offer To Exchange

One (1.0000) Share of Common Stock Plus \$1.47 in Cash
For
Each Outstanding FELINE PACSSM
In the Form of an Income PACSSM (CUSIP 969457886)
Up to an Aggregate of 43,900,000 Income PACS
Pursuant to the Exchange Offer Prospectus dated September 17, 2004

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON OCTOBER 18, 2004 (THE “EXPIRATION TIME”), UNLESS THE EXCHANGE OFFER IS EXTENDED OR EARLIER TERMINATED.

FELINE PACS IN THE FORM OF INCOME PACS TENDERED IN THE EXCHANGE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION TIME (AS IT MAY BE EXTENDED). IN ADDITION, YOU MAY WITHDRAW ANY TENDERED INCOME PACS AFTER NOVEMBER 15, 2004, IF WE HAVE NOT ACCEPTED THEM FOR EXCHANGE.

To Registered Holders and Depository Trust Company Participants:

We are enclosing herewith the material listed below relating to the offer by The Williams Companies, Inc., a Delaware corporation (the “Company”), to exchange one (1.0000) share of the Company’s common stock plus \$1.47 in cash for each validly tendered and accepted Income PACS, up to an aggregate of 43,900,000 Income PACS, upon the terms and subject to the conditions set forth in the Company’s Exchange Offer Prospectus, dated September 17, 2004, and the related Letter of Transmittal (which together constitute the “Exchange Offer”).

The Company is requesting that you contact your clients for whom you hold Income PACS regarding the Exchange Offer. For your information and for forwarding to your clients for whom you hold Income PACS registered in your name or in the name of your nominee, enclosed herewith are copies of the following documents:

1. Exchange Offer Prospectus, dated September 17, 2004;
2. Letter of Transmittal (together with accompanying Substitute Form W-9 and related Guidelines);
3. Letter that may be sent to your clients for whose accounts you hold Income PACS in your name or in the name of your nominee, which contains a letter that may be sent from your clients to you with such client’s instruction with regard to the Exchange Offer; and
4. Letter to the holders of FELINE PACS.

We urge you to contact your clients promptly. Please note that the Exchange Offer will expire at the Expiration Time, unless extended. The Exchange Offer is subject to certain conditions. Please see the section of the Exchange Offer Prospectus entitled “The Exchange Offer — Conditions to the Exchange Offer.”

The Company will pay a fee to soliciting dealers of an amount equal to \$0.0625 for each validly tendered and accepted Income PACS in the exchange offer for beneficial owners whose ownership is equal to or fewer than 10,000 units. Any fees payable pursuant to this paragraph shall be paid in full to a soliciting dealer if such soliciting dealer is designated (as described in the Exchange Offer Prospectus), in which case such fees shall be payable in full to such designated soliciting dealer (which designated soliciting dealer may be a dealer manager). Except as set forth in the immediately preceding sentence, the Company will not pay any fee or commission to any broker or dealer or to any other

persons (other than the dealer managers, the Exchange Agent and information agent) in connection with the solicitation of tenders of Income PACS pursuant to the Exchange Offer. The Company will pay or cause to be paid any transfer taxes payable on the transfer of Income PACS to the Company, except as otherwise provided in Instruction 6 of the enclosed Letter of Transmittal.

Additional copies of the enclosed materials may be obtained from the information agent by calling D.F. King & Co., Inc. at (800) 848-2998.

Very truly yours,

THE WILLIAMS COMPANIES, INC.

“FELINE PACS” and “Income PACS” are service marks of Merrill Lynch & Co., Inc.

THE WILLIAMS COMPANIES, INC.

LETTER TO CLIENTS

Offer To Exchange

**One (1.0000) Share of Common Stock Plus \$1.47 in Cash
For
Each Outstanding FELINE PACSSM
In the Form of an Income PACSSM (CUSIP 969457886)
Up to an Aggregate of 43,900,000 Income PACS
Pursuant to the Exchange Offer Prospectus dated September 17, 2004**

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON OCTOBER 18, 2004 (THE “EXPIRATION TIME”), UNLESS THE EXCHANGE OFFER IS EXTENDED OR EARLIER TERMINATED.

FELINE PACS IN THE FORM OF INCOME PACS TENDERED IN THE EXCHANGE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION TIME (AS IT MAY BE EXTENDED). IN ADDITION, YOU MAY WITHDRAW ANY TENDERED INCOME PACS AFTER NOVEMBER 15, 2004, IF WE HAVE NOT ACCEPTED THEM FOR EXCHANGE.

To Our Clients:

We are enclosing an exchange offer prospectus, dated September 17, 2004 (the “*Exchange Offer Prospectus*”), of The Williams Companies, Inc., a Delaware corporation (the “*Company*”), and a related Letter of Transmittal (which together constitute the “*Exchange Offer*”) relating to the offer by the Company to exchange one (1.0000) share of the Company’s common stock plus \$1.47 in cash for each validly tendered and accepted Income PACS, up to an aggregate of 43,900,000 Income PACS, upon the terms and subject to the conditions set forth in the Exchange Offer.

The Exchange Offer is subject to certain conditions. See the section of the Exchange Offer Prospectus entitled “The Exchange Offer — Conditions to the Exchange Offer.”

We are the holder of record of Income PACS held by us for your account. A tender of such Income PACS can be made only by us as the record holder and pursuant to your instructions. The enclosed Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Income PACS held by us for your account.

We request instructions as to whether you wish to tender any or all of the Income PACS held by us for your account pursuant to the terms and conditions of the Exchange Offer.

We urge you to read carefully the Exchange Offer Prospectus and related Letter of Transmittal before instructing us to tender your units. You may use the attached form to give your instructions.

PLEASE RETURN YOUR INSTRUCTIONS TO US IN THE ENCLOSED ENVELOPE WITHIN AMPLE TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF PRIOR TO THE EXPIRATION TIME.

“FELINE PACS” and “Income PACS” are service marks of Merrill Lynch & Co., Inc.

**INSTRUCTIONS TO REGISTERED HOLDER AND/ OR
THE DEPOSITORY TRUST COMPANY PARTICIPANT**

To Registered Holder and/or Participant of The Depository Trust Company:

The undersigned hereby acknowledges receipt of the exchange offer prospectus, dated September 17, 2004 (the "Exchange Offer Prospectus"), of The Williams Companies, Inc., a Delaware corporation (the "Company"), and the related Letter of Transmittal (which together constitute the "Exchange Offer") to exchange one (1.0000) share of the Company's common stock plus \$1.47 in cash for each validly tendered and accepted Income PACS, up to an aggregate of 43,900,000 Income PACS, upon the terms and subject to the conditions set forth in the Exchange Offer Prospectus. Certain terms used but not defined herein have the meanings ascribed to them in the Exchange Offer Prospectus.

This will instruct you, the registered holder and/or DTC participant, as to the action to be taken by you relating to the Exchange Offer with respect to the Income PACS held by you for the account of the undersigned.

The number of Income PACS held by you for the account of the undersigned is (fill in amount):

_____ Income PACS.

With respect to the exchange offer, the undersigned hereby instructs you (check appropriate box):

To tender the following Income PACS held by you for the account of the undersigned (insert number of Income PACS to be tendered) (if any):

_____ Income PACS *

not to tender any Income PACS held by you for the account of the undersigned.

* Unless otherwise indicated, the entire number of Income PACS indicated above as held by the Company for the account of the undersigned will be tendered.

SIGN HERE

Name(s) of beneficial owner(s):

Signature(s):

Name(s): _____

(Please Print)

Address(es):

Telephone Number(s): _____

Taxpayer Identification or
Social Security Number(s):

Date: _____



One Williams Center
P.O. Box 2400
Tulsa, OK 74102-2400
918/573-2000

September 17, 2004

To the Holders of The Williams Companies, Inc.'s FELINE PACS:

The Williams Companies, Inc., a Delaware corporation (the "*Company*"), is offering to exchange one (1.0000) share of the Company's common stock, par value \$1.00 per share (the "*Common Stock*"), plus \$1.47 in cash, for each validly tendered and accepted FELINE PACS in the form of an Income PACS (CUSIP 969457886), up to an aggregate of 43,900,000 Income PACS, upon the terms and subject to the conditions set forth in the enclosed Exchange Offer Prospectus, dated September 17, 2004 (the "*Exchange Offer Prospectus*") and the related letter of transmittal (the "*Letter of Transmittal*" and, together with the Exchange Offer Prospectus, the "*Exchange Offer*"). The Exchange Offer is conditioned on a number of factors set forth in the section of the Exchange Offer Prospectus entitled "The Exchange Offer — Conditions to the Exchange Offer."

We are only tendering for Income PACS. We are not tendering for Growth PACS. If you hold Growth PACS and would like to participate in this Exchange Offer, then before tendering you must recreate Income PACS from your Growth PACS as described in the section of the Exchange Offer Prospectus entitled "Description of FELINE PACS — Recreating Income PACS."

The Income PACS were issued on January 14, 2002. As of September 13, 2004, 44,000,000 Income PACS were outstanding. Up to an aggregate of 43,900,000 shares of Common Stock and an aggregate of \$64,533,000 will be issued in exchange for the Income PACS.

The Exchange Offer will expire at 5:00 p.m., New York City time, on October 18, 2004, unless extended or earlier terminated by us. You may withdraw Income PACS that you tender at any time before the Exchange Offer expires. In addition, you may withdraw any tendered Income PACS after November 15, 2004, which is 40 business days from September 17, 2004, if we have not accepted them for exchange.

Please read carefully the Exchange Offer Prospectus and the other enclosed materials relating to the Exchange Offer. If you require assistance, you should consult your financial, tax or other professional advisors. Holders who wish to participate in the Exchange Offer are asked to respond promptly by completing and returning the enclosed Letter of Transmittal, and all other required documentation, to JPMorgan Chase Bank, which is acting as the exchange agent for the Exchange Offer.

If you have questions regarding the exchange offer or whether or not to participate in the exchange offer, please contact the lead dealer managers, Merrill Lynch & Co. You may call Merrill Lynch & Co., toll free at (888) 654-8637 or collect at (212) 449-4914. If you have questions regarding the procedures for tendering in the Exchange Offer, require additional materials or require assistance in tendering your Income PACS, please contact the information agent, D.F. King & Co., Inc., toll free at (800) 848-2998.

Thank you for your time and effort in reviewing this request.

Very truly yours,

THE WILLIAMS COMPANIES, INC.