
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):

March 1, 2006

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 March 1, 2006, the Compensation Committee of The Williams Companies, Inc. ("Williams") Board of Directors (the "Compensation Committee") determined that under Williams' 2005 annual incentive program Williams had exceeded the Economic Value Added ("EVA") incentive target established by the Compensation Committee in January 2005 and revised in March 2005 and approved awards for eligible employees including \$2,300,000 for Mr. Steven J. Malcolm, Chairman, President and Chief Executive Officer; \$525,000 for Mr. James J. Bender, Sr. Vice President and General Counsel; \$825,000 for Mr. Donald R. Chappel, Sr. Vice President and Chief Financial Officer; \$524,000 for Mr. Michael P. Johnson, Sr. Vice President and Chief Administrative Officer; and \$575,000 for Mr. Phillip D. Wright, Sr. Vice President, Williams Gas Pipelines. The amount awarded to the other executive officers totaled \$1,665,000. Certain 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.

Due to the attainment of the incentive target under Williams' 2005 annual incentive program as discussed above, the Compensation Committee also approved the release of one-third of the 2004 annual incentive program awards reserved as of March 4, 2005, for payment as of March 17, 2006 including \$164,444 for Mr. Steven J. Malcolm, Chairman, President and Chief Executive Officer; \$42,763 for Mr. James J. Bender, Sr. Vice President and General Counsel; \$76,889 for Mr. Donald R. Chappel, Sr. Vice President and Chief Financial Officer; \$41,667 for Mr. Michael P. Johnson, Sr. Vice President and Chief Administrative Officer; and \$42,000 for Mr. Phillip D. Wright, Sr. Vice President, Williams Gas Pipelines. The amount paid to the other executive officers totaled \$119,111. The remaining reserved amount from the 2004 awards 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 March 1, 2006, the Compensation Committee also determined that Williams had attained the EVA performance target established in January 2005 and revised in March 2005 for the earning of one-third of the 2004 awards of performance-based deferred shares. Based on the Compensation Committee's certification, such shares were earned as of March 1, 2006. The earned 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 March 1, 2006, the Compensation Committee also determined that Williams had attained the EVA performance target established in January 2005 and revised in February 2005 for the earning of one-third of the 2005 awards of performance-based deferred shares. Based on the Compensation Committee's certification, such shares were earned as of March 1, 2006. The earned shares will be issued no earlier than at the end of three years from the February 2005 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 March 2005.

On March 1, 2006, the Compensation Committee also approved 2006 equity awards including grants of stock options and performance-based deferred shares for Mr. Steven J. Malcolm, Chairman, President and Chief Executive Officer. The Committee also approved grants of stock options, time-based deferred shares and performance-based deferred shares for the other executive officers and other eligible employees. The awards were granted on March 3, 2006. The equity awards to individuals subject to Section 16 of the Securities and Exchange Act of 1934 will be filed today 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 3, 2009, and the Committee certifies that the Company has met the performance measure defined by the Committee. Under certain circumstances, such as retirement, the equity awards may be prorated or the vesting otherwise accelerated. The Compensation Committee also established an improvement in EVA as the target for the three year term of the performance-based deferred shares.

The 2006 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.

For each EVA improvement target discussed herein, the Compensation Committee reviews and approves the EVA calculation to ensure fairness to the Williams' officers, employees and shareholders, taking into account such items as mark-to-market accounting treatment and other non-recurring items or other developments that were not contemplated as part of Williams' business plan EVA targets.

EVA is a registered trademark of Stern, Stewart and Company.

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 2006 Deferred Stock Agreement among Williams and certain employees and officers.

99.2 Form of 2006 Stock Option Agreement among Williams and certain employees and officers.

99.3 Form of 2006 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.

The Williams Companies, Inc.

March 7, 2006

By: *Brian K. Shore*

Name: Brian K. Shore
Title: Secretary

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Form of 2006 Deferred Stock Agreement among Williams and certain employees and officers
99.2	Form of 2006 Stock Option Agreement among Williams and certain employees and officers
99.3	Form of 2006 Performance- Based Deferred Stock Agreement among Williams and certain employees and officers

2006 DEFERRED STOCK AGREEMENT

THIS DEFERRED STOCK AGREEMENT (this “Agreement”), which contains the terms and conditions for the shares referred to in the 2006 Deferred Stock Award Letter delivered in hard copy or electronically to Participant (“2006 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, as amended from time to time (the “Plan”), this Agreement and the 2006 Award Letter, the Company hereby grants an award (the “Award”) to the Participant of ___ shares effective ___(the “Effective Date”). The Award gives the Participant the opportunity to earn the right to receive the number of shares of the Common Stock of the Company shown in the prior sentence, subject to adjustment under the terms of this Agreement. These shares are referred to in this Agreement as the “Deferred Stock.” Until the Participant both becomes entitled to payment of the Deferred Stock under the terms of Paragraph 4 and is paid such shares 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 respective meanings set forth in the Plan. The Participant acknowledges that he or she has received a copy of, or has online access to, the Plan and hereby accepts the Deferred Stock subject to all the terms and provisions of the Plan and this Agreement.

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 or this Agreement.

4. **Entitlement to Payment of Deferred Stock.**

(a) Except as otherwise provided in Subparagraphs 4(b) – 4(g) below, the Participant shall become entitled to payment of all shares of the Deferred Stock on the date that is three years after the Effective Date (not including the Effective Date) (the “Maturity Date”), but only if the Participant remains an active employee of the Company or any of its parents, subsidiaries or affiliates through the Maturity Date. For example, if the Effective Date of Participant’s award under this Agreement is March 3, 2006, the Maturity Date will be March 3, 2009.

(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 become entitled to payment of all shares of Deferred Stock at the time of such death.

(c) If a Participant becomes Disabled (as defined below) prior to the Maturity Date while an active employee of the Company or any of its parents, subsidiaries or affiliates, the Participant shall become entitled to payment of all shares of Deferred Stock at the time the Participant becomes Disabled. For purposes of this Subparagraph 4(c), the Participant shall be considered Disabled if he or she (A) 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 (B) 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. Notwithstanding the forgoing, all determinations of whether a Participant is Disabled shall be made in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and the guidance thereunder.

(d) If the Participant qualifies for Retirement (as defined below) and terminates employment with the Company or any of its parents, subsidiaries or affiliates prior to the Maturity Date due to such Retirement, at the time of such termination, the Participant shall become entitled to payment of a pro rata number of the shares of Deferred Stock as determined in accordance with this Subparagraph 4(d). For purposes of this Subparagraph 4(d), a Participant qualifies for Retirement only if 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. The pro rata number referred to above shall be determined by multiplying the number of shares of the Deferred Stock subject to the Award by a fraction, the numerator of which is the number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the date of the Participant’s separation from service, and the denominator of which is the total number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) 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 defined below), either voluntarily for Good Reason or involuntarily (other than due to Cause), the Participant shall become entitled to payment of all shares of the Deferred Stock upon such termination. For purposes of this Agreement, Change in Control means an event that qualifies as a Change in Control Event as defined in Section 409A of the Code and guidance thereunder.

(f) If the Participant’s employment with the Company or any of its parents, subsidiaries or affiliates is terminated by the respective employing entity 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 become entitled to payment of all shares of Deferred Stock upon such termination.

(g) If the Participant's employment with the Company or any of its parents, subsidiaries or affiliates is terminated by the respective employing entity prior to the Maturity Date due to a sale of a business or the outsourcing of any portion of a business, the Participant shall become entitled to payment of all shares of Deferred Stock upon such termination, but only if the Company or any of its parents, subsidiaries or affiliates failed to make an offer of comparable employment, as defined by a severance pay plan or program maintained by the Company, to the Participant. For purposes of this Subparagraph 4(g), a Termination of Affiliation shall constitute a termination of employment.

5. Payment of Deferred Stock.

(a) All shares of Deferred Stock that become payable on the Maturity Date pursuant to Subparagraph 4(a) above shall be paid immediately to the Participant, but in any event not later than March 15 of the year immediately following the year in which the Participant became entitled to payment of such shares.

(b) All shares of Deferred Stock that become payable pursuant to Subparagraph 4(b) above due to the Participant's death shall be paid immediately, but in no event later than March 15 of the year immediately following the year in which the death occurred, to the beneficiary of the Participant under the Plan or, if no beneficiary has been designated, to the Participant's estate.

(c) All shares of Deferred Stock that become payable pursuant to Subparagraph 4(c) above due to the Participant's becoming Disabled shall be paid immediately to the Participant, but in no event later than March 15 of the year immediately following the year in which the Participant became Disabled.

(d) All shares of Deferred Stock that become payable pursuant to Subparagraph 4(d) above due to the Participant's termination of employment that meets the requirements of such Subparagraph shall be paid to the Participant immediately upon such termination of employment, but in no event later than March 15 of the year immediately following the year in which the Participant's termination of employment occurred; provided, however, that if the Participant was a key employee within the meaning of Code Section 409A(a)(2)(B)(i), payment shall not be made sooner than six (6) months following the date of such termination of employment.

(e) All shares of Deferred Stock that become payable pursuant to Subparagraph 4(e) above due to a Change in Control shall be paid immediately to the Participant, but in no event later than March 15 of the year immediately following the year in which the Participant's termination of employment occurred; provided, however, that if the Participant was a key employee within the meaning of Code Section 409A(a)(2)(B)(i), payment shall not be made sooner than six (6) months following the date of such termination.

(f) All shares of Deferred Stock that become payable pursuant to Subparagraph 4(f) above due to a termination of employment that meets the requirements of such Subparagraph shall be paid to the Participant immediately upon his or her termination of employment, but in no event later than March 15 of the year immediately following the year in which the Participant's termination of employment occurred; provided, however, that if the Participant was a key employee within the meaning of Code Section 409A(a)(2)(B)(i), payment shall not be made sooner than six (6) months following the date of such termination.

(g) All shares of Deferred Stock that become payable pursuant to Subparagraph 4(g) above due to the sale of a business or an outsourcing shall be paid to the Participant immediately upon the Participant's separation of service within the meaning of Code Section 409A(a)(2)(A)(i), but in no event later than March 15 of the year immediately following the year in which such separation of service occurred; provided, however, that if the Participant was a key employee within the meaning of Code Section 409A(a)(2)(B)(i), payment shall not be made sooner than six (6) months following such separation of service.

(h) Deferred Stock that becomes payable under this Agreement 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, of one or more certificates (or other indicia of ownership) of Williams Common Stock equal in number to the number of shares of Deferred Stock otherwise payable under this Agreement 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 Participant's becoming entitled to payment 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 entitlement.

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 standing in the name of the Participant in the books and records of the Company. 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, upon payment of shares of Deferred Stock under this Agreement, 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) Except as provided in Subparagraphs 4(b) through 4(g) above, in the event that the Participant's employment with the Company or any of its parents, subsidiaries or affiliates terminates prior to the Participant's becoming entitled to payment of the Deferred Stock under this Agreement, such Deferred Stock shall be forfeited.

(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 (i) the Participant's becoming entitled to payment of the Deferred Stock and (ii) payment of the 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 applicable requirements of Code Section 409A and recognize that it may be necessary to modify this Agreement and/or the Plan 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.

(l) Nothing in this Agreement or the Plan shall interfere with or limit in any way the right of the Company or an Affiliate to terminate the Participant's employment or service at any time, nor confer upon the Participant the right to continue in the employ of the Company and/or Affiliate.

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:___

Robyn L. Ewing
Vice President

Participant: ___

SSN: ___

EXHIBIT 99.2

Name: ___

SSN: ___

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

This Nonqualified Stock Option Agreement (“Option Agreement”) contains the terms of the Option (as defined below) granted to you in this Option Agreement. Certain other terms of the Option are defined in the Plan (as defined below).

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 (“Option”) to purchase from the Company ___ shares of the Company’s Common Stock, par value \$1 per share (the “Shares”) effective ___. (the “Effective Date”). Your Option is exercisable in whole or in part at the exercise price of ___ (the “Option Price”), the closing stock price on ___, and has an expiration date of ___. The Option will vest in one-third increments each year for three years on the anniversary date of the Effective Date beginning the year following the Effective Date and is exercisable at such times and during such periods as are set forth in this Option Agreement 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 or in this Option Agreement. You agree to accept as binding, conclusive and final all decisions and interpretations of the Committee upon any questions arising under the Plan or this Option Agreement.

3. Exercise. Except as otherwise provided in this Option Agreement, 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.

4. Payment. 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.

5. 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.

6. Rights in the Event of Termination of Service.

(a) 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 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).

(b) 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).

(c) 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 (as defined below), 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). The term "Disability" is defined in the Company's long-term disability plan in which you participate or are eligible to participate, as determined by the Committee.

(d) Rights in the Event of Termination for Cause. If your service for the Company or an Affiliate terminates for Cause (as defined under the Plan and set forth 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 "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.

7. 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.

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

9. No Right to Employment or Service. Nothing in 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___

Robyn L. Ewing

Vice President

2006 PERFORMANCE-BASED DEFERRED STOCK AGREEMENT

THIS 2006 PERFORMANCE-BASED DEFERRED STOCK AGREEMENT (this “Agreement”), which contains the terms and conditions for the shares referred to in the 2006 Performance-Based Deferred Stock Award Letter delivered in hard copy or electronically to Participant (“2006 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, as amended from time to time (the “Plan”), this Agreement, and the 2006 Award Letter, the Company hereby grants to the Participant an award (the “Award”) of ___ shares effective ___(the “Effective Date”). The Award, which is subject to adjustment under the terms of this Agreement, gives the Participant the opportunity to earn the right to receive the number of shares of the Common Stock of the Company shown in the prior sentence. These shares, together with any other shares that are payable under this Agreement, are referred to in the Agreement as “Deferred Stock.” Until the Participant both becomes entitled to payment of the Deferred Stock under the terms of Paragraph 5 and is paid such shares under the terms of Paragraph 6, 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 that he or she has received a copy of, or has online access to, the Plan, and hereby accepts the Deferred Stock subject to all the terms and provisions of the Plan and this Agreement.

3. Committee Decisions and Interpretations; Committee Discretion. 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 or this Agreement.

4. Performance Measures; Number of Shares Payable to the Participant.

(a) Performance measures established by the Committee shall be based on targeted levels of improvement in “Economic Value Added[®]”. “Economic Value Added[®]” or “EVA[®]” means that metric that measures the true economic profit of a business after taking into account the cost of all capital employed. In general, EVA of the Company for a Performance Period (as defined below) is computed as the Company’s net operating profit after taxes minus the Company’s cost of capital for such Performance Period, subject to such adjustments as may be made pursuant to the EVA Measurement Manual adopted by the Committee. The Committee establishes (i) “Threshold,” “Target” and “Stretch” goals for EVA improvement during the Performance Period and (ii) the designated numbers of shares of Deferred Stock that may be received by a Participant if each such goal, or an EVA improvement attainment level not precisely equal to any of the three established goals, is met during the Performance Period, all as more fully described in Subparagraphs 4(b) through 4(c) below. The number of shares of Deferred Stock that may be received by the Participant if the Target improvement goal is reached is set forth in Paragraph 1 above.

(b) The Participant’s Award as reflected in Paragraph 1 above equals that number of shares of Deferred Stock (“Target Number of Shares”) Participant may earn upon (i) certification by the Committee that 100% of the Target goal for EVA improvement for the Performance Period has been met and (ii) satisfaction all of the other conditions set forth in Paragraph 5 below.

(c) Subject to the Committee’s discretion as set forth in Subparagraph 4(d) below and to satisfaction of all other conditions set forth in Paragraph 5 below, the actual number of shares earned by and payable to Participant upon certification of EVA improvement results and satisfaction of all other conditions set forth in Paragraph 5 below will be determined on a continuum ranging from 0% (at the Threshold goal) to 200% (at the Stretch goal) of the Target Number of Shares depending on the level of EVA improvement certified by the Committee at the end of the Performance Period.

(d) Notwithstanding (i) any other provision of this Agreement or the Plan or (ii) certification by the Committee that an improvement in EVA performance above the Threshold goal has been achieved during the Performance Period, the Committee may in its sole and absolute discretion reduce, but not below zero (0), the number of shares of Deferred Stock payable to the Participant based on such factors as it deems appropriate, including but not limited to Company’s performance. Accordingly, any reference in this Agreement to shares of Deferred Stock that (i) become payable, (ii) may be received by a Participant or (iii) are earned by a Participant, and any similar reference, shall be understood to mean the number of shares that are received, payable or earned after any such reduction is made.

5. Entitlement to Payment of Deferred Stock.

(a) Except as otherwise provided in Subparagraphs 5(b) – 5(f) below and subject to the provisions of Subparagraph 4(d) above, the Participant shall become entitled to payment of shares of Deferred Stock under this Agreement only if and at the time that both of the following conditions are fully satisfied:

(i) The Participant remains an active employee of the Company or any of its parents, subsidiaries or affiliates until March 3 of the third year following the year that contains the Effective Date (the “Maturity Date”); and

(ii) The Committee certifies that the Company has met an EVA performance improvement level above the Threshold goal as defined by the Committee for the three-year performance period beginning January 1, 2006 (the "Performance Period"). Certification, if any, by the Committee for the Performance Period shall be made by the Maturity Date or as soon thereafter as is administratively practicable.

(b) If a Participant dies, becomes Disabled (as defined below) or qualifies for Retirement (as defined below) prior to the Maturity Date while an active employee of the Company or any of its parents, subsidiaries or affiliates, at but not prior to the Maturity Date the Participant shall be deemed to have satisfied the condition set forth in Subparagraph 5(a)(i) above and, accordingly, if, when and to the extent the Committee certifies that the performance measures for the Performance Period are satisfied under Subparagraph 5(a)(ii) above, the Participant shall become entitled to payment of that number of shares of Deferred Stock the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above pro rated to reflect that portion of the Performance Period prior to such Participant's death, becoming Disabled or qualifying for Retirement. The pro rata number of shares to which the Participant may become entitled to payment in such case shall equal that number determined by multiplying (i) the number of shares of Deferred Stock the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above times (ii) a fraction, the numerator of which is the number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the date of the Participant's death, becoming Disabled or Retirement, and the denominator of which is the total number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the Maturity Date.

(c) As used in this Agreement, the terms "Disabled" and "Retirement" shall have the following respective meanings:

(i) A Participant shall be considered Disabled if such Participant (A) 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 (B) 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. Notwithstanding the forgoing, all determinations of whether a Participant is Disabled shall be made in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the guidance thereunder.

(ii) A Participant qualifies for Retirement only if 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.

(d) If a Participant's employment with the Company or any of its parents, subsidiaries or affiliates terminates prior to the Maturity Date but within two (2) years following a Change in Control (as defined below), either voluntarily for Good Reason or involuntarily (other than due to Cause), the Participant shall become entitled to payment upon such termination of that number shares of Deferred Stock equal to the number of shares that might otherwise be received by the Participant upon achievement of the Target goal. For purposes of this Agreement, Change in Control means an event that qualifies as a Change in Control Event as defined in Section 409A of the Code and guidance thereunder.

(e) If the Participant's employment with the Company or any of its parents, subsidiaries or affiliates is terminated by the respective employing entity 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, at but not prior to the Maturity Date the Participant shall be deemed to have satisfied the condition set forth in Subparagraph 5(a)(i) above and, accordingly, if, when and to the extent the Committee certifies that the performance measures for the Performance Period are satisfied under Subparagraph 5(a)(ii) above, the Participant shall become entitled to payment of that number of shares of Deferred Stock the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above pro rated to reflect that portion of the Performance Period prior to the Participant's termination of employment. The pro rata number of shares which may be payable to Participant on but not prior to the Maturity Date in such case shall equal that number determined by multiplying (i) the number of shares of Deferred Stock the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above times (ii) a fraction, the numerator of which is the number of full and partial months in the period that begins the month following the month that includes the Effective Date and ends on (and includes) the date of the Participant's termination of employment, and the denominator of which is the number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the Maturity Date

(f) If the Participant's employment with the Company or any of its parents, subsidiaries or affiliates is terminated by the respective employing entity 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 a severance plan or program maintained by the Company, to the Participant, then at but not prior to the Maturity Date the Participant shall be deemed to have satisfied the condition set forth in Subparagraph 5(a)(i) above and, accordingly, if, when and to the extent the Committee certifies that the performance measures for the Performance Period are satisfied under Subparagraph 5(a)(ii) above, the Participant shall become entitled to that number of shares of Deferred Stock the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above pro rated to reflect that portion of the Performance Period prior to the Participant's termination of employment. The pro rata number of shares to

which Participant may become entitled to payment on but not prior to the Maturity Date in such case shall equal that number of shares determined by multiplying (i) the number of shares of Deferred Stock the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above times (ii) a fraction, the numerator of which is the number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the date of the Participant's termination of employment, and the denominator of which is the total number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the Maturity Date.

For purposes of this Subparagraph 5(f), a Termination of Affiliation shall constitute a termination of employment.

6. Payment of Deferred Stock.

(a) All shares of Deferred Stock that become payable in accordance with Paragraph 5 above shall be paid immediately following the date on which the Participant becomes entitled to payment thereof or, in the case of the Participant's death, his or her beneficiary under the Plan, or if no beneficiary has been designated, to his or her estate. In no event, however, shall such payment be made later than March 15 of the year following the year in which the Participant became entitled to such payment and, if the Participant became entitled to payment under Subparagraph 4(d) above in connection with a Change in Control and he or she was a key employee within the meaning of Code Section 409A(a)(2)(B)(i), payment shall not in any case be made sooner than six (6) months following the date on which the Participant became entitled to such payment.

(b) Deferred Stock that becomes payable under this Agreement 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, of one or more certificates (or other indicia of ownership) of Williams Common Stock equal in number to the number of shares of Deferred Stock otherwise payable under this Agreement 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 Participant's becoming entitled to payment 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 entitlement.

7. 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 lesser of the Target Number of Shares of Deferred Stock or that number of shares of Deferred Stock then standing in the Participant's name in the books and records of the Company. Upon conversion of Deferred Stock into Common Stock hereunder, the right to payment of Dividend Equivalents under this provision will cease. In this regard, following the date on which shares of Deferred Stock become payable but prior to the date of payment thereof, the number of shares of Deferred Stock standing in the Participant's name shall be adjusted to equal the number of shares of Deferred Stock payable under Paragraph 5 above.

8. 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) Except as provided in Subparagraphs 5(b) through 5(f) above, in the event that the Participant's employment with the Company or any of its parents, subsidiaries or affiliates terminates prior to the Maturity Date, such Deferred Stock shall be forfeited.

(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 (i) the Participant's becoming entitled to payment of the Deferred Stock and (ii) 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 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.

(l) Nothing in this Agreement or the Plan shall interfere with or limit in any way the right of the Company or an Affiliate to terminate the Participant's employment or service at any time, nor confer upon the Participant the right to continue in the employ of the Company and/or Affiliate.

9. **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:___

Robyn L. Ewing
Vice President

Participant: ___

SSN: ___