

WILLIAMS COMPANIES INC

Form DEF 14A

April 13, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

The Williams Companies, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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STEVEN J. MALCOLM
CHAIRMAN OF THE BOARD

To the Stockholders of The Williams Companies, Inc.:

You are cordially invited to attend the 2006 annual meeting of stockholders of The Williams Companies, Inc. The meeting will be held on Thursday, May 18, 2006, in the Williams Resource Center Theater, One Williams Center, Tulsa, Oklahoma, at 11:00 a.m., Central time. We look forward to greeting personally as many of our stockholders as possible at the annual meeting.

The notice of the annual meeting and proxy statement accompanying this letter provide information concerning matters to be considered and acted upon at the annual meeting. At the annual meeting we will provide a report on our operations, followed by a question-and-answer and discussion period.

Please note that for security reasons briefcases, backpacks, and other large bags are not permitted in the theater. All such items can be checked with security upon arrival at the theater.

We know that most of our stockholders are unable to attend the annual meeting in person. We solicit proxies so that you have an opportunity to vote on all matters that are scheduled to come before the annual meeting. Whether or not you plan to attend, you can be sure your shares are represented by promptly voting and submitting your proxy by phone, by Internet or by completing, signing, dating and returning your proxy card in the enclosed postage-paid envelope. Regardless of the number of shares you own, your vote is important.

Thank you for your continued interest in our company.

Very truly yours,

Steven J. Malcolm

Enclosures
April 13, 2006

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**THE WILLIAMS COMPANIES, INC.
One Williams Center
Tulsa, Oklahoma 74172**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 18, 2006**

Please take notice that the annual meeting of stockholders of The Williams Companies, Inc. will be held at the time and place and for the purposes indicated below.

TIME 11:00 a.m., Central time, on Thursday, May 18, 2006

PLACE Williams Resource Center Theater
One Williams Center
Tulsa, Oklahoma

ITEMS OF BUSINESS

1. To elect five directors;
2. To ratify the appointment of Ernst & Young LLP as our independent auditors for 2006;
3. To act on a stockholder proposal, if properly presented at the annual meeting, requesting that director nominees be elected by the affirmative vote of the majority of votes cast at an annual meeting of stockholders; and
4. To transact such other business as may properly come before the annual meeting or any adjournment of the meeting.

RECORD DATE You can vote and attend the annual meeting if you were a stockholder of record at the close of business on March 27, 2006.

ANNUAL REPORT Our 2005 annual report, which includes a copy of our annual report on Form 10-K, accompanies this proxy statement.

VOTING EVEN IF YOU INTEND TO BE PRESENT AT THE ANNUAL MEETING, PLEASE PROMPTLY VOTE IN ONE OF THE FOLLOWING WAYS SO THAT YOUR SHARES OF COMMON STOCK MAY BE REPRESENTED AND VOTED AT THE ANNUAL MEETING:

1. CALL THE TOLL-FREE TELEPHONE NUMBER shown on the proxy card;
2. VOTE VIA THE INTERNET on the website shown on the proxy card; or
3. MARK, SIGN, DATE AND RETURN the enclosed proxy card in the postage-paid envelope.

By order of the Board of Directors,

Brian K. Shore
Secretary

Tulsa, Oklahoma
April 13, 2006

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THE WILLIAMS COMPANIES, INC.
One Williams Center
Tulsa, Oklahoma 74172
PROXY STATEMENT
for
ANNUAL MEETING OF STOCKHOLDERS
May 18, 2006

Our Board of Directors (the board) solicits your proxy for the 2006 Annual Stockholders Meeting to be held at 11:00 a.m. Central Time on May 18, 2006 at the Williams Resource Center Theater, One Williams Center, Tulsa, Oklahoma, and at any postponement or adjournment of the meeting, for the purposes set forth in the Notice of Annual Meeting of Stockholders. Unless the context otherwise requires, all references in this proxy statement to Williams, the company, we, us, and our refer to The Williams Companies, Inc. and its consolidated subsidiaries.

Record Date and Stock Ownership

You may attend or vote at the annual meeting if you were a stockholder of record of our stock at the close of business on March 27, 2006 (the record date). If a broker holds your shares and you would like to attend the meeting, please bring a copy of your account statement or a proxy card, which you can obtain from your broker. The majority of the shares of common stock outstanding on the record date must be present in person or by proxy to have a quorum. On the record date, we had 595,003,841 shares of common stock outstanding. We made copies of this proxy statement available to stockholders beginning on April 13, 2006.

Submitting or Revoking your Proxy

Your vote is important. You may vote your shares in any one of the following ways:

CALL THE TOLL-FREE TELEPHONE NUMBER shown on the proxy card;

VOTE VIA THE INTERNET on the website shown on the proxy card;

MARK, SIGN, DATE AND RETURN the enclosed proxy card in the postage-paid envelope; or

ATTEND the annual meeting: You can vote your shares in person at the annual meeting by marking the enclosed proxy card and bringing it with you.

When you complete and submit your proxy card, the persons named as proxies will vote the shares represented by your proxy in accordance with your instructions. When you submit a proxy card but do not fill out the voting instructions on the proxy card, the persons named as proxies will vote the shares represented by your proxy as follows:

FOR the election of the nominees for directors set forth in Proposal 1;

FOR the ratification of the independent auditors set forth in Proposal 2; and

AGAINST a stockholder proposal requesting director nominees be elected by a majority vote as set forth in Proposal 3.

You may revoke or change a proxy vote in one of the following ways: (1) by voting again by telephone or on the Internet; (2) prior to its exercise, by delivering written notice of revocation of your proxy vote to our secretary at One Williams Center, MD 47, Tulsa, Oklahoma 74172; (3) by executing and returning a later dated proxy; or (4) by attending the annual meeting and voting in person.

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Matters to be Voted On

You will be voting on the following:

Election of five of our directors;

Ratification of Ernst & Young LLP as our independent auditors for 2006;

A stockholder proposal requesting that director nominees be elected by the affirmative vote of the majority of votes cast at an annual meeting of stockholders; and

Other business properly coming before the annual meeting.

Requisite Votes

You will have one vote for every share of Williams common stock that you own on the record date. The election of the board of directors requires a plurality of the votes cast. This means that those director nominees receiving the most votes are elected, even if they receive less than a majority. In voting for directors, you may: (1) vote for the election of each director nominee; or (2) withhold authority to vote for each director nominee. Any nominee for director who receives a greater number of withheld votes than for votes is required to submit a letter of resignation for consideration by the nominating and governance committee. Within 60 days following certification of the stockholder vote, the nominating and governance committee will recommend to the full board whether the resignation should be accepted.

The matters discussed herein to be voted on at the annual meeting (other than the election of directors) will be decided by a majority of the votes cast by the stockholders. However, other matters that may properly come before the annual meeting may require more than a majority vote under our by-laws, the laws of the state of Delaware, our restated certificate of incorporation, or other applicable laws.

The presence, in person or by proxy, of a majority of the outstanding shares of common stock entitled to vote at the annual meeting constitutes a quorum. You will be considered part of the quorum if you return a signed and dated proxy card, if you vote by telephone or the Internet, or if you vote in person at the annual meeting.

Abstentions and broker non-votes are counted as present and entitled to vote for determining a quorum. Broker non-votes are shares held by brokers or nominees over which the broker or nominee lacks discretionary power to vote and for which the broker or nominee has not received specific voting instructions from the beneficial owner. For purposes of determining the outcome of any matter as to which the broker has indicated on the proxy that it does not have discretionary authority to vote, those shares will be treated as not present and not entitled to vote with respect to that matter, even though those shares are considered present and entitled to vote for quorum purposes and may be entitled to vote on other matters.

PROPOSAL 1 ELECTION OF DIRECTORS

Our restated certificate of incorporation, as amended, provides for three classes of directors of as nearly equal size as possible and further provides that the total number of directors shall be determined by resolution adopted by the affirmative vote of a majority of the board, except that the total number of directors may not be less than five nor more than 17. The term of each class of directors is normally three years, and the term of one class expires each year in rotation.

Four individuals, all of whom currently serve as directors, have been nominated for election for three-year terms and one individual has been nominated for a one-year term, as directors at the annual meeting. Six directors will continue in office to serve pursuant to their prior elections. In order to maintain balance in the three classes of directors, as required by our by-laws, Mr. Irl F. Engelhardt, who was identified by an outside search firm, was appointed to the board in July 2005 as a Class II Director and Mr. William R. Granberry, who was identified by an outside search firm, was appointed to the board in November 2005 as a Class III Director. Pursuant to our retirement policy for directors, Mr. Joseph H. Williams will retire in conjunction

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with the 2006 annual meeting. In accordance with the recommendation of the nominating and governance committee, the board proposes that the following nominees be elected:

Irl F. Engelhardt;

William R. Granberry;

William E. Green;

W.R. Howell; and

George A. Lorch.

The persons named as proxies in the accompanying proxy, who have been designated by the board, intend to vote, unless otherwise instructed in such proxy, for the election of Messrs. Irl F. Engelhardt, William R. Granberry, William E. Green, W.R. Howell and George A. Lorch. Should any nominee named herein become unable for any reason to stand for election as a director, the persons named in the proxy will vote for the election of such other person or persons as the nominating and governance committee may recommend. The board may propose to replace such nominee or, if none, the nominating and governance committee will recommend that the size of the board be reduced. We know of no reason why any of the nominees will be unavailable or unable to serve.

The names of the nominees and the directors whose terms of office will continue after the 2006 annual meeting, their principal occupations during the past five years, other directorships held and certain other information are set forth below.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS NAMED IN PROPOSAL 1.

Standing for Election Class II, Terms Expire May 2009

William E. Green, Age 69

Director since 1998. Mr. Green is founder of William Green & Associates, a Palo Alto, California law firm and has been with the firm since 1974. He also serves as vice president, general counsel and secretary of AIM Broadcasting, LLC. He is a former trustee of Rochester Savings Bank. Mr. Green serves on the boards of Kids in Common, Inc. and Philanthropic Ventures, Inc.

W.R. Howell, Age 70

Director since 1997. Mr. Howell is chairman emeritus of J.C. Penney Company, Inc., a major retailer. He was chairman of the board and chief executive officer of J.C. Penney from 1983 to 1996. He is a director of American Electric Power Company, ExxonMobil Corporation, Halliburton Company and Pfizer, Inc. He is also a director of Deutsche Bank Trust Corporation and Deutsche Bank Trust Company Americas, non-public wholly-owned subsidiaries of Deutsche Bank AG.

George A. Lorch, Age 64

Director since 2001. Mr. Lorch is chairman emeritus of Armstrong Holdings, Inc. From 1996 through April 2000, he served as chairman of the board and chief executive officer of Armstrong World Industries, Inc. He served as chairman of the board and chief executive officer of Armstrong Holdings, Inc. from May to August of 2000. Mr. Lorch serves on the boards of Pfizer, Inc., and Autoliv, Inc. He also serves on the boards of HSBC Finance and HSBC North America Holding Co., both UK entities of HSBC LLC London. Neither are publicly held companies.

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Irl F. Engelhardt, Age 59

Director since July 2005. Mr. Engelhardt has served as chairman of Peabody Energy Corporation or its predecessor companies since 1993, and as chief executive officer from 1990 to 2005. He serves on the boards of directors of Peabody Energy and Valero Energy Corporation and is deputy chairman of The Federal Reserve Bank of St. Louis.

Standing for Election Class III, Term Expires May 2007

William R. Granberry, Age 63

Director since November 2005. Mr. Granberry is a member of Compass Operating Company, LLC, an oil and gas exploration, development and producing company with operations in West Texas and Southeast New Mexico. From 1999 through September 2004 he managed investments and consulted with oil and gas companies. One investment was in Just4Biz.com, a startup internet company where he served on the board of directors and was interim chief executive officer for brief periods in 2000 and 2001. Just4Biz filed for bankruptcy in May 2001. Mr. Granberry was president and chief operating officer of Tom Brown, Inc. from 1996 to 1999. Tom Brown, Inc. was an oil and gas company with exploration, development, acquisition and production activities throughout the central United States.

Directors Continuing in Office

Juanita H. Hinshaw, Age 61, Class I, Term Expires May 2008

Director since 2004. Ms. Hinshaw is the retired senior vice president and chief financial officer of Graybar Electric Company. She joined Graybar Electric Company in May 2000. Graybar Electric Company is an employee owned provider of electrical and telecommunications product distribution services. Prior to joining Graybar Electric Company, she was with Monsanto Company for fifteen years. She also serves on the board of directors of Insituform Technologies, Inc., IPSCO, Inc. and SYNERGETICS USA, INC.

Frank T. MacInnis, Age 59, Class I, Term Expires May 2008

Director since 1998. Mr. MacInnis is chairman of the board and chief executive officer of EMCOR Group, Inc., one of the world's largest electrical and mechanical construction and facilities management groups, and has been since 1994. Mr. MacInnis is also chairman of the board and chief executive officer of ComNet Communications, Inc. He is also a director of ITT Industries, Inc. and the Greater New York Chapter of the March of Dimes.

Steven J. Malcolm, Age 57, Class I, Term Expires May 2008

Director since 2001. Mr. Malcolm was elected chief executive officer of Williams in January 2002 and chairman of the board in May 2002. He was elected president and chief operating officer of Williams in September 2001. Prior to that, he was an executive vice president of Williams since May 2001, president and chief executive officer of Williams Energy Services, LLC, a subsidiary of Williams, since December 1998 and the senior vice president and general manager of Williams Field Services Company, a subsidiary of Williams since November 1994. Mr. Malcolm also serves on the boards of BOK Financial Corporation and Bank of Oklahoma N.A.

Janice D. Stoney, Age 65, Class I, Term Expires May 2008

Director since 1999. Ms. Stoney retired as executive vice president of U S WEST Communications, Inc. in 1992. She also serves on the board of directors of Whirlpool Corporation and Bridges Investment Fund.

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Charles M. Lillis, Age 64, Class III, Term Expires May 2007

Director since 2000. Mr. Lillis is a co-founder and principal of LoneTree Capital, a private equity investing group with headquarters in Denver, Colorado. He is also a co-founder and partner of Castle Pines Capital, a group providing creative financial solutions for distribution channels. Mr. Lillis served as the chairman of the board and chief executive officer of MediaOne Group, Inc. from its inception in 1995 through the acquisition of MediaOne by AT&T Corp., which was completed in 2000. Mr. Lillis is a director of SUPERVALU Inc., Medco Health Solutions, Washington Mutual and SomaLogic Inc.

William G. Lowrie, Age 62, Class III, Term Expires May 2007

Director since 2003. Mr. Lowrie is a retired deputy chief executive officer of BP Amoco PLC, where he spent his entire 33-year career holding various positions of increasing responsibility at Amoco. Mr. Lowrie also serves on the board of The Ohio State University Foundation.

THE BOARD OF DIRECTORS, BOARD MEETINGS, BOARD COMMITTEES AND CORPORATE GOVERNANCE

Our board takes corporate governance very seriously and is committed to sound corporate governance practices. The board of directors has the responsibility for establishing broad corporate policies and for our overall performance and the operation of the company by the chief executive officer (CEO) and other officers. Our directors have the responsibility of evaluating and approving our business strategies and financial objectives and for monitoring their successful execution. They are responsible for succession planning for management and assessing the performance of the CEO and setting compensation accordingly, as well as reviewing senior executive officers' goals and compensation. Our directors focus on ensuring that we have the best management processes in place to run the company legally, ethically and successfully. The board is concerned about stockholder value, employee attitudes, customers, suppliers and the communities in which we operate. Our corporate governance guidelines are available on our website at <http://www.williams.com> and are also attached as Appendix A to this proxy statement.

The board understands and expects that a director who has a material change in his or her status including a change in his or her principal business association will promptly offer his or her resignation from the board in order to provide the nominating and governance committee the opportunity to assess each situation based on the individual circumstances and make a recommendation to the board as to whether to accept the resignation. The board is free to accept or reject the resignation.

The full board met 10 times in 2005. Further, the non-management directors met six times without the chairman of the board and chief executive officer present. No director attended less than 75 percent of the aggregate of the board and committee meetings held in 2005.

During the year, the board meets with management to discuss and approve strategic plans, financial goals, capital spending and other factors critical to successful performance. A mid-year review of progress on objectives and strategies is conducted. During board meetings, directors review key issues and financial performance. The board meets privately with the CEO six times per year and meets in executive session at each board meeting and additionally as required. The board assesses CEO performance and oversees executive officer development and succession. Further, the CEO communicates regularly with the members of the board via e-mail or fax on important business opportunities and developments. In 2005, the board also held one of its regularly scheduled meetings at one of our field locations to further the directors' education about our operations.

The board recommends that all directors, consistent with their responsibilities to the stockholders of the company as a whole, hold an equity interest in the company by acquiring and holding company stock with a value equivalent to three times the annual director retainer, exclusive of committee or committee chair fees, paid to each director in the company's most recently completed full fiscal year. The board also recommends that all executive officers, consistent with their responsibilities to the stockholders of the company as a whole, hold an equity interest in the company. Accordingly, the chief executive officer should acquire and hold

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company stock with a value equivalent to five years' base salary. Each other executive officer of the company should acquire and hold company stock with a value equivalent to three years' base salary. Executive officers should satisfy this standard within five years from the date of becoming an executive officer or the adoption of the policy in November 2005. All executive officers were in compliance with the stock ownership guidelines upon adoption. All directors, with the exception of the directors appointed in 2004 and 2005, were in compliance with the stock ownership guidelines upon adoption.

Our board members actively participate in board and committee meetings. Generally, materials are distributed to our board members one week in advance of each regular board meeting. To facilitate active participation, board members are expected to review the materials in advance of the meetings. The board and each of the board committees also conduct self-assessments. The nominating and governance committee also conducts individual director evaluations of all directors.

Mr. W. R. Howell currently serves as the lead director. The lead director presides over executive sessions of the independent directors, consults with our chairman of the board and our secretary to establish an agenda for each board meeting, oversees the flow of information to the board, acts as liaison between the independent directors and management and is available to consult and communicate with stockholders as appropriate.

We have established a program for new director orientation. The orientation program includes private meetings with senior management for each business segment to ensure that the new director becomes familiar with our businesses.

We have adopted a guideline limiting the number of boards on which our directors may serve to no more than five (including our board). Directors serving on the company's board as of November 2005 have one year to achieve compliance with this guideline. However, all directors were in compliance with the guideline upon adoption.

We have adopted rules of conduct that are applicable to our in-house and outside attorneys who are practicing before the Securities and Exchange Commission (SEC) on our behalf.

We have also established a disclosure committee that is designed to ensure full and timely disclosure of information in all public filings.

We believe the corporate governance guidelines and other steps taken by the board and the company help ensure sound governance practices.

Communications with Directors

You may communicate with our directors, individually or as a group, by contacting our secretary or the lead director. The contact information is maintained on the Investor page of our website at <http://www.williams.com>.

The current contact information is as follows:

The Williams Companies, Inc.
One Williams Center, MD 47
Tulsa, Oklahoma 74172
Attn: Lead Director

The Williams Companies, Inc.
One Williams Center, MD 47
Tulsa, Oklahoma 74172
Attn: Corporate Secretary

Email: brian.shore@williams.com

All such communications will be forwarded to the relevant director(s) except for solicitations or other matters not related to our company.

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Director Attendance at Annual Meeting of Stockholders

We have a policy regarding board member attendance at our annual meeting of stockholders. All board members are expected to attend our annual meeting of stockholders. All of the then-current board members attended the 2005 annual meeting of stockholders.

Director Independence

The board of directors has adopted director independence standards, which are available on our website at <http://www.williams.com> and attached as Attachment A to our corporate governance guidelines attached as Appendix A to this proxy statement.

The board of directors has affirmatively determined that each of Mr. Engelhardt, Mr. Granberry, Mr. Green, Ms. Hinshaw, Mr. Howell, Mr. Lillis, Mr. Lorch, Mr. Lowrie, Mr. MacInnis and Ms. Stoney is an independent director under the current listing standards of the New York Stock Exchange (NYSE) and our director independence standards. In so doing, the board determined that each of these individuals met the bright line independence standards of the NYSE. In addition, the board considered transactions and relationships between each director and any member of his or her immediate family and the company and its affiliates and subsidiaries. The purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent. The board considered the fact that Mr. Howell also serves on the boards of American Electric Power Company, Inc., ExxonMobil Corporation and Halliburton, each of which is a customer of ours or performs services for us. The board considered the fact that Mr. Lillis serves on the board of Medco Health Solutions, Inc., a company that provides services to the company. The board also considered the fact that Mr. Engelhardt also serves on the board of Valero Energy Corporation, which is a customer or performs services for us. The board noted that, since Messrs. Engelhardt, Howell and Lillis do not serve as executive officers and do not own a significant amount of stock of any of these companies, these relationships are not required to be reported under the caption Certain Relationships and Related Transactions in this proxy statement. Accordingly, the board concluded that these relationships are not material and affirmatively determined that all of the directors mentioned above are independent. Mr. Malcolm is not considered to be independent because of his employment as an executive officer of the company.

No member of our board of directors serves as an executive officer of any non-profit organization to which we made contributions within any single fiscal year of the preceding three years that exceeded the greater of \$1 million or 2 percent of such organization's consolidated gross revenues. Further, in accordance with the director independence standards, the nominating and governance committee determined that there were no discretionary contributions to a non-profit organization with which a director, or a director's spouse, has a relationship that impact the directors independence.

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Management directors receive no additional compensation for serving on the board or board committees. For their service non-management directors received the following compensation in 2005:

Name	Annual Stock Retainer Fee (Stock)	Annual Cash Retainer Fee (Cash)	Annual Presiding Director Retainer (Cash)	Annual Committee Chair Retainer (Cash)	Annual Stock Option Grant (Options)
Irl F. Englehardt	\$55,000	\$55,000			6,000
William R. Granberry	\$27,500	\$27,500			3,000
William E. Green(1)	\$55,000	\$55,000			6,000
Juanita H. Hinshaw	\$55,000	\$55,000			6,000
William R. Howell(2)	\$55,000	\$55,000	\$20,000	\$10,000	6,000
Charles M. Lillis(2)	\$55,000	\$55,000		\$10,000	6,000
George A. Lorch	\$55,000	\$55,000			6,000
William G. Lowrie(3)	\$55,000	\$55,000		\$15,000	6,000
Frank T. MacInnis	\$55,000	\$55,000		\$10,000	6,000
Janice D. Stoney(3)	\$55,000	\$55,000			6,000
Joseph Williams	\$55,000	\$55,000			6,000

(1) Stock Retainer 100% Deferred; Cash Retainer 20% Deferred

(2) Stock Retainer 100% Deferred

(3) Stock Retainer 100% Deferred; Cash Retainers 100% Deferred

As in prior years, a director may elect to receive all or any part of the cash fees in the form of our common stock or deferred stock. Deferred stock may be deferred for any period of time. Dividend equivalents are paid on deferred stock. The director may choose to receive the equivalents in cash or in additional deferred shares. Beginning in 2006, directors will not have the ability to defer their compensation.

Non-management directors do not participate in the company's benefit programs with the exception of the company's matching gifts program. Under this program, the company matches monetary gifts to eligible organizations dollar-for-dollar. We also reimburse directors for reasonable out-of-pocket expenses incurred in attending meetings of the board or any committee as well as expenses for internet access.

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The board has established standing committees to consider designated matters. The committees of the board are audit, compensation, finance, and nominating and governance. In accordance with our by-laws, the board annually elects from its members the members and the chairman of each committee. The board has determined that each of the members of the audit committee, compensation committee, finance committee, and nominating and governance committee is independent as defined by the rules of the NYSE. The following is a description of each of the committees and committee membership as of December 31, 2005.

Board Committee Membership and Number of Meetings in 2005

	Audit Committee	Compensation Committee	Finance Committee	Nominating and Governance Committee
Irl F. Engelhardt	ü			ü
William R. Granberry	ü		ü	
William E. Green	ü		ü	
Juanita H. Hinshaw	ü		ü	
W. R. Howell		1		ü
Charles M. Lillis	ü		1	
George A. Lorch		ü		ü
William G. Lowrie	1		ü	
Frank T. MacInnis		ü		1
Steven J. Malcolm				
Janice D. Stoney		ü	ü	
Number of Meetings in 2005	14	8	10	6

1 = Chairperson

ü = Committee Member

Audit Committee

Our board has determined that all members of the audit committee are financially literate as defined by the rules of the NYSE. The audit committee is governed by a written charter approved by the board. Among its duties and responsibilities, the audit committee is responsible for appointing, setting compensation and overseeing the work of Ernst & Young LLP, our independent auditors. It also discusses our earnings press releases and our policies with respect to risk assessment and management and has certain oversight responsibilities with respect to our internal auditor. Further, information regarding the functions performed by the audit committee is set forth in the Report of the Audit Committee included in this proxy statement and the audit committee charter. The audit committee charter is available on our website at <http://www.williams.com> and is attached as Appendix B to this proxy statement.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Auditors. The audit committee is responsible for appointing, setting compensation and overseeing the work of Ernst & Young LLP, our independent auditors. The audit committee has established a policy regarding pre-approval of all audit and non-audit services provided by Ernst & Young LLP.

On an ongoing basis, our management presents specific projects and categories of service to the audit committee for which advance approval is requested. The audit committee reviews those requests and advises management if the audit committee approves the engagement of Ernst & Young LLP. On a periodic basis, our management reports to the audit committee regarding the actual spending for such projects and services compared to the approved amounts. The audit committee may also delegate the ability to pre-approve audit and permitted non-audit services, excluding services related to the company's internal control over financial

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reporting, to a subcommittee of one or more committee members, provided that any such pre-approvals are reported on at a subsequent audit committee meeting. In 2005, 100 percent of Ernst & Young LLP's fees were pre-approved by the audit committee.

Our audit committee's pre-approval policy with respect to audit and non-audit services is attached as Appendix C to this proxy statement.

Audit Committee Financial Expert and Independence. The board has determined that Ms. Juanita H. Hinshaw and Mr. Charles M. Lillis qualify as audit committee financial experts as defined by the rules of the SEC. All members of the audit committee are independent of management as defined by the rules of the NYSE.

Simultaneous Service on Audit Committees. The board has determined that the simultaneous service on four public company audit committees by Ms. Juanita H. Hinshaw does not impair her service on our audit committee.

Compensation Committee

The compensation committee oversees and directs the design and implementation of strategic compensation programs for our executive officers that align the interests of our executive officers with those of our stockholders.

A copy of the governing charter of the compensation committee is available on our website at <http://www.williams.com> and is attached as Appendix D to this proxy statement. The charter provides that the compensation committee has full authority to engage independent advisors and consultants and provides for at least annual committee evaluations.

Finance Committee

The finance committee has the primary responsibility for overseeing appropriate alignment between our financing strategies and our business units' operating plans and acquisitions or other investment opportunities, as well as reporting to the full board, as appropriate, that the key elements of our balance sheet are structured in a manner that allow the business units' operating plans and investment opportunities to be executed.

A copy of the governing charter of the finance committee is available on our website at <http://www.williams.com> and is attached as Appendix E to this proxy statement. The charter provides that the finance committee has full authority to engage independent advisors and consultants and provides for at least annual committee evaluations.

Nominating and Governance Committee

The nominating and governance committee's governing charter is available on our website at <http://www.williams.com> and is attached as Appendix F to this proxy statement. The charter provides that the nominating and governance committee has full authority to engage independent advisors and consultants. The nominating and governance committee is responsible for identifying and recommending candidates to fill vacancies on the board as such vacancies occur, as well as the slate of nominees for election as directors by the stockholders at each annual meeting of stockholders. Additionally, the nominating and governance committee recommends to the board the individual to be the chairman of the board and CEO. The nominating and governance committee reviews and reports to the board on a periodic basis regarding matters of corporate governance. The nominating and governance committee is responsible for reviewing annually and making recommendations to the board as to whether each non-management director is independent as defined by the NYSE and our director independence standards and otherwise qualified in accordance with applicable law or regulation. The nominating and governance committee also reviews the continuing qualifications of incumbent directors including any changes to a director's primary activity and all board committee charters for effective corporate governance. The nominating and governance committee evaluates annually the performance of the nominating and governance committee and the board as a whole. The code of business conduct and ethics is reviewed for compliance annually and changes are recommended to the board as necessary.

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Consideration of nominees. The nominating and governance committee considers the appropriate balance of experience, skills and characteristics that best suits our needs and the needs of our stockholders. The nominating and governance committee develops long-term board succession plans to ensure that the appropriate balance is maintained. The nominating and governance committee is committed to nominating candidates that are independent as defined by the rules of the NYSE and our director independence standards. The nominating and governance committee also seeks to ensure that each member of the audit committee meets the financial literacy requirements of the NYSE and that at least one audit committee member qualifies as an audit committee financial expert under the SEC's rules.

Qualifications of nominees. The nominating and governance committee seeks director candidates with the following qualifications:

an understanding of business and financial affairs and the complexities of a business organization. Although a career in business is not essential, the nominee should have a proven record of competence and accomplishments through leadership in industry, education, the professions or government and should be willing to maintain a committed relationship with the company as a director;

genuine interest in representing all of the stockholders and the interest of the company overall;

a willingness and ability to spend the necessary time to function effectively as a director;

an open-minded approach to matters and the resolve to make up his or her own mind on matters presented for consideration;

a reputation for honesty and integrity beyond question; and

independence as defined by the NYSE and qualifications otherwise required in accordance with applicable law or regulation.

Stockholder nominations. The nominating and governance committee will consider written recommendations from stockholders for director nominations. You should submit any recommendations to our secretary at One Williams Center, MD 47, Tulsa, Oklahoma 74172. In accordance with our by-laws, written recommendations from stockholders for director nominations for consideration at our 2007 annual meeting must be submitted between January 19, 2007 and February 20, 2007.

The recommendation must set forth:

the name, age, business address and residence of the person;

the principal occupation or employment of the person;

the class or series and number of shares of capital stock of the company which are owned beneficially or of record by the person; and

any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder.

The proposal must also set forth the following information as to the stockholder giving the notice:

the name and record address of such stockholder;

the class or series and number of shares of capital stock of the company which are owned beneficially or of record by such stockholder;

a description of all arrangements or undertakings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nominations are to be made by such stockholder;

a representation that such stockholder intends to appear in person or by proxy at the annual meeting to nominate the persons named in its notice; and

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any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder.

The notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

Identification and evaluation of nominees. The nominating and governance committee identifies candidates who meet the qualifications for selection as a nomi