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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

February 24, 2005

The Williams Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware

1-4174

73-0569878

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

One Williams Center, Tulsa, Oklahoma

74172

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

918-573-2000

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- [] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - [] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - [] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - [] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On February 24, 2005, the Compensation Committee of The Williams Companies, Inc. ("Williams") Board of Directors (the "Compensation Committee") determined that under Williams' 2004 annual incentive program Williams had exceeded the Economic Value Added incentive target established by the Compensation Committee in January 2004 and approved awards for eligible employees including \$2,740,000 for Mr. Steven J. Malcolm, Chairman, President and Chief Executive Officer; \$680,000 for Mr. James J. Bender, Sr. Vice President and General Counsel; \$1,096,000 for Mr. Donald R. Chappel, Sr. Vice President and Chief Financial Officer; \$701,000 for Mr. Michael P. Johnson, Sr. Vice President and Chief Administrative Officer; and \$696,000 for Mr. Phillip D. Wright, Sr. Vice President, Williams Gas Pipelines. The amount awarded to the other executive officers totaled \$2,673,590. The awards include an amount to be reserved in excess of an established maximum cash payout under the annual incentive program. The reserved amount can be earned in future years if established performance targets are met, but is subject to loss if such performance targets are not met.

On February 24, 2005, the Compensation Committee also determined that Williams had attained the performance target established in February 2004 for the vesting of the first one-third of the 2004 awards of performance-based deferred shares. Based on the Committee's certification, such shares were vested as of February 25, 2005. The vested shares will be issued no earlier than at the end of five years from the February 2004 grant date, except in the event of death, disability or a change-in-control in which case the shares will be issued as soon as practicable after the event. As reported to the Securities and Exchange Commission on applicable Form 4s, Mr. Steven J. Malcolm, Chairman, President and Chief Executive Officer, and the other executive officers of the Company were granted such performance-based deferred shares in February 2004.

On February 24, 2005, the Compensation Committee also approved 2005 equity awards including grants of stock options, time-based deferred shares and performance-based deferred shares for Mr. Steven J. Malcolm, Chairman, President and Chief Executive Officer, the other executive officers and other eligible employees. The awards were granted on February 25, 2005. The equity awards to individuals subject to Section 16 of the Securities and Exchange Act of 1934 have been filed with the Securities and Exchange Commission on applicable Form 4s. The stock options will vest in thirds over a three year period. The time-based deferred stock will vest at the end of a three year period. Recipients of the performance-based deferred shares will have the opportunity to vest in such shares at the end of a three year period if the recipient remains an active employee of the Company until March 15, 2008, and the Committee certifies that the Company has met the performance measure previously defined by the Committee. One-third of such shares are at risk for performance in each of the three years. If the performance is not met for any of the three years, the shares at risk for the year will not be eligible for vesting. In the event of death, disability or a change-in-control, any shares for which the Committee has certified performance and any shares at risk for future performance will be issued as soon as practicable after the event. The Compensation Committee also established an improvement in Economic Value Added as the target for the first year of the three year term.

The 2005 equity awards were granted subject to the terms of the grant agreements, the form of which are filed herewith as Exhibit 99.1, Exhibit 99.2, and Exhibit 99.3 and incorporated by reference herein.

Economic Value Added is a registered trademark of Stern, Stewart and Co.

Item 8.01. Other Events.

See the disclosure under Item 1.01 of this report, which is incorporated by reference into this Item 8.01 in its entirety.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.
Not applicable.

(b) Pro Forma Financial Information.
Not applicable.

(c) Exhibits.

99.1 Form of Stock Option Agreement among Williams and certain employees and officers.

99.2 Form of 2005 Deferred Stock Agreement among Williams and certain employees and officers.

99.3 Form of 2005 Performance-Based Deferred Stock Agreement among Williams and certain employees and officers.

SIGNATURES

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

March 2, 2005

The Williams Companies, Inc.

By: *Brian K. Shore*

Name: Brian K. Shore

Title: Secretary

Exhibit Index

Exhibit No.	Description
99.1	Form of Stock Option Agreement among Williams and certain employees and officers
99.2	Form of 2005 Deferred Stock Agreement among Williams and certain employees and officers
99.3	Form of 2005 Performance-Based Deferred Stock Agreement among Williams and certain employees and officers

Name: [PARTICIPANT NAME] Date: ____
SSN: [SSN]

THE WILLIAMS COMPANIES, INC.
2002 INCENTIVE PLAN
STOCK OPTION AGREEMENT

This Stock Option Agreement ("Option Agreement") contains the terms of the Option granted to you on the date specified in the letter signed by the Committee or its delegate (the "Option Grant Letter") accompanying this Option Agreement. Other terms are in the Option Grant Letter and the Plan.

1. **Stock Options.** Subject to the terms of The Williams Companies, Inc. 2002 Incentive Plan or any successor plan, including any supplements or amendments to it (the "Plan"), you have been granted the right to purchase from the Company the number of shares of the Company's Common Stock, par value \$1 per share (the "Shares") shown in the Option Grant Letter. Your Option is exercisable in whole or in part at the Option Price set forth in the Option Grant Letter only at such times and during such periods as set forth in this Option Agreement, the Option Grant Letter, and the Plan.

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

3. **Exercise and Payment.** Except as otherwise provided in this Option Agreement or in the Option Grant Letter, you may exercise vested Options by providing notification in a form acceptable to the Company that you have elected to exercise this Option in whole or in part, showing the number of Shares for which the Option is being exercised, and providing payment in full for the Option Price. If you have not signed and delivered this Option Agreement prior to submitting a notification of such election, submission of your notification of election shall constitute your agreement with the terms and conditions of this Option Agreement. Notwithstanding the preceding sentence, the Company reserves the right to require your signature to this Option Agreement prior to accepting a notification of election to exercise this Option in whole or in part.

You must pay the Option Price in full by any one or more of the following methods, subject to approval of the Committee, (i) in cash by a broker-dealer to whom you have submitted an irrevocable exercise notice consisting of an irrevocable instruction to deliver promptly to the Company the amount of sale or loan proceeds sufficient to pay the Option Price; (ii) in cash, by check or wire transfer; (iii) in Mature Shares valued at their Fair Market Value on the date of exercise; (iv) subject to restrictions established by the Committee, in Restricted Shares you have held for at least six months prior to the exercise of the Option, valued at their Fair Market Value on the date of exercise; or (v) in any combination of the above methods. Certificates for any Shares used to pay the Option Price must be attested to in writing to the Company or delivered to the Company in negotiable form, duly endorsed in blank or with separate stock powers attached, and must be free and clear of all liens, encumbrances, claims and any other charges thereon of any kind.

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

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

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

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

(iii) **Rights in the Event of Retirement or Disability.** If your service with the Company and its Affiliates is terminated for retirement (as defined in the Company's pension plan) or Disability, your Option will immediately vest and the Option shall remain exercisable for five years from the date of your termination (but may not be exercised later than the last day of the original Option Term). "Disability" means (i) if the option is an Incentive Stock Option, the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, and (ii) if the Option is not an Incentive Stock Option, "Disability" as defined in the Company's long-term disability plan in which you participate or are eligible to participate, as determined by the Committee.

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

6. **Notices.** All notices to the Company or to the Committee must be in writing and delivered by hand or by mail, addressed to The Williams Companies, Inc., One Williams Center, Tulsa, Oklahoma 74172, Attention: Stock Administration Department. Notices become effective upon their receipt by the Company if delivered as described in this section.

7. **Incentive Stock Option.** If this Option has been designated by the Committee as an Incentive Stock Option in the Option Grant Letter, it will be treated as an Incentive Stock Option. However, to the extent that it fails to qualify as an Incentive Stock Option, it will be treated as a nonstatutory option. If you sell, transfer or otherwise dispose of Shares purchased pursuant to the exercise of an Incentive Stock Option within two years after the Grant Date or within one year after you exercised the Option, whichever is later (including a disposition to pay the Option Price of this Option or another Option, or to satisfy tax withholding obligations), you must notify the Company in writing of the sale, transfer or other disposition within 10 days of the sale, transfer or other disposition, and you must remit to the Company (or authorize the Company to withhold from other sources) any amount the Company may determine to be necessary to satisfy applicable federal, state, local or foreign withholding, income or other tax withholding obligations with respect to the disposition.

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

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

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

THE WILLIAMS COMPANIES, INC.

By:

DEFERRED STOCK AGREEMENT

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

1. Grant of Deferred Stock. Subject to the terms and conditions of The Williams Companies, Inc. 2002 Incentive Plan (the "Plan"), this Agreement, and the Deferred Stock Award Letter, the Company hereby grants an Award to the Participant, effective February 25, 2005 (the "Effective Date"), under which the Participant has the opportunity to earn the right to receive the number of shares of the Common Stock of the Company shown in the Deferred Stock Award Letter. These shares are referred to in the Agreement as "Deferred Stock." Until the Deferred Stock both vests under the terms of Paragraph 4 and is paid under the terms of Paragraph 5, the Participant shall have no rights as a stockholder of the Company with respect to the Deferred Stock.

2. Incorporation of Plan. The Plan is hereby incorporated herein by reference and all capitalized terms used herein which are not defined in this Agreement shall have the meaning set forth in the Plan. The Participant acknowledges receipt of a copy of the Plan and hereby accepts the Deferred Stock subject to all the terms and provisions of the Plan.

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

4. Vesting of Deferred Stock

(a) Except as otherwise provided in Subparagraphs 4(b) – 4(g) below, a Participant shall not vest in any shares of Deferred Stock unless the Participant remains an active employee of the Company or any of its parents, subsidiaries or affiliates until February 25, 2008 (the "Maturity Date").

(b) If a Participant dies prior to the Maturity Date while an active employee of the Company or any of its parents, subsidiaries or affiliates, the Participant shall vest in all shares of Deferred Stock.

(c) If a Participant becomes "Disabled" prior to the Maturity Date while an active employee of the Company or any of its parents, subsidiaries or affiliates, the Participant shall vest in all shares of Deferred Stock. For purposes of this Subparagraph 4(c), a Participant shall be considered "Disabled" if such Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Participant's employer. All determinations of whether a Participant is "Disabled" shall be made in accordance with Code Section 409A.

(d) If a Participant qualifies for "Retirement," and such Participant terminates employment with the Company or any of its parents, subsidiaries or affiliates prior to the Maturity Date due to such "Retirement," the Participant shall vest in a prorated portion of the shares of Deferred Stock. For purposes of this Subparagraph 4(d), a Participant qualifies for "Retirement" only if: (i) such Participant separates from service, within the meaning of Code Section 409A(a)(2)(A)(i), after attaining age fifty-five (55) and completing at least five (5) years of service with the Company or any of its parents, subsidiaries or affiliates; or (ii) such Participant separates from service, within the meaning of Code Section 409A(a)(2)(A)(i), after becoming eligible to receive an immediate distribution from the Williams Pension Plan. The pro-rata portion shall be determined by a fraction, the numerator of which is the number of full and partial months from the Effective Date until the date of "Retirement" and the denominator of which is the number of full and partial months from the Effective Date until the Maturity Date.

(e) If a Participant's employment with the Company or any of its parents, subsidiaries or affiliates terminates prior to the Maturity Date within two (2) years following a Change in Control as set forth in the Plan, either voluntarily for Good Reason or involuntarily (other than due to Cause), the Participant shall vest in all shares of Deferred Stock.

(f) If the Participant's employment with the Company or any of its parents, subsidiaries or affiliates is terminated prior to the Maturity Date and the Participant either receives benefits under a severance pay plan or program maintained by the Company or receives benefits under a separation agreement with the Company, the Participant shall vest in all shares of Deferred Stock.

(g) If the Participant's employment with the Company or any of its parents, subsidiaries or affiliates is terminated prior to the Maturity Date due to a sale of a business or the outsourcing of any portion of a business, the Participant shall vest in all shares of Deferred Stock only if the Company or any of its parents, subsidiaries or affiliates failed to make an offer of comparable employment, as defined by the Company's Severance Pay Plan, to such Participant. For purposes of this Subparagraph 4(g), a Termination of Affiliation shall constitute a termination of employment.

5. Payment of Vested Deferred Stock

- (a) Unless the Participant chooses to extend the date of payment, pursuant to Subparagraph 5(h), all shares of Deferred Stock which vest on the Maturity Date pursuant to the provisions of Subparagraph 4(a), shall be paid immediately to such Participant.
- (b) All shares of Deferred Stock which vest due to death, pursuant to Subparagraph 4(b), shall be paid immediately to the beneficiary of such Participant under the Plan and, if no beneficiary has been designated, to the Participant's estate.
- (c) All shares of Deferred Stock which vest due to "Disability," pursuant to Subparagraph 4(c), shall be paid immediately to such Participant.
- (d) All shares of Deferred Stock which vest due to the "Retirement," pursuant to Subparagraph 4(d), shall be paid to such Participant immediately upon "Retirement" unless the Participant was a key employee within the meaning of Code Section 409A(a)(2)(B)(i) in which case payment shall be made six (6) months following the date of "Retirement."
- (e) All shares of Deferred Stock which vest due to a Change in Control pursuant to Subparagraph 4(e), shall be paid immediately to such Participant.
- (f) All shares of Deferred Stock which vest due to a termination of employment which meets the requirements of Subparagraph 4(f), shall be paid to such Participant immediately upon Participant's termination of employment unless the Participant was a key employee within the meaning of Code Section 409A(a)(2)(B)(i) in which case payment shall be made six (6) months following the date of the Participant's termination of employment.
- (g) All shares of Deferred Stock which vest due to the sale of a business or an outsourcing, pursuant to Subparagraph 4(g), shall be paid to such Participant immediately upon the earlier of such Participant's separation of service, within the meaning of Code Section 409A(a)(2)(A)(i) or the Maturity Date unless the Participant was a key employee within the meaning of Code Section 409A(a)(2)(B)(i) in which case payments due to Participant's separation from service shall be made six (6) months following the date of such separation from service.
- (h) A Participant may make a one (1) time irrevocable election to extend the date for payment of the shares of Deferred Stock that would otherwise be paid on the date specified in Subparagraph 4(a). Any such election shall be in writing (or electronic form) and shall be filed with the Committee at least twelve (12) complete calendar months prior to the first day of that month which contains the Maturity Date. If a Participant files an election to extend the date of payment of Deferred Stock, payment shall be deferred for sixty (60) complete calendar months measured from the first of the month following that month which contains the Maturity Date unless the Participant dies prior to such date in which case payment shall be paid immediately to the beneficiary of such Participant under the Plan and, if no beneficiary has been designated, to the Participant's estate.
- (i) Deferred Stock which is vested will be paid by the Company by the delivery to the Participant, or the Participant's beneficiary or legal representative, as soon as practicable, after the Participant is entitled to the payment of Deferred Stock, a certificate or certificates (or other indicia of ownership) of Williams Common Stock equal in number to the number of shares of Deferred Stock vested less the number of shares required to cover minimum statutory withholding requirements. Notwithstanding the foregoing, to the extent permitted by Code Section 409A and the guidance issued by the Internal Revenue Service thereunder, if federal employment taxes become due upon the vesting of Deferred Stock, the number of shares of Deferred Stock necessary to cover minimum statutory withholding requirements (and federal income taxes thereon) will be used to satisfy such requirements upon such vesting.

6. Payment of Dividend Equivalents. If, at anytime, a dividend is paid on the Common Stock of the Company in cash or otherwise, an equivalent amount per share will be paid to the Participant based on the number of shares of Deferred Stock then standing in the Participant's name on the books and records of the Company with respect to the Award made hereunder. Upon conversion of Deferred Stock into Common Stock hereunder, the right to payment of Dividend Equivalents under this provision will cease.

7. Other Provisions.

- (a) The Participant understands and agrees that payments under this Agreement shall not be used for, or in the determination of, any other payment or benefit under any continuing agreement, plan, policy, practice or arrangement providing for the making of any payment or the provision of any benefits to or for the Participant or the Participant's beneficiaries or representatives, including, without limitation, any employment agreement, any change of control severance protection plan or any employee benefit plan as defined in Section 3(3) of ERISA, including, but not limited to qualified and non-qualified retirement plans.
- (b) The Participant agrees and understands that stock certificates (or other indicia of ownership) issued may be held as collateral for monies he/she owes to Company or any of its parents, affiliated or subsidiary companies or their vendor(s) contracted to provide business tools or services for use by Participant in his or her employment, including but not limited to personal loan(s), Company credit card debt, relocation repayment obligations or benefits from any plan that provides for pre-paid educational assistance.
- (c) In the event that the Participant's employment with the Company or any of its parents, subsidiaries or affiliates

terminates prior to the vesting of the Deferred Stock granted under this agreement, such Deferred Stock shall be forfeited (except as provided in Paragraph 4).

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

(e) Neither the Deferred Stock, nor the Participant's interest in the Deferred Stock, may be sold, assigned, transferred, pledged or otherwise disposed of or encumbered at any time prior to both the vesting and payment of such Deferred Stock under this Agreement.

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

(g) The Committee shall make determination as to whether an event has occurred resulting in the forfeiture of the Deferred Stock, in accordance with this Agreement, and all determinations of the Committee shall be final and conclusive.

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

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

(j) The parties to this Agreement intend that this Agreement meet the requirements of Code Section 409A and recognize that it may be necessary to modify this Agreement and/or the Plan prior to December 31, 2005 to reflect guidance under Code Section 409A issued by the Internal Revenue Service.

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

8. Notices. All notices to the Company required hereunder shall be in writing and delivered by hand or by mail, addressed to The Williams Companies, Inc., One Williams Center, Tulsa, Oklahoma 74172, Attention: Stock Administration Department. Notices shall become effective upon their receipt by the Company if delivered in the foregoing manner.

THE WILLIAMS COMPANIES, INC.

By:

Title:

Participant: [PARTICIPANT NAME]

PERFORMANCE-BASED DEFERRED STOCK AGREEMENT

THIS DEFERRED STOCK AGREEMENT (the "Agreement"), which contains the terms and conditions for the shares referred to in the Performance-Based Deferred Stock Award Letter delivered in hard copy or electronically to Participant ("Performance-Based Deferred Stock Award Letter"), is by and between **THE WILLIAMS COMPANIES, INC.**, a Delaware corporation (the "Company") and the individual identified on the last page hereof (the "Participant").

1. **Grant of Deferred Stock.** Subject to the terms and conditions of The Williams Companies, Inc. 2002 Incentive Plan (the "Plan"), this Agreement, and the Performance-Based Deferred Stock Award Letter, the Company hereby grants an Award to the Participant, effective February 25, 2005 (the "Effective Date"), under which the Participant has the opportunity to earn the right to receive the number of shares of the Common Stock of the Company shown in the Performance-Based Deferred Stock Award Letter. These shares are referred to in the Agreement as "Deferred Stock." Until the Deferred Stock both vests under the terms of Paragraph 4 and is paid under the terms of Paragraph 5, the Participant shall have no rights as a stockholder of the Company with respect to the Deferred Stock.

2. **Incorporation of Plan.** The Plan is hereby incorporated herein by reference and all capitalized terms used herein which are not defined in this Agreement shall have the meaning set forth in the Plan. The Participant acknowledges receipt of a copy of the Plan and hereby accepts the Deferred Stock subject to all the terms and provisions of the Plan.

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

4. **Vesting of Deferred Stock**

(a) Except as otherwise provided in Subparagraphs 4(b) – 4(g) below, a Participant shall not vest in any shares of Deferred Stock unless both of the following conditions are fully satisfied by such Participant:

(i) The Participant remains an active employee of the Company or any of its parents, subsidiaries or affiliates until March 15, 2008 (the "Maturity Date"); and

(ii) The Committee certifies that the Company has met the performance measures defined by the Committee for each applicable performance year in which case the performance measures for one-third of the shares of Deferred Stock shall be satisfied on such date. The performance years under this Agreement shall be the 2005, 2006 and 2007 calendar years and certification, if any, by the Committee for each such performance year shall be made by March 15 of the calendar year following the applicable performance year with the certification, if any, for the final one-third of the shares of Deferred Stock applicable to the 2007 performance year occurring by the Maturity Date.

(b) If a Participant dies prior to the Maturity Date while an active employee of the Company or any of its parents, subsidiaries or affiliates, the Participant shall vest in those shares of Deferred Stock for which the Committee certifies that the performance measures are satisfied under Subparagraph 4(a)(ii), plus any shares of Deferred Stock attributable to performance years that have not been completed on the date of such Participant's death; however, the Participant shall not become vested in any shares of Deferred Stock attributable to a performance year ending prior to the year of death unless the Committee certifies that the performance measures for such year have been satisfied.

(c) If a Participant becomes "Disabled" prior to the Maturity Date while an active employee of the Company or any of its parents, subsidiaries or affiliates, the Participant shall vest in those shares of Deferred Stock for which the Committee certifies that the performance measures for such year are satisfied under Subparagraph 4(a)(ii), plus any shares of Deferred Stock attributable to performance years that have not been completed on the date such Participant becomes "Disabled"; however, the Participant shall not become vested in any shares of Deferred Stock attributable to a performance year ending prior to the year of disability unless the Committee certifies that the performance measures for such year have been satisfied. For purposes of this Subparagraph 4(c), a Participant shall be considered "Disabled" if such Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Participant's employer. All determinations of whether a Participant is "Disabled" shall be made in accordance with Code Section 409A.

(d) If a Participant qualifies for "Retirement," and such Participant terminates employment with the Company or any of its parents, subsidiaries or affiliates prior to the Maturity Date due to such "Retirement," the Participant shall vest in those shares of Deferred Stock attributable to a performance year ending prior to the year of "Retirement" for which the Committee certifies that the performance measures for such year are satisfied under Subparagraph 4(a)(ii), plus, where applicable, if the Committee later certifies that the performance measures for the performance year in which "Retirement" occurs has been satisfied, a prorated portion of those shares of Deferred Stock attributable to the performance year in which such "Retirement" occurs; however, the Participant shall not become vested in any shares of Deferred Stock attributable either to a performance year beginning after "Retirement" or to a performance year ending

prior to the year of "Retirement" unless, with respect to a performance year ending prior to "Retirement," the Committee certifies that the performance measures for such year have been satisfied. For purposes of this Subparagraph 4(d), a Participant qualifies for "Retirement" only if: (i) such Participant separates from service, within the meaning of Code Section 409A(a)(2)(A)(i), after attaining age fifty-five (55) and completing at least five (5) years of service with the Company or any of its parents, subsidiaries or affiliates; or (ii) such Participant separates from service, within the meaning of Code Section 409A(a)(2)(A)(i), after becoming eligible to receive an immediate distribution from the Williams Pension Plan. The pro-rata portion shall be determined by a fraction, the numerator of which is the number of full and partial months from the first (1st) day of the calendar year of "Retirement" until the date of "Retirement" and the denominator of which is twelve (12).

(e) If a Participant's employment with the Company or any of its parents, subsidiaries or affiliates terminates prior to the Maturity Date within two (2) years following a Change in Control as set forth in the Plan, either voluntarily for Good Reason or involuntarily (other than due to Cause), the Participant shall vest in those shares of Deferred Stock for which the Committee certifies that the performance measures for such year are satisfied under Subparagraph 4(a)(ii), plus any shares of Deferred Stock attributable to performance years that have not been completed on the date of such Participant's termination of employment; however, the Participant shall not become vested in any shares of Deferred Stock attributable to a performance year ending prior to the year of such termination of employment unless the Committee certifies that the performance measures for such year have been satisfied.

(f) If the Participant's employment with the Company or any of its parents, subsidiaries or affiliates is terminated prior to the Maturity Date and the Participant either receives benefits under a severance pay plan or program maintained by the Company or receives benefits under a separation agreement with the Company, the Participant shall vest in those shares of Deferred Stock attributable to a performance year ending prior to the year of termination of employment for which the Committee certifies that the performance measures for such year are satisfied under Subparagraph 4(a)(ii), however, the Participant shall not become vested in any shares of Deferred Stock attributable either to the performance year in which the termination of employment occurred, or to any performance year ending after the year of the termination of employment.

(g) If the Participant's employment with the Company or any of its parents, subsidiaries or affiliates is terminated prior to the Maturity Date due to a sale of a business or the outsourcing of any portion of a business, and the Company or any of its parents, subsidiaries or affiliates fails to make an offer of comparable employment, as defined by the Company's Severance Pay Plan, to such Participant, the Participant shall vest in those shares of Deferred Stock attributable to a performance year ending prior to the year of termination of employment for which the Committee certifies that the performance measures for such year are satisfied under Subparagraph 4(a)(ii), however, the Participant shall not become vested in any shares of Deferred Stock attributable either to the performance year in which the termination of employment occurred, or to any performance year ending after the year of the termination of employment. For purposes of this Subparagraph 4(g), a Termination of Affiliation shall constitute a termination of employment.

5. Payment of Vested Deferred Stock

(a) Unless the Participant chooses to extend the date of payment, pursuant to Subparagraph 5(h), those shares of Deferred Stock which vest on the Maturity Date due to the fulfillment of both of the conditions set forth in Subparagraph 4(a), shall be paid immediately to such Participant.

(b) Those shares of Deferred Stock which vest due to death, pursuant to Subparagraph 4(b), shall be paid immediately to the beneficiary of such Participant under the Plan and, if no beneficiary has been designated, to the Participant's estate.

(c) Those shares of Deferred Stock which vest due to "Disability," pursuant to Subparagraph 4(c), shall be paid immediately to such Participant.

(d) Those shares of Deferred Stock which vest due to "Retirement," pursuant to Subparagraph 4(d), shall be paid to such Participant immediately upon the Maturity Date unless the Participant was a key employee within the meaning of Code Section 409A(a)(2)(B)(i) in which case payment shall be made no earlier than six (6) months following the date of "Retirement."

(e) Those shares of Deferred Stock which vest due to a Change in Control pursuant to Subparagraph 4(e), shall be paid immediately to such Participant.

(f) Those shares of Deferred Stock which vest due to a termination of employment which meets the requirements of Subparagraph 4(f), shall be paid to such Participant upon the Maturity Date unless the Participant was a key employee within the meaning of Code Section 409A(a)(2)(B)(i) in which case payment shall be made no earlier than six (6) months following the date of the Participant's termination of employment.

(g) Those shares of Deferred Stock which vest due to the sale of a business or an outsourcing, pursuant to Subparagraph 4(g), shall be paid to such Participant immediately upon the earlier of such Participant's separation of service, within the meaning of Code Section 409A(a)(2)(A)(i) or the Maturity Date unless the Participant was a key employee within the meaning of Code Section 409A(a)(2)(B)(i) in which case payments due to Participant's separation from service shall be made no earlier than six (6) months following the date of such separation from service.

(h) A Participant may make a one (1) time irrevocable election to extend the date for payment of the shares of Deferred Stock that would otherwise be paid on the date specified in Subparagraph 4(a)(i). Any such election shall be in writing (or electronic form) and shall be filed with the Committee at least twelve (12) complete calendar months prior to the first day of that month which contains the Maturity Date. If a Participant files an election to extend the date of payment of Deferred Stock, payment shall be deferred for seventy-two (72) complete calendar months measured from the first of the month following that month which contains the Maturity Date unless the Participant dies prior to such date in which case payment shall be paid immediately to the beneficiary of such Participant under the Plan, and if no beneficiary has been designated, to the Participant's estate.

(i) Deferred Stock which is vested will be paid by the Company by the delivery to the Participant, or the Participant's beneficiary or legal representative, as soon as practicable, after the Participant is entitled to the payment of Deferred Stock, a certificate or certificates (or other indicia of ownership) of Williams Common Stock equal in number to the number of shares of Deferred Stock vested less the number of shares required to cover minimum statutory withholding requirements. Notwithstanding the foregoing, to the extent permitted by Code Section 409A and the guidance issued by the Internal Revenue Service thereunder, if federal employment taxes become due upon the vesting of Deferred Stock, the number of shares of Deferred Stock necessary to cover minimum statutory withholding requirements (and federal income taxes thereon) will be used to satisfy such requirements upon such vesting.

6. Payment of Dividend Equivalents. If, at anytime, a dividend is paid on the Common Stock of the Company in cash or otherwise, an equivalent amount per share will be paid to the Participant based on the number of shares of Deferred Stock then standing in the Participant's name on the books and records of the Company with respect to the Award made hereunder. Upon conversion of Deferred Stock into Common Stock hereunder, the right to payment of Dividend Equivalents under this provision will cease. In this regard, the number of shares of Deferred Stock then standing in the Participant's name shall be reduced when the performance measures for a performance year are not certified by the Committee pursuant to Subparagraph 4(a)(ii).

7. Other Provisions.

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

(b) The Participant agrees and understands that stock certificates (or other indicia of ownership) issued may be held as collateral for monies he/she owes to Company or any of its parents, affiliated or subsidiary companies or their vendor(s) contracted to provide business tools or services for use by Participant in his or her employment, including but not limited to personal loan(s), Company credit card debt, relocation repayment obligations or benefits from any plan that provides for pre-paid educational assistance.

(c) In the event that the Participant's employment with the Company or any of its parents, subsidiaries or affiliates terminates prior to the vesting of the Deferred Stock granted under this agreement, such Deferred Stock shall be forfeited (except as provided in Paragraph 4).

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

(e) Neither the Deferred Stock, nor the Participant's interest in the Deferred Stock, may be sold, assigned, transferred, pledged or otherwise disposed of or encumbered at any time prior to both the vesting and payment of such Deferred Stock under this Agreement.

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

(g) The Committee shall make determination as to whether an event has occurred resulting in the forfeiture of the Deferred Stock, in accordance with this Agreement, and all determinations of the Committee shall be final and conclusive.

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

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

(j) The parties to this Agreement intend that this Agreement meet the requirements of Code Section 409A and recognize that it may be necessary to modify this Agreement and/or the Plan prior to December 31, 2005 to reflect guidance under Code Section 409A issued by the Internal Revenue Service.

(k) The Participant shall become a party to this Agreement by accepting the Award either electronically or in writing in

accordance with procedures of the Committee, its delegates or agents.

8. Notices. All notices to the Company required hereunder shall be in writing and delivered by hand or by mail, addressed to The Williams Companies, Inc., One Williams Center, Tulsa, Oklahoma 74172, Attention: Stock Administration Department. Notices shall become effective upon their receipt by the Company if delivered in the foregoing manner.

THE WILLIAMS COMPANIES, INC.

By:

Title:

Participant: [PARTICIPANT NAME]