

WILLIAMS COMPANIES INC  
Form 10-K  
February 25, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-K  
(Mark One)

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

For the fiscal year ended December 31, 2014  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-4174

The Williams Companies, Inc.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware 73-0569878  
(State or Other Jurisdiction of (IRS Employer  
Incorporation or Organization) Identification No.)

One Williams Center, Tulsa, Oklahoma 74172  
(Address of Principal Executive Offices) (Zip Code)

918-573-2000  
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$1.00 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

5.50% Junior Subordinated Convertible Debentures due 2033

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second quarter was approximately \$42,198,484,977.

The number of shares outstanding of the registrant's common stock outstanding at February 23, 2015 was 747,896,477.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Definitive Proxy Statement for the Registrant's Annual Meeting of Stockholders to be held on May 21, 2015, are incorporated into Part III, as specifically set forth in Part III.

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THE WILLIAMS COMPANIES, INC.  
FORM 10-K

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## DEFINITIONS

The following is a listing of certain abbreviations, acronyms and other industry terminology used throughout this Annual Report.

### Measurements:

Barrel: One barrel of petroleum products that equals 42 U.S. gallons

BPD: Barrels per day

Bcf : One billion cubic feet of natural gas

Bcf/d: One billion cubic feet of natural gas per day

British Thermal Unit (Btu): A unit of energy needed to raise the temperature of one pound of water by one degree Fahrenheit

Dekatherms (Dth): A unit of energy equal to one million British thermal units

Mbbbls/d: One thousand barrels per day

Mdth/d: One thousand dekatherms per day

MMcf/d: One million cubic feet per day

MMdth: One million dekatherms or approximately one trillion British thermal units

MMdth/d: One million dekatherms per day

TBtu: One trillion British thermal units

### Consolidated Entities:

ACMP: Access Midstream Partners, L.P. prior to its merger with Pre-Merger WPZ

Constitution: Constitution Pipeline Company, LLC

Gulfstar One: Gulfstar One LLC

Pre-Merger WPZ: Williams Partners L.P. prior to its merger with ACMP

Northwest Pipeline: Northwest Pipeline LLC

Transco: Transcontinental Gas Pipe Line Company, LLC

WPZ: Williams Partners L.P.

Partially Owned Entities: Entities in which we do not own a 100 percent ownership interest and which, as of December 31, 2014, we account for as an equity investment, including principally the following:

Aux Sable: Aux Sable Liquid Products LP

Bluegrass: Bluegrass Pipeline Company LLC

Caiman II: Caiman Energy II, LLC

Discovery: Discovery Producer Services LLC

Gulfstream: Gulfstream Natural Gas System, L.L.C.

Laurel Mountain: Laurel Mountain Midstream, LLC

Moss Lake: Moss Lake Fractionation LLC and Moss Lake LPG Terminal LLC

OPPL: Overland Pass Pipeline Company LLC

UEOM: Utica East Ohio Midstream LLC

Government and Regulatory:

Code, the: Internal Revenue Code of 1986

EPA: Environmental Protection Agency

Exchange Act, the: Securities and Exchange Act of 1934, as amended

FERC: Federal Energy Regulatory Commission

IRS: Internal Revenue Service

SEC: Securities and Exchange Commission

Other:

B/B Splitter: Butylene/Butane splitter

Caiman Acquisition: WPZ's April 2012 purchase of 100 percent of Caiman Eastern Midstream, LLC located in the Ohio River Valley area of the Marcellus Shale region

DAC: Debutanized aromatic concentrate

Fractionation: The process by which a mixed stream of natural gas liquids is separated into its constituent products, such as ethane, propane, and butane

IDR: Incentive distribution right

Laser Acquisition: WPZ's February 2012 purchase from Delphi Midstream Partners, LLC of 100 percent of certain entities that operate in Susquehanna County, PA and southern New York

LNG: Liquefied natural gas; natural gas which has been liquefied at cryogenic temperatures

MVC: Minimum volume commitment

NGLs: Natural gas liquids; natural gas liquids result from natural gas processing and crude oil refining and are used as petrochemical feedstocks, heating fuels, and gasoline additives, among other applications

NGL margins: NGL revenues less Btu replacement cost, plant fuel, transportation, and fractionation

Throughput: The volume of product transported or passing through a pipeline, plant, terminal, or other facility

## PART I

### Item 1. Business

In this report, Williams (which includes The Williams Companies, Inc. and, unless the context otherwise indicates, all of our subsidiaries) is at times referred to in the first person as “we,” “us” or “our.” We also sometimes refer to Williams as the “Company.”

#### WEBSITE ACCESS TO REPORTS AND OTHER INFORMATION

We file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other documents electronically with the SEC under the Exchange Act. You may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

You may also obtain such reports from the SEC’s Internet website at [www.sec.gov](http://www.sec.gov).

Our Internet website is [www.williams.com](http://www.williams.com). We make available free of charge through the Investor tab of our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our Corporate Governance Guidelines, Code of Ethics for Senior Officers, Board committee charters and the Williams Code of Business Conduct are also available on our Internet website. We will also provide, free of charge, a copy of any of our corporate documents listed above upon written request to our Corporate Secretary, One Williams Center, Suite 4700, Tulsa, Oklahoma 74172.

#### GENERAL

We are primarily an energy infrastructure company focused on connecting North America’s significant hydrocarbon resource plays to growing markets for natural gas, NGLs, and olefins. Our operations are located principally in the United States, but span from the deepwater Gulf of Mexico to the Canadian oil sands.

As of December 31, 2014, our interstate gas pipelines, midstream, and olefins production interests were largely held through our significant investments in both Williams Partners L.P. (WPZ) and Access Midstream Partners, L.P. (ACMP). We owned the general partner interest and a 64 percent limited-partner interest in WPZ, as well as the general partner interest and a 49 percent limited-partner interest in ACMP. As discussed further below, we recently completed the merger of these two partnerships.

We were founded in 1908, originally incorporated under the laws of the state of Nevada in 1949 and reincorporated under the laws of the state of Delaware in 1987. Williams’ headquarters are located in Tulsa, Oklahoma, with other major offices in Salt Lake City, Utah; Houston, Texas; Oklahoma City, Oklahoma; Pittsburgh, Pennsylvania; Calgary, Alberta; and the Four Corners Area. Our telephone number is 918-573-2000.

#### DIVIDENDS

We increased our quarterly dividends from \$0.38 per share in the fourth quarter of 2013 to \$0.57 per share in the fourth quarter of 2014. Our Board of Directors has approved a dividend of \$0.58 per share for the first quarter of 2015.

#### ACMP MERGER

On February 2, 2015, we completed the merger of our consolidated master limited partnerships, WPZ and ACMP (Merger). The merged partnership is named Williams Partners L.P. Under the terms of the merger agreement, each ACMP unitholder received 1.06152 ACMP units for each ACMP unit owned immediately prior to the merger. In conjunction with the merger, each WPZ common unit held by the public was exchanged for 0.86672 ACMP common units. Each WPZ common unit held by us was exchanged for 0.80036 ACMP common units. Prior to the closing of the Merger, the Class D limited partner units of WPZ, all of which were held by us, were converted into WPZ common units on a one-for-one basis pursuant to the terms of the WPZ partnership agreement. Following the Merger, we own approximately 60 percent of the merged partnership, including the general partner interest and incentive distribution





rights. In this report, we refer to the post merger partnership as “WPZ” and the pre-merger entities as “Pre-merger WPZ” and “ACMP.”

#### FINANCIAL INFORMATION ABOUT SEGMENTS

See “Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 19 — Segment Disclosures” for information with respect to each segment’s revenues, profits or losses and total assets.

#### BUSINESS SEGMENTS

Substantially all our operations are conducted through our subsidiaries. Our activities in 2014 were primarily operated through the following business segments as presented in the accompanying financial statements and management’s discussion and analysis.

**Williams Partners** — comprised of our consolidated master limited partnership Pre-merger WPZ, which includes gas pipeline and midstream businesses. The gas pipeline business includes interstate natural gas pipelines and pipeline joint project investments, and the midstream business provides natural gas gathering, treating, and processing services; NGL production, fractionation, storage, marketing and transportation; deepwater production handling and crude oil transportation services; an olefin production business and is comprised of several wholly owned and partially owned subsidiaries and joint project investments.

Our Canadian midstream operations include an oil sands offgas processing plant near Fort McMurray, Alberta, an NGL/olefin fractionation facility and B/B splitter facility at Redwater, Alberta, and the Boreal Pipeline.

**Access Midstream** — comprised of our consolidated master limited partnership ACMP, which includes certain domestic midstream businesses that provide gathering, treating, and compression services to producers under long-term, fee-based contracts.

**Williams NGL & Petchem Services** — comprised of certain other domestic olefins pipeline assets and certain Canadian growth projects under development, including a propane dehydrogenation facility and a liquids extraction plant.

**Other** — primarily comprised of corporate operations and our Canadian construction services company.

Detailed discussion of each of our business segments follows. For a discussion of our ongoing expansion projects, see Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

#### Williams Partners

##### Gas Pipeline Business

Williams Partners' gas pipeline businesses consist primarily of Transco and Northwest Pipeline. Our gas pipeline business also holds interests in joint venture interstate and intrastate natural gas pipeline systems including a 50 percent interest in Gulfstream and a 41 percent interest in Constitution. Transco and Northwest Pipeline own and operate a combined total of approximately 13,600 miles of pipelines with a total annual throughput of approximately 3,870 TBtu of natural gas and peak-day delivery capacity of approximately 14 MMdth of natural gas.

##### Transco

Transco is an interstate natural gas transmission company that owns and operates a 9,600-mile natural gas pipeline system extending from Texas, Louisiana, Mississippi and the offshore Gulf of Mexico through Alabama, Georgia, South Carolina, North Carolina, Virginia, Maryland, Delaware, Pennsylvania and New Jersey to the New York City metropolitan area. The system serves customers in Texas and 12 southeast and Atlantic seaboard states, including major metropolitan areas in Georgia, North Carolina, Washington, D.C., Maryland, New York, New Jersey, and Pennsylvania.

#### Pipeline system and customers

At December 31, 2014, Transco's system had a mainline delivery capacity of approximately 6.2 MMdth of natural gas per day from its production areas to its primary markets, including delivery capacity from the mainline to locations on its Mobile Bay Lateral. Using its Leidy Line along with market-area storage and transportation capacity, Transco can deliver an additional 4.5 MMdth of natural gas per day for a system-wide delivery capacity total of approximately 10.7 MMdth of natural gas per day. Transco's system includes 45 compressor stations, four underground storage fields, and a LNG storage facility. Compression facilities at sea level-rated capacity total approximately 1.7 million horsepower.

Transco's major natural gas transportation customers are public utilities and municipalities that provide service to residential, commercial, industrial and electric generation end users. Shippers on Transco's system include public utilities, municipalities, intrastate pipelines, direct industrial users, electrical generators, gas marketers and producers. Transco's firm transportation agreements are generally long-term agreements with various expiration dates and account for the major portion of Transco's business. Additionally, Transco offers interruptible transportation services under shorter-term agreements.

Transco has natural gas storage capacity in four underground storage fields located on or near its pipeline system or market areas and operates two of these storage fields. Transco also has storage capacity in a LNG storage facility that we own and operate. The total usable gas storage capacity available to Transco and its customers in such underground storage fields and LNG storage facility and through storage service contracts is approximately 200 Bcf of natural gas. At December 31, 2014, our customers had stored in our facilities approximately 140 Bcf of natural gas. In addition, wholly owned subsidiaries of Transco operate and hold a 35 percent ownership interest in Pine Needle LNG Company, LLC, an LNG storage facility with 4 Bcf of storage capacity. Storage capacity permits Transco's customers to inject gas into storage during the summer and off-peak periods for delivery during peak winter demand periods.

#### Northwest Pipeline

Northwest Pipeline is an interstate natural gas transmission company that owns and operates a natural gas pipeline system extending from the San Juan basin in northwestern New Mexico and southwestern Colorado through Colorado, Utah, Wyoming, Idaho, Oregon, and Washington to a point on the Canadian border near Sumas, Washington. Northwest Pipeline provides services for markets in Washington, Oregon, Idaho, Wyoming, Nevada, Utah, Colorado, New Mexico, California, and Arizona directly or indirectly through interconnections with other pipelines.

#### Pipeline system and customers

At December 31, 2014, Northwest Pipeline's system, having long-term firm transportation and storage redelivery agreements of approximately 3.9 MMdth/d, was composed of approximately 3,900 miles of mainline and lateral transmission pipelines and 41 transmission compressor stations having a combined sea level-rated capacity of approximately 472,000 horsepower.

Northwest Pipeline transports and stores natural gas for a broad mix of customers, including local natural gas distribution companies, municipal utilities, direct industrial users, electric power generators and natural gas marketers and producers. Northwest Pipeline's firm transportation and storage agreements are generally long-term agreements with various expiration dates and account for the major portion of Northwest Pipeline's business. Additionally, Northwest Pipeline offers interruptible and short-term firm transportation service.

Northwest Pipeline owns a one-third interest in the Jackson Prairie underground storage facility in Washington and contracts with a third party for storage service in the Clay basin underground field in Utah. Northwest Pipeline also owns and operates an LNG storage facility in Washington. These storage facilities have an aggregate working gas storage capacity of 14.2 MMdth of natural gas, which is substantially utilized for third-party natural gas. These natural gas storage facilities enable Northwest Pipeline to balance daily receipts and deliveries and provide storage services to certain customers.



### Gulfstream

Gulfstream is an interstate natural gas pipeline system extending from the Mobile Bay area in Alabama to markets in Florida. Williams Partners owns, through a subsidiary, a 50 percent interest in Gulfstream. Spectra Energy Corporation, through its subsidiary, Spectra Energy Partners, LP, owns the other 50 percent interest. Williams Partners shares operating responsibilities for Gulfstream with Spectra Energy Corporation.

### Midstream Business

Williams Partners' midstream business, one of the nation's largest natural gas gatherers and processors, has primary service areas concentrated in major producing basins in Colorado, New Mexico, Wyoming, the Gulf of Mexico, Louisiana, Pennsylvania, West Virginia, New York, and Ohio. The primary businesses are: (1) natural gas gathering, treating, and processing; (2) NGL fractionation, storage and transportation; (3) oil transportation; and (4) olefins production. These fall within the middle of the process of taking raw natural gas and crude oil from the producing fields to the consumer.

Key variables for this business will continue to be:

- Retaining and attracting customers by continuing to provide reliable services;
- Revenue growth associated with additional infrastructure either completed or currently under construction;
- Disciplined growth in core service areas and new step-out areas;
- Producer drilling activities impacting natural gas supplies supporting our gathering and processing volumes;
- Prices impacting commodity-based activities.

### Gathering, Processing, and Treating

Williams Partners' gathering systems receive natural gas from producers' oil and natural gas wells and gather these volumes to gas processing, treating or redelivery facilities. Typically, natural gas, in its raw form, is not acceptable for transportation in major interstate natural gas pipelines or for commercial use as a fuel. Williams Partners' treating facilities remove water vapor, carbon dioxide, and other contaminants and collect condensate, but do not extract NGLs. Williams Partners' is generally paid a fee based on the volume of natural gas gathered and/or treated, generally measured in the Btu heating value.

In addition, natural gas contains various amounts of NGLs, which generally have a higher value when separated from the natural gas stream. Our processing plants extract the NGLs in addition to removing water vapor, carbon dioxide, and other contaminants. NGL products include:

- Ethane, primarily used in the petrochemical industry as a feedstock for ethylene production, one of the basic building blocks for plastics;
- Propane, used for heating, fuel and as a petrochemical feedstock in the production of ethylene and propylene, another building block for petrochemical-based products such as carpets, packing materials, and molded plastic parts;
- Normal butane, isobutane and natural gasoline, primarily used by the refining industry as blending stocks for motor gasoline or as a petrochemical feedstock.

Our gas processing services generate revenues primarily from the following three types of contracts:

**Fee-based:** We are paid a fee based on the volume of natural gas processed, generally measured in the Btu heating value. Our customers are entitled to the NGLs produced in connection with this type of processing agreement.

Beginning in 2013, a portion of our fee-based processing revenues includes a share of the margins on the NGLs produced. For the year ended December 31, 2014, 79 percent of the NGL production volumes were under fee-based contracts.

**Keep-whole:** Under keep-whole contracts, we (1) process natural gas produced by customers, (2) retain some or all of the extracted NGLs as compensation for our services, (3) replace the Btu content of the retained NGLs that were extracted during processing with natural gas purchases, also known as shrink replacement gas, and (4) deliver an equivalent Btu content of natural gas for customers at the plant outlet. NGLs we retain in connection with this type of processing agreement are referred to as our equity NGL production. Under these agreements, we have commodity price exposure on the difference between NGL and natural gas prices. For the year ended December 31, 2014, 19 percent of the NGL production volumes were under keep-whole contracts.

**Percent-of-Liquids:** Under percent-of-liquids processing contracts, we (1) process natural gas produced by customers, (2) deliver to customers an agreed-upon percentage of the extracted NGLs, (3) retain a portion of the extracted NGLs as compensation for our services, and (4) deliver natural gas to customers at the plant outlet. Under this type of contract, we are not required to replace the Btu content of the retained NGLs that were extracted during processing, and are therefore only exposed to NGL price movements. NGLs we retain in connection with this type of processing agreement are also referred to as our equity NGL production. For the year ended December 31, 2014, 2 percent of the NGL production volumes were under percent-of-liquids contracts.

Our gathering and processing agreements have terms ranging from month-to-month to the life of the producing lease. Generally, our gathering and processing agreements are long-term agreements.

Demand for gas gathering and processing services is dependent on producers' drilling activities, which is impacted by the strength of the economy, natural gas prices, and the resulting demand for natural gas by manufacturing and industrial companies and consumers. Williams Partners' gas gathering and processing customers are generally natural gas producers who have proved and/or producing natural gas fields in the areas surrounding its infrastructure. During 2014, Williams Partners' facilities gathered and processed gas for approximately 220 customers. Williams Partners' top five gathering and processing customers accounted for approximately 50 percent of our gathering and processing revenue.

Demand for our equity NGLs is affected by economic conditions and the resulting demand from industries using these commodities to produce petrochemical-based products such as plastics, carpets, packing materials and blending stocks for motor gasoline and the demand from consumers using these commodities for heating and fuel. NGL products are currently the preferred feedstock for ethylene and propylene production, which has been shifting away from the more expensive crude-based feedstocks.

Geographically, the midstream natural gas assets are positioned to maximize commercial and operational synergies with our other assets. For example, most of the offshore gathering and processing assets attach and process or condition natural gas supplies delivered to the Transco pipeline. Our San Juan basin, southwest Wyoming, and Piceance systems are capable of delivering residue gas volumes into Northwest Pipeline's interstate system in addition to third-party interstate systems. Our gathering system in Pennsylvania delivers residue gas volumes into Transco's pipeline in addition to third-party interstate systems.

Williams Partners owns and operates gas gathering, processing and treating assets within the states of Wyoming, Colorado, New Mexico, Pennsylvania, West Virginia, New York, and Ohio. We also own and operate gas gathering and processing assets and pipelines primarily within the onshore, offshore shelf, and deepwater areas in and around the Gulf Coast states of Texas, Louisiana, Mississippi, and Alabama.

The following table summarizes our significant operated natural gas gathering assets as of December 31, 2014:

Natural Gas Gathering Assets

Location	Pipeline Miles	Inlet Capacity (Bcf/d)	Ownership Interest	Supply Basins	
				Grant Date	Present Value(3)
<b>West</b>					
Sumner M. Redstone	600,000(1)	2.67%	\$	48.16	5/22/12 \$ 13,792,200
Mel Karmazin	600,000(1)	2.67%		48.16	5/22/12 13,792,200
Richard J. Bressler	400,000(1)	1.78%		48.16	5/22/12 9,194,800
Michael D. Fricklas	85,000(2)	*		39.50	1/30/12 1,582,530
William A. Roskin	85,000(2)	*		39.50	1/30/12 1,582,530

\*  
Less than 1%.

**NOTES:**

- (1) These grants were awarded to Messrs. Redstone, Karmazin and Bressler on May 22, 2002 and vest in one-quarter increments on May 22, 2003, May 22, 2004, May 22, 2005 and May 22, 2006.
- (2) These grants were awarded to Messrs. Fricklas and Roskin on January 30, 2002 and vest in one-quarter increments on January 30, 2003, January 30, 2004, January 30, 2005 and January 30, 2006.
- (3) Based on the Black-Scholes option pricing model adapted for use in valuing executive stock options. The actual value, if any, an executive may realize will depend on the excess of the stock price over the exercise price on the date the option is exercised. There is no assurance that the value realized by an executive will be at or near the value estimated by the Black-Scholes model. The grant date values presented in the table were determined in part using the following assumptions. No adjustments were made for non-transferability or risk of forfeiture.

Expected volatility	37.03%
Risk-free rate of return	5.0%
Dividend yield	
Time of exercise	6.7 Years

The approach used in developing the assumptions upon which the Black-Scholes valuation was done is consistent with the requirements of the Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation".

**Aggregated Option Exercises in Fiscal 2002  
and Value of Options at End of Fiscal 2002**

The following table sets forth as to the Chief Executive Officer and the named executive officers information with respect to option exercises during 2002 and the status of their options on December 31, 2002.

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Name	Number of Shares of Class B Common Stock Acquired on Exercise	Value Realized	Number of Shares of Class B Common Stock Underlying Unexercised Options as of December 31, 2002		Value of Unexercised In-the-Money Options as of December 31, 2002	
			Exercisable	Nonexercisable	Exercisable	Nonexercisable
Sumner M. Redstone	0	\$ 0	7,020,833	3,829,167	\$ 99,055,000	\$ 20,395,000
Mel Karmazin	0	0	6,870,934	2,142,562	126,401,903	0
Richard J. Bressler	0	0	250,000	1,150,000	190,000	570,000
Michael D. Fricklas	0	0	290,416	229,584	3,714,000	107,100
William A. Roskin(1)	51,000	1,013,550	382,416	229,584	5,907,920	107,100

**NOTE:**

- (1) Mr. Roskin exercised options during 2002 that were due to expire on August 1, 2002 and August 1, 2003.

**Viacom Pension Plan Table**

Remuneration	YEARS OF SERVICE			
	15	20	25	30
\$150,000	\$ 36,417	\$ 48,556	\$ 60,695	\$ 72,833
300,000	75,792	101,056	126,320	151,583
450,000	115,167	153,556	191,945	230,333
600,000	154,542	206,056	257,570	309,083
750,000	193,917	258,556	323,195	387,833

Under the terms of the Viacom Pension Plan and the Viacom Excess Pension Plan for certain higher compensated employees (collectively, the "Viacom Pension Plans"), an eligible employee will receive a benefit at retirement that is based upon the employee's number of years of benefit service up to a maximum of 30 years and final average compensation (salary and bonus) for the highest 60 consecutive months out of the final 120 months. Such compensation is limited to \$750,000 per year or, for any executive employed by Viacom as of December 31, 1995, the executive's base salary as of December 31, 1995, if greater. The benefits under the Viacom Excess Pension Plan are not subject to the Internal Revenue Code provisions that limit the compensation used to determine benefits and the amount of annual benefits payable under the Viacom Pension Plan. The foregoing table illustrates, for representative average annual pensionable compensation and years of benefit service classifications, the annual retirement benefit payable to employees under the Viacom Pension Plans upon retirement in 2002 at age 65, based on the straight-life annuity form of benefit payment and not subject to deduction or offset.

Mr. Karmazin's benefits under the Viacom Pension Plans will be calculated as though he had approximately 15 years of benefit service in accordance with the terms of his employment agreement with the Company. The number of years of benefit service that have been credited for Messrs. Bressler, Fricklas and Roskin are approximately 1 year, 8.5 years and 15 years, respectively. To date, Mr. Redstone has not participated in the Viacom Pension Plans.

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Mr. Karmazin has a vested benefit under an Infinity pension plan which was frozen in November 1987. He has not accrued any additional benefits under this plan since November 1987. As of December 31, 2002, the estimated monthly retirement benefit payable to Mr. Karmazin under the frozen Infinity pension plan upon retirement at age 65 and based on a single-life annuity form of benefit payment and not subject to deduction or offset is \$1,408.

### **Performance Graph**

The following graph compares the cumulative total stockholder return on the Class A Common Stock and the Class B Common Stock with the cumulative total return on the companies listed in the Standard & Poor's 500 Stock Index and a peer group of companies identified below. The total return data was obtained from Standard & Poor's Compustat Services, Inc.

The performance graph assumes \$100 invested on December 31, 1997 in each of the Class A Common Stock, the Class B Common Stock, the S&P 500 Index and the Peer Group, including reinvestment of dividends, through the calendar year ended December 31, 2002.

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### **Exhibit I Total Cumulative Stockholder Return for Five-Year Period Ending December 31, 2002**



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The Peer Group consists of the following companies: The Walt Disney Company; Gaylord Entertainment Co.; The News Corp. Ltd. (ADRs); AOL Time Warner Inc. (formerly Time Warner Inc.) and Tribune Company.

### Employment and Severance Agreements

The Company entered into an employment agreement with Mr. Redstone to serve as its Chairman and Chief Executive Officer after the CBS Merger. Under that agreement, Mr. Redstone received a salary of \$1 million per annum and annual bonus compensation, with a target bonus of \$6.05 million for calendar year 2002. The target bonus increased to \$6.655 million for calendar year 2003. In addition, Mr. Redstone was entitled to receive deferred compensation of \$2.63 million during calendar year 2002 and \$2.993 million during calendar year 2003. In March 2003, the Company entered into a new employment agreement with Mr. Redstone that will become effective on May 5, 2003. Under that agreement, Mr. Redstone will continue to serve as the Company's Chairman and Chief Executive Officer with decision-making authority over all of the business affairs of the Company, including corporate policy and strategy, as defined in his employment agreement. Mr. Redstone will continue to receive a salary of \$1 million per annum and annual bonus compensation, with a target bonus of \$6.655 million for calendar year 2003. The target bonus amount for each subsequent calendar year will be at least equal to the target bonus for the Chief Operating Officer. In addition, Mr. Redstone remains entitled to receive deferred compensation of \$2.993 million during calendar year 2003, to be increased for subsequent calendar years by 10% of the sum of his salary and deferred compensation for the preceding year. Mr. Redstone is entitled to be provided with \$5 million of life insurance during his employment with Viacom.

The Company entered into an employment agreement with Mr. Karmazin to serve as its President and Chief Operating Officer after the CBS Merger until December 31, 2003. Under that agreement, Mr. Karmazin received a salary of \$1 million per annum and annual bonus compensation, with a target bonus of \$6.05 million for calendar year 2002. The target bonus increased to \$6.655 million for calendar year 2003. In addition, Mr. Karmazin was entitled to receive deferred compensation of \$2.63 million during calendar year 2002 and \$2.993 million during calendar year 2003. In March 2003, the Company entered into a new employment agreement with Mr. Karmazin that will become effective on May 5, 2003 that provides that Mr. Karmazin will continue to serve as the Company's President and Chief Operating Officer through May 5, 2006, reporting to Mr. Redstone. Mr. Karmazin will have full authority over the operations of the Company, subject to consultation with Mr. Redstone. Mr. Karmazin will continue to receive a salary of \$1 million per annum and annual bonus compensation, with a target bonus of \$6.655 million for calendar year 2003. The target bonus amount will increase annually by an amount determined by the Compensation Committee but not less than 10%. In addition, Mr. Karmazin remains entitled to receive deferred compensation of \$2.993 million during calendar year 2003, to be increased for subsequent calendar years by 10% of the sum of his salary and deferred compensation for the preceding year. Mr. Karmazin is entitled to be provided with \$5 million of life insurance during the employment term. In the event of the termination of Mr. Karmazin's employment by the Company without "cause" or his voluntary termination for "good reason," as these terms are defined in his agreement, during the employment term, he will be entitled to receive salary, target bonus, deferred compensation and certain benefits and perquisites for the balance of the employment term, or, if longer, until the second anniversary of the date of termination. Further, in such event, stock options granted after the effective date of the agreement, as well as stock options granted before the effective date of the agreement that would have vested during the employment term, shall vest on the date of termination and, together with outstanding options that vested prior to the date of termination, shall remain exercisable for two years following the date of termination or, if later, until May 5, 2006 (but not beyond the expiration of such stock options). "Good reason" includes, among other things, Mr. Karmazin's being overruled by the Board of Directors or the Chairman and Chief Executive Officer on any bona fide decision within his authority, the Chairman or the Board making a decision with respect to "corporate policy and strategy" despite Mr. Karmazin's bona fide objection, the Board ceasing to be comprised of a majority of independent directors (as defined by the Company's Corporate Guidelines as currently in effect), or the failure to promptly appoint Mr. Karmazin as Chief Executive Officer of the Company if Mr. Redstone ceases to serve in such position.

Mr. Bressler's employment agreement provides that he will be employed as Senior Executive Vice President and Chief Financial Officer of the Company until March 21, 2006 at a salary of \$1 million per annum. Mr. Bressler's target bonus is set at \$2.5 million. Mr. Bressler also earns deferred compensation for calendar year 2002 equal to 7.5% of his salary and thereafter equal to 7.5% of his salary and deferred compensation for the preceding year. Mr. Bressler will be provided with \$5 million of life insurance during the employment term. In the event of the termination of Mr. Bressler's employment by the Company without "cause" or his voluntary termination for "good reason," as these terms are defined in his agreement, during the employment term, he will be entitled to receive salary, target bonus, deferred compensation and certain benefits and perquisites for the balance of the employment term, subject to mitigation after the first eighteen months. Further, in such event, stock options that would have vested during the employment term shall vest on the date of termination and, together with outstanding options that vested prior to the date of termination, shall remain exercisable for one year following the date of termination (but not beyond the expiration of such stock options).

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Mr. Fricklas' employment agreement was amended in April 2003. His agreement provides that he will be employed as Executive Vice President, General Counsel and Secretary of the Company until January 31, 2006, at a salary of \$950,000 per annum, until May 1, 2003 and thereafter at a salary of \$1 million per annum. Mr. Fricklas' target bonus is set at \$1 million. Mr. Fricklas will earn deferred compensation of \$25,000 for the twelve-month period beginning May 1, 2003, which amount shall increase by \$75,000 for each subsequent twelve-month period. In the event of the termination of Mr. Fricklas' employment by the Company without "cause" or his voluntary termination for "good reason," as these terms are defined in his agreement, during the employment term, he will be entitled to receive salary, target bonus, deferred compensation and certain benefits and perquisites for the balance of the employment term, subject to mitigation after the first twelve months. Further, in such event, stock options that would have vested during the employment term shall vest on the date of termination and, together with outstanding options that vested prior to the date of termination, shall remain exercisable for the following period after the date of termination (but not beyond the expiration of such stock options): one year for options granted on or after January 29, 2003, and six months for options granted before January 29, 2003.

Mr. Roskin's employment agreement was amended in August 2002. His agreement provides that he will be employed until January 31, 2006, at a salary of \$950,000 per annum until May 1, 2003 and thereafter at a salary of \$1 million per annum. Mr. Roskin's target bonus is set at 60% of his salary and, if applicable, deferred compensation. Mr. Roskin will earn deferred compensation of \$25,000 for the twelve-month period beginning May 1, 2003, which amount shall increase by \$75,000 for each subsequent twelve-month period. In the event of the termination of Mr. Roskin's employment by the Company without "cause" or his voluntary termination for "good reason," as these terms are defined in his agreement, during the employment term, he will be entitled to receive salary, target bonus, deferred compensation and certain benefits and perquisites for the balance of the employment term, subject to mitigation after the first twelve months. Further, in such event, stock options that would have vested during the employment term shall vest on the date of termination and, together with outstanding options that vested prior to the date of termination, shall remain exercisable for six months following the date of termination (but not beyond the expiration of such stock options).

Mr. Dauman entered into an employment agreement during 1998 which provided that he would be employed as Deputy Chairman and Executive Vice President of the Company until December 31, 2003. Pursuant to an agreement entered into with the Company in 1999, Mr. Dauman resigned from the Company shortly before the CBS Merger. After his resignation, he received a one-time cash payment equal to the amount that would have been payable under his employment agreement through December 31, 2003, payouts of all deferred compensation and a transaction bonus. All equity-based compensation awards previously granted to Mr. Dauman vested on the effective date of his resignation and each stock option will continue to be exercisable in accordance with its terms until December 31, 2003,

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subject to his compliance with the provisions of his agreement. In addition, the Company provides Mr. Dauman with an office that is comparable in quality and size to the office the executive had prior to the termination of his employment at a location in midtown Manhattan, and a secretary until December 31, 2003, or until he obtains full time employment, if earlier. Mr. Dauman will continue to participate in all savings, retirement, welfare and fringe benefit plans of the Company, or will receive the cash equivalent of these benefits with an income tax gross-up, through December 31, 2003, or, with respect to any welfare benefit, the date on which he becomes entitled to comparable benefits through a subsequent employer, if earlier. He also received all additional service credit necessary to provide him with 20 years of service under any Company plans for which that credit would entitle him to additional benefits. The agreement provides for a gross-up payment to be made to Mr. Dauman to eliminate the effects of any possible imposition under the Code of the "golden parachute" excise tax on any payment or benefit he receives under his agreement or otherwise.

### RELATED TRANSACTIONS

National Amusements, the Company's major stockholder, licenses films in the ordinary course of its business for its motion picture theaters from all major studios including Paramount Pictures, a division of the Company. During the year ended December 31, 2002, National Amusements made payments to Paramount Pictures in the aggregate amount of approximately \$12.3 million to license Paramount Pictures films. National Amusements licenses films from a number of unaffiliated companies and the Company believes that the terms of the licenses between National Amusements and Paramount Pictures were no less favorable to Paramount Pictures than licenses between unaffiliated companies and National Amusements were to such unaffiliated companies. The Company expects to continue to license Paramount Pictures films to National Amusements upon similar terms in the future.

National Amusements places advertising in the ordinary course of its business for motion picture theater openings. During the year ended December 31, 2002, National Amusements purchased leased space on billboards, bus shelters and subway platforms for two theater openings and paid an aggregate amount of approximately \$80,000 to Viacom Outdoor, a division of the Company. National Amusements received an extension of time on their leases as is the standard discounting practice provided by Viacom Outdoor to approximately 50% of their customer base. The Company believes that the terms of the leases were no less favorable to the Company than it would have obtained from parties in which there was no such ownership interest.

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Mr. Redstone and National Amusements own an aggregate of approximately 29% of the common stock of Midway Games Inc. ("Midway"). During the year ended December 31, 2002, Blockbuster purchased approximately \$12.2 million of home video games from Midway. The Company believes that the terms of these purchases were no less favorable to the Company than it would have obtained from parties in which there was no such ownership interest. The Company expects to purchase video games from Midway in the future.

National Amusements and AMC Entertainment, Inc., which operate movie theatre chains, entered into a joint venture agreement on February 29, 2000 with Hollywood Media Corp. (formerly Hollywood.com) to form MovieTickets.com, Inc. ("MovieTickets"). National Amusements owns approximately 26% of MovieTickets. Shari Redstone, a director of the Company, is an executive officer and director of National Amusements and Co-Chairman and Co-Chief Operating Officer of MovieTickets. The Company acquired a 5% interest in MovieTickets for \$25 million of advertising during the five-year period beginning August 2000, and currently owns a 4.2% interest in MovieTickets. Famous Players, the Company's Canadian theater chain, which also has a 4.9% interest in MovieTickets, paid MovieTickets approximately \$67,000 during the year ended December 31, 2002 for commissions earned on theater tickets purchased through the MovieTickets website. The Company believes that the terms of its agreement and Famous Players' agreement with MovieTickets are no less favorable to the Company and Famous Players than it would have obtained from parties in which there was no such ownership interest.

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George S. Abrams, a director of the Company and National Amusements, entered into an agreement with the Company in 1994 to provide legal and governmental consulting services for the Company. During the year ended December 31, 2002, the Company made payments to Mr. Abrams for such services in the aggregate amount of \$120,000.

Amy Salerno, a daughter of director Frederic V. Salerno, is employed by Showtime Networks Inc. ("Showtime"), a subsidiary of the Company, as Director of Business Development. She is not an officer of Showtime or the Company. Her compensation is comparable to other Showtime personnel at a similar level.

In November 1995, the Company entered into an agreement with Gabelli Asset Management Company ("GAMCO") providing that GAMCO would manage certain assets in the Viacom Pension Plan. For the year ended December 31, 2002, the Company paid GAMCO approximately \$384,500 for such investment management services. GAMCO is expected to continue to provide such investment management services in the future. The Company believes that the terms of the agreement with GAMCO are no less favorable to the Company than it could have obtained from an unaffiliated party. GAMCO owns 6.1% of the Company's Class A Common Stock.

Alan C. Greenberg, a nominee for director of the Company, is Chairman of the Executive Committee of Bear Stearns. Bear Stearns administers the Company's stock repurchase program. Bear Stearns is expected to continue to perform broker services for the Company.

### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Commission and the NYSE. Executive officers, directors and greater than 10% stockholders are required by the Exchange Act to furnish the Company with copies of all Section 16(a) forms they file. Based upon the Company's compliance program, a review of the forms furnished to the Company and written representations, the Company believes that during 2002, its executive officers, directors and greater than 10% beneficial owners complied with all applicable Section 16(a) filing requirements. During 2000, Brent Redstone and Shari Redstone each inadvertently failed to file one report for the purchase of 1,000 shares of Class B Common Stock by each of five trusts for the benefit of their respective minor children. The forms were promptly filed in 2002 upon discovery of the omission.

### **ITEM 2 ADOPTION OF AN AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF VIACOM INC. WHICH AMENDS CERTAIN PROVISIONS RELATING TO INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS**

The Board of Directors of the Company has approved and is submitting for stockholder adoption an Amended and Restated Certificate of Incorporation which amends certain provisions of the Company's current Restated Certificate of Incorporation (the "Current Certificate") relating to indemnification of directors, officers, employees and agents. The text of the Current Certificate, as amended and restated to incorporate the proposed amendments, is attached as Exhibit B (the "Proposed Certificate"). The following summary of the amendments should be read in conjunction with, and is qualified in its entirety by reference to, the full text of the Proposed Certificate in Exhibit B.

### **PURPOSE OF THE PROPOSED CERTIFICATE**

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The Board believes that it is important for the Company to continue to attract and retain qualified directors and officers. In order to do so, the Board believes that it is appropriate to protect its directors and officers by providing to them in the Proposed Certificate provisions for indemnification and

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advancement of expenses. Accordingly, the Board of Directors has approved and declared advisable the Proposed Certificate. The following summary highlights the material differences between the Current Certificate and the Proposed Certificate:

	Current Certificate	Proposed Certificate
<b>Right to Indemnification by the Company</b>	<p><i>Actions Other than Derivative Actions:</i> The Current Certificate provides that the Company must indemnify any director, officer, employee or agent (an "Indemnitee") who is a party or is threatened to be made a party to any action, suit or proceeding (other than a derivative action) if the Indemnitee acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.</p> <p><i>Derivative Actions:</i> The Current Certificate provides that the Company must indemnify any Indemnitee who is a party or is threatened to be made a party to any action, suit or proceeding if the Indemnitee acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Company, except that indemnification is not available in respect of a matter as to which the Indemnitee has been adjudged liable to the Company except to the extent that the court shall determine is proper.</p>	<p>The Proposed Certificate provides that the Company must indemnify any Indemnitee to the fullest extent authorized by the Delaware General Corporation Law (the "DGCL"), as it may be amended in the future.</p> <p>The provisions of the Current Certificate are the same as those under which the DGCL currently authorizes a corporation to provide indemnification. However, if the indemnification provisions of the DGCL are amended in the future, the indemnification provisions in the Current Certificate would no longer match the provisions of the DGCL. The Proposed Certificate will require the Company to provide indemnification to an Indemnitee to the fullest extent of the DGCL, as it may be amended in the future, so that subsequent amendments to the Proposed Certificate will not be necessary for it to remain consistent with the DGCL.</p>

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	Current Certificate	Proposed Certificate
<b>Persons Entitled to Indemnification</b>	<p>The Current Certificate provides that an Indemnitee who is "a party or is threatened to be made a party to" any proceeding is entitled to indemnification in the circumstances described above.</p>	<p>The Proposed Certificate provides that an Indemnitee who is "involved in or is threatened to be involved in" any proceeding is entitled to indemnification in the circumstances described above. This would allow an Indemnitee who incurs costs by appearing as a witness, for example, to be indemnified.</p>

**Limitation on Indemnification for Proceedings Brought by an Indemnitee**

The Current Certificate does not contain any such limitation.

The Proposed Certificate provides that, except for proceedings to enforce an Indemnitee's rights to indemnification or advancement of expenses, the Company must indemnify an Indemnitee for expenses incurred in a proceeding commenced by the Indemnitee *only* if the Board of Directors authorized the commencement of such proceeding in advance.

**Advancement of Expenses**

The Current Certificate provides that expenses incurred by a director or officer in defending any proceeding will be paid by the Company in advance of the final disposition of such proceeding upon receipt of an undertaking by the Indemnitee to repay such amount if it is ultimately determined that the Indemnitee is not entitled to be indemnified by the Company.

The Proposed Certificate provides that such an undertaking will be required from the Indemnitee *only* to the extent it is required by the DGCL. The DGCL currently requires that such an undertaking be provided by someone who is a director or officer at the time the advancement is sought, but not by a former director or officer who seeks advancement.

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**Current Certificate**

**Proposed Certificate**

**Proceedings to Enforce Rights to Indemnification**

The Current Certificate does not contain any such provisions.

The Proposed Certificate requires the Company to pay claims for indemnification within 60 days of submission to the Company, and to pay claims for advancement of expenses within 30 days of submission to the Company. If the Company fails to do so, the Indemnitee is authorized to bring suit against the Company to recover the unpaid amount of such claim. If the Indemnitee is successful in such an action, or in a suit brought by the Company to recover an advancement of expenses, the Indemnitee will be entitled to be indemnified for the expenses of bringing or defending the suit.

In addition, the Proposed Certificate includes certain other procedures for handling claims for indemnification and advancement of expenses.

**Preservation of Rights**

The Current Certificate does not contain an explicit provision to this effect.

The Proposed Certificate clarifies that any repeal or modification of the provisions

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regarding indemnification or advancement of expenses will not adversely affect any right or protection of an Indemnitee existing at the time of the repeal or modification.

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In addition to the changes summarized above, certain provisions of the Current Certificate (Article XIII and Annex I and any references thereto) that, by their terms, have no effect after May 3, 2003 have been eliminated from the Proposed Certificate.

**The Board of Directors of the Company recommends a vote "FOR" the adoption of the Amended and Restated Certificate of Incorporation.**

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**ITEM 3 APPROVAL OF THE AMENDED AND RESTATED  
VIACOM INC. SENIOR EXECUTIVE SHORT-TERM INCENTIVE PLAN  
WHICH AMENDS CERTAIN PROVISIONS RELATING TO THE PERFORMANCE  
CRITERIA AND INCREASES THE MAXIMUM LIMIT FOR BONUSES  
PAYABLE UNDER THE PLAN**

The Board of Directors of the Company has approved and is submitting for stockholder approval an Amended and Restated Viacom Inc. Senior Executive Short-Term Incentive Plan which amends certain provisions of the Company's current Senior Executive Short-Term Incentive Plan (the "Existing Plan") to expand the performance criteria on which bonuses payable under the plan are based and to provide that the maximum limit on such bonuses is based on current compensation levels. The text of the Existing Plan, as amended and restated to incorporate the proposed amendments, is attached as Exhibit C (the "Proposed Plan" and, together with the Existing Plan, the "Plans"). The following description of the Proposed Plan should be read in conjunction with, and is qualified in its entirety by reference to, the full text of the Proposed Plan in Exhibit C.

The Existing Plan has provided objective performance-based annual bonuses for selected senior executives of the Company, subject to a maximum limit, starting with the 1994 calendar year. The Board of Directors and the stockholders of the Company approved the Existing Plan and all material amendments. Approximately ten executive officers of the Company have participated in the Existing Plan annually.

Amounts paid under the Plans qualify as "performance-based compensation" which is excluded from the \$1 million limit on deductible compensation set forth in Section 162(m) of the Code. The Compensation Committee determines awards under the Plans based upon the achievement of certain performance criteria, including Company performance, which are not currently determinable. For this reason, it is not possible to determine the amounts that will be received by senior executives participating in the Proposed Plan in the future.

**PURPOSE AND DESCRIPTION OF THE PROPOSED PLAN**

*Purpose of the Proposed Plan*

The Board of Directors of the Company believes that it is important to expand the performance criteria on which bonuses payable under the Plan are based in order to give the Compensation Committee greater flexibility to establish appropriate financial goals. In addition, the Company has recently entered into new employment agreements with its Chairman and Chief Executive Officer and its President and Chief Operating Officer. By basing the maximum bonus that is payable to these executive officers and the other officers who will participate in the Proposed Plan on compensation levels in the new agreements, the Company will have added flexibility to deduct the amount of their bonuses from its taxable income.

*Administration*

The Proposed Plan will be administered by the Compensation Committee or another committee appointed by the Board (the "Committee"). The Committee must be comprised of at least two members of the Board of Directors, each of whom must be an "outside director" within the meaning of Section 162(m) of the Code. The Proposed Plan authorizes the Committee to approve awards to selected executive officers of the Company and its subsidiaries and divisions at the level of Senior Vice President or above.

*Awards*

Under the Proposed Plan, the Committee will designate the executive officers who will participate in the Proposed Plan for each performance period and establish, in writing, performance criteria and target awards for each participant for such performance period not later than ninety days after the start of such period but in any event before not more than 25% of such period has elapsed. A performance period

generally corresponds to the Company's calendar year but could, in certain circumstances, be a longer or shorter period designated by the Committee.

The performance criteria relate to the achievement of financial goals. For performance periods beginning on or after January 1, 2004, such criteria will relate to one or more of the following: EBITDA, operating income, free cash flow, or net earnings. For this purpose, "EBITDA" is defined as the Company's operating income before depreciation, amortization and inter-company eliminations, and "free cash flow" is defined as the Company's operating income before depreciation and amortization, less cash interest, taxes paid, working capital requirements and capital expenditures. "Operating income" and "net earnings" are defined in accordance with generally accepted accounting principles in the United States (GAAP).

Shortly after the end of each performance period, the Committee will certify whether the performance criteria have been achieved; if so, the awards will have been earned, subject to the Committee's right, in its sole discretion, to reduce the amount of the award to any participant to reflect the Committee's assessment of the participant's individual performance or for any other reason. These awards will be payable in cash as soon as practicable thereafter.

To receive an award under the Proposed Plan, the participant must have remained in the continuous employ of the Company or its subsidiaries through the end of the applicable performance period. If the Company or any subsidiary terminates a participant's employment other than for cause, a participant terminates his employment for "good reason" or a participant becomes permanently disabled or dies during a performance period, such participant or his estate will be awarded, unless his employment agreement provides otherwise, a pro rata portion of the award for such performance period, subject to the Committee's right, in its sole discretion, to reduce the amount of such award to reflect the Committee's assessment of such participant's individual performance prior to the termination of such participant's employment, such participant's becoming permanently disabled or such participant's death, as the case may be, or for any other reason.

#### *Maximum Award*

The Proposed Plan provides that the maximum award to any participant for any performance period cannot exceed eight times a participant's "salary." Under the Proposed Plan, "salary" for any performance period means the sum of: (i) the participant's base salary on March 20, 2003 and (ii) the compensation deferred by the participant for that performance period pursuant to the participant's employment agreement entered into on or before March 20, 2003. If the participant's employment agreement expires or is no longer in effect for any part of any given performance period, then the amount of compensation deferred by the participant in the last performance period that the employment agreement was in effect will be used for purposes of calculating "salary". If a participant is hired after March 20, 2003, "salary" means the sum of (i) the participant's base salary on the date of hire and (ii) the compensation deferred by the participant in the year of hire pursuant to the participant's employment agreement as in effect on the date of hire. The "salary" of any participant hired after March 20, 2003 cannot exceed 1.5 times the highest "salary" on March 20, 2003 of any person participating in the Proposed Plan on that date.

The Existing Plan uses the date of May 25, 2000 to determine base salary and deferred compensation amounts, as more fully described below under the heading "Comparison to Existing Plan". Because the Company has entered into new employment agreements with a number of its executive officers including the Chairman and Chief Executive Officer and the President and Chief Operating Officer, the definition of "salary" needed to be revised to reflect the compensation provided in these executives' new employment agreements. For example, for the 2003 performance period (for which the Existing Plan will still be effective), a participant's "salary" is based on the participant's base salary that was in effect on May 25, 2000 and the amount of compensation deferred for 2003 as set forth in the participant's employment agreement that was in effect on or before May 25, 2000. For the 2004 performance period (for which the

Proposed Plan will be in effect assuming stockholder approval), a participant's "salary" will be based on the participant's base salary that was in effect on March 20, 2003 and the amount of compensation deferred for 2004 as set forth in the participant's employment agreement that was entered into on or before March 20, 2003.

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The maximum dollar amount of compensation that could be payable to any participant for any performance period under the Proposed Plan is \$51,446,128. This amount equals the maximum award that could be payable to the Chief Executive Officer for the 2008 calendar year. The actual bonuses that have been awarded under the Existing Plan have in fact been much smaller than the maximum bonuses that could have been awarded under the plan; however, the Compensation Committee believes that the amendment is appropriate in order to maximize the ability of the Company to deduct awards from its taxable income.

### *Adjustments*

In the event that, during a performance period, any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin-off, combination, liquidation, dissolution, sale of assets or other similar corporate transaction or event, or any other extraordinary event, occurs, or any other event or circumstance occurs which has the effect, as determined by the Committee in its sole and absolute discretion, of distorting the applicable performance criteria involving the Company, including, without limitation, changes in accounting standards, the Committee may adjust or modify, as determined by the Committee in its sole and absolute discretion, the calculation of EBITDA, operating income, free cash flow and/or net earnings, or the applicable performance criteria, to the extent necessary to prevent the reduction or enlargement of participants' awards for such performance period attributable to such transaction, circumstance or event.

### *Transfer Restrictions, Etc.*

The rights of a participant with respect to awards under the Plan will not be transferable by a participant other than by will or the laws of descent and distribution. No award under the Plan will be construed as giving any employee a right to continued employment with the Company.

### *Amendment*

The Board of Directors of the Company may at any time alter, amend, suspend or terminate the Plan in whole or in part.

### *Comparison to Existing Plan*

The major differences in the terms of the Proposed Plan as compared to the Existing Plan relate to the performance criteria on which bonuses payable under the plan are based and the definition of salary used to determine the maximum limit on the bonus paid to any executive participating in the plan. In the Existing Plan, the performance criteria related to "operating income", which was defined as EBITDA (revenues less operating expenses other than depreciation, amortization and non-recurring charges) and/or to "net earnings" which was defined as earnings from continuing operations. "Salary" was defined in the Existing Plan as the sum of (i) the participant's base salary on May 25, 2000 and (ii) an amount equal to the annual rate of any compensation for such year deferred pursuant to the participant's employment agreement in effect on May 25, 2000 until no earlier than the year after the participant ceased to be an executive officer of the Company. These definitions of the performance criteria and salary remain in effect for the 2003 performance period.

**The Board of Directors recommends a vote "FOR" the approval of the Amended and Restated Viacom Inc. Senior Executive Short-Term Incentive Plan.**

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### EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information, as of December 31, 2002, concerning shares of the Company's Common Stock authorized for issuance under (i) equity compensation plans approved by Viacom stockholders, and (ii) equity compensation plans assumed by Viacom in the Viacom/CBS merger and the Infinity merger pursuant to which awards were made after completion of the respective mergers. Other than as discussed in note (1) below, all shares reflected in the table are shares of the Company's Class B Common Stock.

Plan Category (1)	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
	85,432,582	\$ 41.03	67,879,728



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Plan Category (1)	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (2)			
Equity compensation plans not approved by security holders (3)	4,343,687(4)	\$ 45.33	27,916,163(5)(6)
<b>Total</b>	<b>89,776,269</b>	<b>\$ 41.24</b>	<b>95,795,891</b>

**NOTES:**

- (1) This table does not include plans assumed by Viacom pursuant to the Viacom/CBS merger, the Infinity merger, the acquisition of BET, the Blockbuster merger and the Paramount merger (collectively, the "Mergers"), if no awards were made under such plans after completion of the respective Mergers. This table does not, therefore, include options for 6,996 shares of Viacom Class A Common Stock in the aggregate, options for 48,601,997 shares of Viacom Class B Common Stock in the aggregate, a warrant for 135,420 shares of Viacom Class B Common Stock and 5,698 shares of Class B Common Stock underlying common stock equivalents credited to CBS directors, all of which were assumed in the Mergers and outstanding as of December 31, 2002. The weighted average exercise price of these options and warrants as of December 31, 2002 was \$29.45.
- (2) These plans are the Viacom Inc. 1989, 1994, 1997 and 2000 Long-Term Management Incentive Plans and the Viacom Inc. 1993, 1994 and 2000 Outside Directors Stock Option Plans.
- (3) These plans are the CBS 1991 Long-Term Incentive Plan (the "CBS 1991 LTIP"), the CBS 1993 Long-Term Incentive Plan (the "CBS 1993 LTIP") and the Infinity 1998 Long-Term Incentive Plan (the "Infinity 1998 LTIP") that were assumed by Viacom pursuant to the Viacom/CBS merger and the Infinity merger and pursuant to which additional awards, reflected in column (a) in the table, were made after the applicable dates of such mergers.
- (4) This number does not include options for 28,092,355 shares of Viacom Class B Common Stock assumed by Viacom in the Viacom/CBS merger and the Infinity merger with a weighted-average exercise price of \$33.61 that were granted under the CBS 1991 LTIP, the CBS 1993 LTIP and the Infinity 1998 LTIP.
- (5) The CBS 1993 LTIP that was assumed by Viacom in connection with the Viacom/CBS merger provides for an automatic share reserve increase on January 1 of each calendar year from 1994 up to and including 2003 by an amount equal to 1% of the number of shares outstanding on December 31 of the preceding year. Viacom did not continue this automatic share reserve increase after the Viacom/CBS merger. As such, the number noted in the table only reflects the 1% increase up to and including January 1, 2000.
- (6) The Infinity 1998 LTIP that was assumed by Viacom in connection with the Infinity merger provides for an automatic share reserve increase on January 1 of each calendar year from and including January 1, 2001 by 10,000,000 shares of Infinity Class A Common Stock. Viacom did not continue this automatic share reserve increase after the Infinity merger. As such, the number noted in the table only reflects such increase up to and including January 1, 2001.

Below are descriptions of equity compensation plans not approved by Viacom security holders and under which awards were made after the dates of the Viacom/CBS merger and the Infinity merger, as applicable (see note (3)).

*CBS 1991 LTIP, CBS 1993 LTIP and Infinity 1998 LTIP:*

Viacom assumed the CBS 1991 LTIP and the CBS 1993 LTIP (together, the "CBS LTIPS") when CBS Corporation merged into Viacom in May 2000. Viacom assumed the Infinity 1998 LTIP when Infinity Broadcasting Corporation merged into Viacom in February 2001. Stock

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options issued under the CBS LTIPS and the Infinity 1998 LTIP prior to the respective mergers were converted into Viacom options with the number of options and the related exercise prices adjusted, in the case of the CBS Merger, by 1.085 to reflect the CBS exchange ratio and, in the case of the Infinity merger, by 0.592 to reflect the Infinity exchange ratio.

The CBS LTIPS and the Infinity 1998 LTIP provide for grants of non-statutory stock options, stock appreciation rights and limited stock appreciation rights, performance awards and restricted stock. The CBS 1993 LTIP and the Infinity 1998 LTIP also provide for grants of incentive stock options. Stock options were the only awards issued under the CBS LTIPS and the Infinity 1998 LTIP that were assumed by Viacom at the time of the respective mergers and that are currently outstanding.

The maximum number of shares of Viacom Class B Common Stock available for future grants is 5,783,680 under the CBS 1991 LTIP, 6,010,246 under the CBS 1993 LTIP and 16,122,237 under the Infinity 1998 LTIP. As discussed in notes (5) and (6) to the Equity Compensation Plan Table, the CBS 1993 LTIP and the Infinity 1998 LTIP provide for an annual automatic share reserve increase which Viacom did not continue after the dates of the respective mergers. As such, the numbers noted in the first sentence of this paragraph only reflect these automatic increases up to and including January 1, 2000 for the CBS 1993 LTIP and January 1, 2001 for the Infinity 1998 LTIP.

Employees of Viacom and its subsidiaries are currently eligible to receive awards under the CBS LTIPS and the Infinity 1998 LTIP. Prior to the Viacom/CBS merger and the Infinity merger, stock options were awarded by CBS and Infinity to their respective management and employees under the CBS LTIPS and the Infinity 1998 LTIP. Option grants pursuant to the "Fund the Future" program were also made under these plans. After the mergers, Viacom awarded stock options in 2001 and 2002 under the CBS LTIPS and the Infinity 1998 LTIP pursuant to the "Fund the Future" program to certain employees in the CBS, Infinity and King World divisions of Viacom. No awards have been made under the CBS LTIPS and the 1998 Infinity LTIP since 2002 and Viacom does not expect to make any additional awards under the CBS LTIPS or the Infinity 1998 LTIP.

The exercise price of stock options issued under the CBS LTIPS and the Infinity 1998 LTIP cannot be less than the fair market value on the date of grant. The management stock options granted under the CBS LTIPS and the Infinity 1998 LTIP generally vested over a one to four-year period and a one to three-year period, respectively, and vested options could be exercised at any time until the ten-year expiration date subject to provisions regarding termination of employment.

Stock options granted under the CBS LTIPS and the Infinity 1998 LTIP pursuant to the "Fund the Future" program are subject to a three-year holding period as well as a vesting schedule that is related to years of service. Generally, vested options granted under this program are portable and can be exercised once the three-year holding period has been satisfied but not beyond the ten-year expiration date, subject to provisions regarding termination of employment. The Compensation Committee has the power to accelerate the time at which any option may vest or be exercised.

No awards may be granted under the CBS 1993 LTIP and the Infinity 1998 LTIP after May 25, 2003 and December 6, 2008, respectively. The CBS 1991 LTIP will continue until termination by the Viacom Board of Directors.

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### ITEM 4 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors has appointed PricewaterhouseCoopers LLP as the Company's independent auditors for calendar year 2003. The Audit Committee has reviewed the firm's independence from the Company as described above in the "Report of the Audit Committee". Services provided to the Company and its subsidiaries by PricewaterhouseCoopers LLP during calendar year 2002 are described under "Audit and Non-Audit Fees" above.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting and will be given an opportunity to make a statement if they so desire. They will also be available to respond to questions at the Annual Meeting.

**The Board of Directors recommends a vote "FOR" the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors for calendar year 2003.**

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### OTHER MATTERS

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If you would like to contact Viacom's non-management directors, you may send an e-mail to: [nonmanagementdirectors@viacom.com](mailto:nonmanagementdirectors@viacom.com) or you may write to: Viacom Inc., 1515 Broadway, New York, NY 10036-5794, Attention: Non-Management Directors 5<sup>th</sup> Floor.

In an effort to reduce paper mailed to stockholders' homes and to help lower printing and postage costs, stockholders can now view Proxy Statements, Annual Reports and related materials online. With a stockholder's consent, the Company will cease sending paper copies of these documents by mail. If you are interested in participating in this electronic delivery program, you should visit [www.icsdelivery.com/viacom](http://www.icsdelivery.com/viacom) or select the Electronic Delivery of Stockholder Materials link on the Investor Relations section of the Company's web site [www.viacom.com](http://www.viacom.com).

As of the date of this Proxy Statement, Management does not intend to present and has not been informed that any other person intends to present any matter for action not specified in this Proxy Statement. If any other matters properly come before the Annual Meeting, it is intended that the holders of the Proxies will act in respect thereof in accordance with their best judgment.

In order for proposals by stockholders to be considered for inclusion in the Proxy and Proxy Statement relating to the 2004 Annual Meeting of Stockholders, such proposals must be received at the principal executive offices of the Company on or before December 23, 2003 and should be submitted to the attention of Michael D. Fricklas, Secretary.

By Order of the Board of Directors,

MICHAEL D. FRICKLAS  
*Secretary*

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**THE COMPANY HAS SENT OR IS SENDING (OR, IF REQUESTED, PROVIDING ELECTRONICALLY) A COPY OF ITS ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2002, INCLUDING FINANCIAL STATEMENTS AND SCHEDULES THERETO, TO EACH OF ITS STOCKHOLDERS OF RECORD ON MARCH 24, 2003 AND EACH BENEFICIAL STOCKHOLDER ON THAT DATE. IF YOU HAVE NOT RECEIVED YOUR COPY, THE COMPANY WILL PROVIDE A COPY WITHOUT CHARGE (A REASONABLE FEE WILL BE CHARGED FOR EXHIBITS), UPON RECEIPT OF WRITTEN REQUEST THEREFOR MAILED TO THE COMPANY'S OFFICES, ATTENTION SECRETARY.**

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EXHIBIT A

### VIACOM INC. AUDIT COMMITTEE CHARTER

#### *Purpose*

The Committee is established by the Board of Directors for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company.

The Committee is responsible for assisting the Board's oversight of (1) the quality and integrity of the Company's financial statements and related disclosure, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the Company's internal audit function and independent auditors.

#### *Composition*

1. *Members.* The Committee shall consist of as many members as the Board, in consultation with the Committee itself, shall determine, but in any event not fewer than three members. The members of the Committee shall be appointed annually by the Board, taking into account the recommendation of the Corporate Governance Committee of the Board.<sup>1</sup>
- 2.

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*Qualifications.* Each member of the Committee shall meet all applicable independence, financial literacy and other requirements of law and the New York Stock Exchange. The Committee shall have at least one member with financial expertise necessary to meet the requirements of the New York Stock Exchange and who either falls within the definition of "audit committee financial expert" as defined by the Securities and Exchange Commission or who, in the business judgment of the Board, is capable of serving the functions expected of such an audit committee financial expert.

3. *Chair.* The Chair of the Committee shall be elected by the Board, taking into account the recommendation of the Corporate Governance Committee of the Board.

4. *Removal and Replacement.* The members of the Committee may be removed or replaced, and any vacancies on the Committee shall be filled, by the Board, taking into account the recommendation of the Corporate Governance Committee of the Board.

### **Operations**

1. *Meetings.* The Chair of the Committee, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least eight times per year. The Committee shall meet separately, periodically, with management, the general counsel, the internal auditors and the independent auditor. The Committee shall also meet separately with the independent auditor at every meeting of the Committee at which the independent auditor is present.

2. *Agenda.* The Chair of the Committee shall develop and set the Committee's agenda, in consultation with other members of the Committee. Each member of the Board and members of management are free to suggest the inclusion of items on the agenda. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practical, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

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<sup>1</sup> Prior to May 4, 2003, each reference in this Charter to the Corporate Governance Committee of the Board shall be deemed to be a reference to the Corporate Governance Advisory Panel of the Board.

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3. *Report to Board.* The Committee shall report regularly to the entire Board and shall submit to the Board the minutes of its meetings.

4. *Self-Evaluation; Assessment of Charter.* The Committee shall conduct an annual performance self-evaluation and shall report to the entire Board the results of the self-evaluation. The Committee shall assess the adequacy of this Charter annually and recommend any changes to the Board.

### **Authority and Duties**

#### *Independent Auditor's Qualifications and Independence*

1. The Committee shall be directly responsible for the appointment, retention, termination, compensation and oversight of the work of the independent auditor employed by the Company (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.

- 2.

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The Committee shall have the sole authority to preapprove all auditing services and permitted non-audit services to be provided by the independent auditor. The Committee may form and delegate to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of permitted non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Committee at its next scheduled meeting. The Committee shall review with the lead audit partner whether any of the senior audit team members receive any discretionary compensation from the audit firm with respect to non-audit services performed by the independent auditor.

3. The Committee shall obtain and review with the lead audit partner and, if the Committee deems it appropriate, a more senior representative of the independent auditor, annually or more frequently as the Committee considers appropriate, a report by the independent auditor describing: the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry, review or investigation by governmental or professional or other regulatory authorities, within the preceding five years, respecting independent audits carried out by the independent auditor, and any steps taken to deal with these issues; and (to assess the independent auditor's independence) all relationships between the independent auditor and the Company.
4. The Committee shall review the experience, qualifications and performance of the senior members of the independent auditor team.
5. The Committee shall preapprove the hiring of any employee or former employee of the independent auditor who was a member of the Company's audit team during the preceding three fiscal years. In addition, the Committee shall preapprove the hiring of any employee or former employee of the independent auditor (within the preceding three fiscal years) for senior positions within the Company, regardless of whether that person was a member of the Company's audit team.

### *Financial Statements and Related Disclosure*

6. The Committee shall review and discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," before the filing of the Company's Form 10-K and Form 10-Q.

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7. The Committee shall discuss generally with management earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee (or a subcommittee thereof) shall review and discuss with management earnings press releases before they are issued.
8. The Committee shall review with the independent auditor: (a) all critical accounting policies and practices to be used by the Company in preparing its financial statements, (b) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of these alternative disclosures and treatments, and the treatment preferred by the independent auditor, and (c) other material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences. In addition, the Committee shall review with the independent auditor any audit problems or difficulties and management's response.
9. The Committee shall review with management, and any outside professionals as the Committee considers appropriate, the effectiveness of the Company's disclosure controls and procedures.
10. The Committee shall review with management, and any outside professionals as the Committee considers appropriate, important trends and developments in financial reporting practices and requirements and their effect on the Company's financial statements.
11. The Committee shall prepare the report required by the Securities and Exchange Commission to be included in the Company's annual proxy statement.

*Performance of the Internal Audit Function and Independent Auditors*

12. The Committee shall review with management, the internal auditor and the independent auditor the scope, planning and staffing of the proposed audit for the current year. The Committee shall also review the internal audit function's organization, responsibilities, plans, results, budget and staffing. In addition, the Committee shall review and advise on the appointment, replacement, reassignment, dismissal and compensation of the principal internal auditor.
13. The Committee shall review with management, the internal auditor and the independent auditor the quality, adequacy and effectiveness of the Company's internal controls and any significant deficiencies or material weaknesses in internal controls.
14. The Committee shall review and discuss the Company's policies with respect to risk assessment and risk management.

*Compliance with Legal and Regulatory Requirements*

15. The Committee shall review with management, and any internal or external counsel as the Committee considers appropriate, any legal matters (including the status of pending litigation) that may have a material impact on the Company and any material reports or inquiries from regulatory or governmental agencies.
16. The Committee shall review with the general counsel the adequacy and effectiveness of the Company's procedures to ensure compliance with its legal and regulatory responsibilities.
17. The Committee shall establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

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18. The Committee shall obtain reports from management, the internal auditor and the independent auditor regarding compliance with applicable legal and regulatory requirements, including the Foreign Corrupt Practices Act.

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its oversight function. The Committee has the power to delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate. In discharging its oversight role, the Committee shall have full access to all Company books, records, facilities and personnel. The Committee may retain outside counsel, auditors or other advisors, in its sole discretion.

*Clarification of Audit Committee's Role*

The Committee's responsibility is one of oversight. It is the responsibility of the Company's management to prepare consolidated financial statements in accordance with applicable law and regulations and of the Company's independent auditor to audit those financial statements. Therefore, each member of the Committee shall be entitled to rely, to the fullest extent permitted by law, on the integrity of those persons and organizations within and outside the Company from whom he or she receives information, and the accuracy of the financial and other information provided to the Committee by such persons.

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**EXHIBIT B**

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
VIACOM INC.**

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(Originally incorporated on November 10, 1986 under the name Arsenal Holdings, Inc.)

## ARTICLE I

### NAME

The name of this Corporation is Viacom Inc.

## ARTICLE II

### REGISTERED OFFICE AND AGENT FOR SERVICE

The registered office of the Corporation in the State of Delaware is located at Suite 400, 2711 Centerville Road, City of Wilmington, County of New Castle. The name and address of the Corporation's registered agent for service of process in Delaware is:

Corporation Service Company  
Suite 400  
2711 Centerville Road  
Wilmington, Delaware 19808

## ARTICLE III

### CORPORATE PURPOSES

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

## ARTICLE IV

### CAPITAL STOCK

(1) *Shares, Classes and Series Authorized.*

(a) The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 10,775,000,000 shares. The classes and the aggregate number of shares of stock of each class which the Corporation shall have authority to issue are as follows:

- (i) 750,000,000 shares of Class A Common Stock, \$0.01 par value ("Class A Common Stock").
- (ii) 10,000,000,000 shares of Class B Common Stock, \$0.01 par value ("Class B Common Stock").
- (iii) 25,000,000 shares of Preferred Stock, \$0.01 par value ("Preferred Stock").

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(b) The number of authorized shares of Class B Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) from time to time by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote.

(2) *Powers and Rights of the Class A Common Stock and the Class B Common Stock.*

Except as otherwise expressly provided in this Restated Certificate of Incorporation, all issued and outstanding shares of Class A Common Stock and Class B Common Stock shall be identical and shall entitle the holders thereof to the same rights and privileges.

A. *Voting Rights and Powers.* Except as otherwise provided in this Restated Certificate of Incorporation or required by law, with respect to all matters upon which stockholders are entitled to vote, the holders of the outstanding shares of Class A Common Stock shall vote together with the holders of any other outstanding shares of capital stock of the Corporation entitled to vote, without regard to class, and every holder of outstanding shares of Class A Common Stock shall be entitled to cast thereon one vote in person or by proxy for each share of Class A Common Stock standing in his name. The holders of shares of Class A Common Stock shall have the relevant class voting rights set forth in Article IX. Except as otherwise required by law, the holders of outstanding shares of Class B Common Stock shall not be entitled to any votes upon any questions presented to stockholders of the Corporation, including but not limited to, whether to increase or decrease (but not below the number of shares then outstanding) the number of authorized shares of Class B Common Stock.

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B. *Dividends.* Subject to the rights and preferences of the Preferred Stock set forth in this Article IV and in any resolution or resolutions providing for the issuance of such stock as set forth in Section (3) of this Article IV, the holders of Class A Common Stock and Class B Common Stock shall be entitled to receive ratably such dividends as may from time to time be declared by the Board of Directors out of funds legally available therefor.

C. *Distribution of Assets Upon Liquidation.* In the event the Corporation shall be liquidated, dissolved or wound up, whether voluntarily or involuntarily, after there shall have been paid or set aside for the holders of all shares of the Preferred Stock then outstanding the full preferential amounts to which they are entitled under this Article IV or the resolutions, as the case may be, authorizing the issuance of such Preferred Stock, the net assets of the Corporation remaining thereafter shall be divided ratably among the holders of Class A Common Stock and Class B Common Stock.

D. *Split, Subdivision or Combination.* If the Corporation shall in any manner split, subdivide or combine the outstanding shares of Class A Common Stock or Class B Common Stock, the outstanding shares of the other class of Common Stock shall be proportionally split, subdivided or combined in the same manner and on the same basis as the outstanding shares of the other class of Common Stock have been split, subdivided or combined.

E. *Conversion.* So long as there are 10,000 shares of Class A Common Stock outstanding, each record holder of shares of Class A Common Stock and Class B Common Stock may convert any or all of such shares into an equal number of shares of Class B Common Stock by surrendering the certificates for such shares, accompanied by payment of documentary, stamp or similar issue or transfer taxes, if any, along with a written notice by such record holder to the Corporation stating that such record holder desires to convert such shares into the same number of shares of Class B Common Stock and requesting that the Corporation issue all of such Class B Common Stock to the persons named therein, setting forth the number of shares of Class B Common Stock to be issued to each such person and the denominations in which the certificates therefor are to be issued.

### (3) *Powers and Rights of the Preferred Stock.*

The Preferred Stock may be issued from time to time in one or more series, with such distinctive serial designations as may be stated or expressed in the resolution or resolutions providing for the issue of such

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stock adopted from time to time by the Board of Directors; and in such resolution or resolutions providing for the issuance of shares of each particular series, the Board of Directors is also expressly authorized to fix: the right to vote, if any; the consideration for which the shares of such series are to be issued; the number of shares constituting such series, which number may be increased (except as otherwise fixed by the Board of Directors) or decreased (but not below the number of shares thereof then outstanding) from time to time by action of the Board of Directors; the rate of dividends upon which and the times at which dividends on shares of such series shall be payable and the preference, if any, which such dividends shall have relative to dividends on shares of any other class or classes or any other series of stock of the Corporation; whether such dividends shall be cumulative or noncumulative, and, if cumulative, the date or dates from which dividends on shares of such series shall be cumulative; the rights, if any, which the holders of shares of such series shall have in the event of any voluntary or involuntary liquidation, merger, consolidation, distribution or sale of assets, dissolution or winding up of the affairs of the Corporation; the rights, if any, which the holders of shares of such series shall have to convert such shares into or exchange such shares for shares of any other class or classes or any other series of stock of the Corporation or for any debt securities of the Corporation and the terms and conditions, including, without limitation, price and rate of exchange, of such conversion or exchange; whether shares of such series shall be subject to redemption, and the redemption price or prices and other terms of redemption, if any, for shares of such series including, without limitation, a redemption price or prices payable in shares of Class A Common Stock or Class B Common Stock; the terms and amounts of any sinking fund for the purchase or redemption of shares of such series; and any and all other powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof pertaining to shares of such series permitted by law.

### (4) *Issuance of Class A Common Stock, Class B Common Stock and Preferred Stock.*

The Board of Directors of the Corporation may from time to time authorize by resolution the issuance of any or all shares of Class A Common Stock, Class B Common Stock and Preferred Stock herein authorized in accordance with the terms and conditions set forth in this Restated Certificate of Incorporation for such purposes, in such amounts, to such persons, corporations, or entities, for such consideration, and in the case of the Preferred Stock, in one or more series, all as the Board of Directors in its discretion may determine and without any vote or other action by any of the stockholders of the Corporation, except as otherwise required by law.



**ARTICLE V  
DIRECTORS**

(1) *Power of the Board of Directors.* The property and business of the Corporation shall be controlled and managed by or under the direction of its Board of Directors. In furtherance, and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized:

(a) To make, alter, amend or repeal the By-Laws of the Corporation; *provided* that no By-Laws hereafter adopted shall invalidate any prior act of the Directors that would have been valid if such By-Laws had not been adopted;

(b) To determine the rights, powers, duties, rules and procedures that affect the power of the Board of Directors to manage and direct the property, business and affairs of the Corporation, including, without limitation, the power to designate and empower committees of the Board of Directors, to elect, appoint and empower the officers and other agents of the Corporation, and to determine the time and place of, and the notice requirements for Board meetings, as well as the manner of taking Board action; and

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(c) To exercise all such powers and do all such acts as may be exercised by the Corporation, subject to the provisions of the laws of the State of Delaware, this Restated Certificate of Incorporation, and the By-Laws of the Corporation.

(2) *Number and Qualifications of Directors.* The number of directors constituting the entire Board of Directors shall be fixed from time to time by resolution of the Board of Directors but shall not be less than three nor more than twenty. Directors shall be elected to hold office for a term of one year. As used in this Restated Certificate of Incorporation, the term "entire Board of Directors" means the total number of Directors fixed in the manner provided in this Article V Section (2) and in the By-Laws.

**ARTICLE VI  
INDEMNIFICATION OF DIRECTORS,  
OFFICERS AND OTHERS**

(1) *Right to Indemnification.* The Corporation shall indemnify any person who was or is involved in or is threatened to be involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent (including, without limitation, a trustee) of another corporation, partnership, joint venture, trust or other enterprise, to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment and unless applicable law otherwise requires, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against judgments, fines, amounts paid in settlement and expenses (including, without limitation, attorneys' fees), actually and reasonably incurred by him in connection with such action, suit or proceeding. Notwithstanding the foregoing, except as provided in paragraph (7) of this Article VI with respect to proceedings to enforce rights to indemnification and advancement of expenses, the Corporation shall indemnify an indemnitee in connection with a proceeding (or part thereof) initiated by the indemnitee, if and only if the Board of Directors authorized the bringing of the action, suit or proceeding (or part thereof) in advance of the commencement of the proceeding.

(2) *Successful Defense.* To the extent that a present or former Director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 of this Article VI, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including, without limitation, attorneys' fees) actually and reasonably incurred by him in connection therewith.

(3) *Advance Payment of Expenses.*

(a) Expenses (including attorneys' fees) incurred by a Director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding; *provided, however,* that, to the extent required by the Delaware General Corporation Law, as the same exists or may hereafter be amended, such Director or officer shall submit to the Corporation, prior to the payment of such expenses, an undertaking by or on behalf of such Director or officer to repay such amount if it shall ultimately be determined in a final, non-appealable judicial decision that such indemnitee is not entitled to be indemnified by the Corporation for such expenses as authorized in this Article.

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(b) Expenses (including attorneys' fees) incurred by any other employee or agent in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon such terms and conditions, if any, as the Corporation deems appropriate.

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(4) *Not Exclusive.* The indemnification and advancement of expenses provided by, or granted pursuant to, the other sections of this Article VI shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any statute, by-law, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. Without limiting the foregoing, the Corporation is authorized to enter into an agreement with any Director, officer, employee or agent of the Corporation providing indemnification for such person against expenses, including, without limitation, attorneys' fees, judgments, fines and amounts paid in settlement that result from any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, including, without limitation, any action by or in the right of the Corporation, that arises by reason of the fact that such person is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, to the full extent allowed by law, except that no such agreement shall provide for indemnification for any actions that constitute fraud, actual dishonesty or willful misconduct.

(5) *Insurance.* The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

(6) *Certain Definitions.* For the purposes of this Article VI, (A) any Director, officer, employee or agent of the Corporation who shall serve as a director, officer, employee or agent of any other corporation, joint venture, trust or other enterprise of which the Corporation, directly or indirectly, is or was a stockholder or creditor, or in which the Corporation is or was in any way interested, or (B) any director, officer, employee or agent of any subsidiary corporation, joint venture, trust or other enterprise wholly owned by the Corporation, shall be deemed to be serving as such director, officer, employee or agent at the request of the Corporation, unless the Board of Directors of the Corporation shall determine otherwise. In all other instances where any person shall serve as a director, officer, employee or agent of another corporation, joint venture, trust or other enterprise of which the Corporation is or was a stockholder or creditor, or in which it is or was otherwise interested, if it is not otherwise established that such person is or was serving as such director, officer, employee or agent at the request of the Corporation, the Board of Directors of the Corporation may determine whether such service is or was at the request of the Corporation, and it shall not be necessary to show any actual or prior request for such service. For purposes of this Article VI, references to a corporation include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation so that any person who is or was a director, officer, employee or agent of such a constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article VI with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity. For purposes of this Article VI, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a Director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such Director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries, and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VI.

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(7) *Proceedings to Enforce Rights to Indemnification.*

(a) If a claim under paragraph (1) of this Article VI is not paid in full by the Corporation within 60 days after a written claim has been received by the Corporation, or a claim under paragraph (3) of this Article VI is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. Any such written claim under paragraph (1) of this Article VI shall include such documentation and information as is reasonably available to the indemnitee and reasonably necessary to determine whether and

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to what extent the indemnitee is entitled to indemnification. Any written claim under paragraph (3) of this Article VI shall include reasonable documentation of the expenses incurred by the indemnitee.

(b) If successful in whole or in part in any suit brought pursuant to paragraph 7(a) above, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall also be entitled to be paid and indemnified for the expense of prosecuting or defending such suit.

(c) In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Directors who are not parties to such action, a committee of such Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Directors who are not parties to such action, a committee of such Directors, independent legal counsel or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VI or otherwise shall be on the Corporation.

(8) *Preservation of Rights.* The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. Any repeal or modification of this Article VI by the stockholders of the Corporation entitled to vote thereon shall not adversely affect any right or protection of a Director, officer, employee or agent of the Corporation existing at the time of such repeal or modification.

### **ARTICLE VII DIRECTOR LIABILITY TO THE CORPORATION**

(a) A Director's liability to the Corporation for breach of duty to the Corporation or its stockholders shall be limited to the fullest extent permitted by Delaware law as in effect on February 24, 1987 or as thereafter amended. In particular no Director of the Corporation shall be liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability

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(i) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, as the same exists or hereafter may be amended, or (iv) for any transaction from which the Director derived an improper personal benefit.

(b) Any repeal or modification of the foregoing paragraph (a) by the stockholders of the Corporation entitled to vote thereon shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

(c) If the General Corporation Law of the State of Delaware is amended to authorize corporate action further eliminating or limiting the liability of directors, then a Director of the Corporation shall be free of liability to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

### **ARTICLE VIII RESERVATION OF RIGHT TO AMEND CERTIFICATE OF INCORPORATION**

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation in the manner now or hereafter prescribed by law, and all the provisions of this Restated Certificate of Incorporation and all rights and powers conferred in this Restated Certificate of Incorporation on stockholders, directors and officers are subject to this reserved power.

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Each reference in the Restated Certificate of Incorporation to "the Restated Certificate of Incorporation," "hereunder," "hereof," or words of like import and each reference to the Restated Certificate of Incorporation set forth in any amendment to the Restated Certificate of Incorporation shall mean and be a reference to the Restated Certificate of Incorporation as supplemented and amended through such amendment to the Restated Certificate of Incorporation.

### ARTICLE IX VOTING RIGHTS

(1) *Class A Common Stock.* In addition to any other approval required by law or by this Restated Certificate of Incorporation, the affirmative vote of a majority of the then outstanding shares of Class A Common Stock, voted separately as a class, shall be necessary to approve any consolidation of the Corporation with another corporation, any merger of the Corporation into another corporation or any merger of any other corporation into the Corporation pursuant to which shares of Common Stock are converted into or exchanged for any securities or any other consideration.

(2) *Preferred Stock.* In addition to any other approval required by law or by this Restated Certificate of Incorporation, each particular series of any class of Preferred Stock shall have such right to vote, if any, as shall be fixed in the resolution or resolutions, adopted by the Board of Directors, providing for the issuance of shares of such particular series.

### ARTICLE X STOCK OWNERSHIP AND THE FEDERAL COMMUNICATIONS LAWS

(1) *Requests for Information.* So long as the Corporation or any of its subsidiaries holds any authorization from the Federal Communications Commission (or any successor thereto), if the Corporation has reason to believe that the ownership, or proposed ownership, of shares of capital stock of

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the Corporation by any stockholder or any person presenting any shares of capital stock of the Corporation for transfer into his name (a "Proposed Transferee") may be inconsistent with, or in violation of, any provision of the Federal Communications Laws (as hereinafter defined), such stockholder or Proposed Transferee, upon request of the Corporation, shall furnish promptly to the Corporation such information (including, without limitation, information with respect to citizenship, other ownership interests and affiliations) as the Corporation shall reasonably request to determine whether the ownership of, or the exercise of any rights with respect to, shares of capital stock of the Corporation by such stockholder or Proposed Transferee is inconsistent with, or in violation of, the Federal Communications Laws. For purposes of this Article X, the term "Federal Communications Laws" shall mean any law of the United States now or hereafter in effect (and any regulation thereunder) pertaining to the ownership of, or the exercise of the rights of ownership with respect to, capital stock of corporations holding, directly or indirectly, Federal Communications Commission authorizations, including, without limitation, the Communications Act of 1934, as amended (the "Communications Act"), and regulations thereunder pertaining to the ownership, or the exercise of the rights of ownership, of capital stock of corporations holding, directly or indirectly, Federal Communications Commission authorizations, by (i) aliens, as defined in or under the Communications Act, as it may be amended from time to time, (ii) persons and entities having interests in television or radio stations, daily newspapers and cable television systems or (iii) persons or entities, unilaterally or otherwise, seeking direct or indirect control of the Corporation, as construed under the Communications Act, without having obtained any requisite prior Federal regulatory approval to such control.

(2) *Denial of Rights, Refusal to Transfer.* If any stockholder or Proposed Transferee from whom information is requested should fail to respond to such request pursuant to Section (1) of this Article or the Corporation shall conclude that the ownership of, or the exercise of any rights of ownership with respect to, shares of capital stock of the Corporation, by such stockholder or Proposed Transferee, could result in any inconsistency with, or violation of, the Federal Communications Laws, the Corporation may refuse to permit the transfer of shares of capital stock of the Corporation to such Proposed Transferee, or may suspend those rights of stock ownership the exercise of which would result in any inconsistency with, or violation of, the Federal Communications Laws, such refusal of transfer or suspension to remain in effect until the requested information has been received and the Corporation has determined that such transfer, or the exercise of such suspended rights, as the case may be, is permissible under the Federal Communications Laws, and the Corporation may exercise any and all appropriate remedies, at law or in equity, in any court of competent jurisdiction, against any such stockholder or Proposed Transferee, with a view towards obtaining such information or preventing or curing any situation which would cause any inconsistency with, or violation of, any provision of the Federal Communications Laws.

(3) *Legends.* The Corporation may note on the certificates of its capital stock that the shares represented by such certificates are subject to the restrictions set forth in this Article.

(4) *Certain Definitions.* For purposes of this Article, the word "person" shall include not only natural persons but partnerships, associations, corporations, joint ventures and other entities, and the word "regulation" shall include not only regulations but rules, published policies and published controlling interpretations by an administrative agency or body empowered to administer a statutory provision of the Federal Communications Laws.

**ARTICLE XI  
TRANSACTIONS WITH DIRECTORS AND OFFICERS**

No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee thereof which authorizes the contract or transaction, or solely

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because his or their votes are counted for such purpose if (a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or the committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum, or (b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of such stockholders, or (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof, or the stockholders entitled to vote thereon. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a Committee which authorizes the contract or transaction.

**ARTICLE XII  
COMPROMISE AND REORGANIZATION**

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agrees to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

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**EXHIBIT C**

**VIACOM INC.  
SENIOR EXECUTIVE  
SHORT-TERM INCENTIVE PLAN**

(As Amended and Restated through March 20, 2003)

**ARTICLE I**

GENERAL

SECTION 1.1 *Purpose.*

The purpose of the Viacom Inc. Senior Executive Short-Term Incentive Plan (the "Plan") is to benefit and advance the interests of Viacom Inc., a Delaware corporation (the "Company"), by rewarding selected senior executive officers of the Company and its subsidiaries and divisions for their contributions to the Company's financial success and thereby motivate them to continue to make such contributions in the future by granting annual performance-based awards ("Awards").

SECTION 1.2 *Administration of the Plan.*

The Plan shall be administered by a committee ("Committee") which shall adopt such rules as it may deem appropriate in order to carry out the purpose of the Plan. The Committee shall be the Compensation Committee of the Company's Board of Directors ("Board") (or such other Committee as may be appointed by the Board) except that (i) the number of directors on the Committee shall not be less than two (2) and (ii) each member of the Committee shall be an "outside director" within the meaning of Section 162(m)(4) of the Internal Revenue Code of 1986, as amended (the "Code"). All questions of interpretation, administration and application of the Plan shall be determined by a majority of the members of the Committee then in office, except that the Committee may authorize any one or more of its members, or any officer of the Company, to execute and deliver documents on behalf of the Committee. The determination of such majority shall be final and binding in all matters relating to the Plan. The Committee shall have authority to determine the terms and conditions of the Awards granted to eligible persons specified in Section 1.3 below ("Participants").

SECTION 1.3 *Eligible Persons.*

Awards may be granted only to employees of the Company or one of its subsidiaries at the level of Senior Vice President or at a more senior level who are designated by the Committee as Participants for a given Performance Period (as defined in Section 2.2 below).

**ARTICLE II**

**AWARDS**

SECTION 2.1 *Awards.*

The Committee may grant Awards to eligible employees with respect to each Performance Period, subject to the terms and conditions set forth in the Plan.

SECTION 2.2 *Terms of Awards.*

For each Performance Period designated by the Committee, the Committee shall determine the Participants and establish, in writing, (i) performance goals and objectives ("Performance Targets") for the Company for such Performance Period and (ii) target awards ("Target Awards") for each Participant which shall be a percentage of the Participant's salary (as defined in Section 2.3 below). "Performance Period" shall mean a calendar year or other fiscal year of the Company or other longer or shorter period designated by the Committee with respect to which Awards may be paid. The Committee shall designate

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the Participants and establish the Performance Targets and the Target Awards for each Performance Period not later than ninety days after the start of such period but in any event before not more than 25% of such period has elapsed.

For Performance Periods ending on or before December 31, 2003, the Performance Targets shall relate to the achievement of financial goals based on the attainment of specified levels of Operating Income and/or Net Earnings (as such terms are defined in the next sentence) for the Company. For such Performance Periods, for purposes of the Plan, "Operating Income" shall mean revenues less operating expenses (other than depreciation, amortization and non-recurring charges) and "Net Earnings" shall mean earnings from continuing operations.

For Performance Periods beginning or after January 1, 2004, the Performance Targets shall relate to the achievement of financial goals based on the attainment of specified levels of one or more of the following: EBITDA, Operating Income, Free Cash Flow and Net Earnings (as such terms are defined in the next sentence) for the Company. For such Performance Periods, for purposes of the Plan, (i) "EBITDA" shall mean the Company's Operating Income before depreciation, amortization and inter-company eliminations; (ii) "Operating Income" shall have the meaning provided by generally accepted accounting principles in the United States ("GAAP"); (iii) "Free Cash Flow" shall mean the Company's Operating Income before depreciation and amortization, less cash interest, taxes paid, working capital requirements and capital expenditures;

and (iv) "Net Earnings" shall have the meaning provided in GAAP.

**SECTION 2.3** *Limitation on Awards.*

The aggregate amount of all Awards under the Plan to any Participant for any Performance Period shall not exceed the amount determined by multiplying such Participant's Salary by a factor of eight (8).

For purposes of the Plan, "Salary" shall mean, for Performance Periods ending on or before December 31, 2003, (a) for any Participant hired on or before May 25, 2000, the sum of (i) the base salary of the Participant on May 25, 2000, and (ii) an amount equal to the annual rate of any compensation for such year deferred pursuant to the Participant's employment agreement as in effect on May 25, 2000 until no earlier than the year after the participant ceases to be an executive officer of the Company; and (b) for any Participant hired after May 25, 2000, the sum of (x) such Participant's base salary on the date of hire, and (y) an amount equal to the annual rate of any compensation for the year of hire deferred pursuant to such Participant's employment agreement as in effect on his date of hire until no earlier than the year after the Participant ceases to be an executive officer of the Company; *provided*, that the Salary for this purpose of a Participant hired after May 25, 2000 shall not exceed 1.5 times the highest Salary on May 25, 2000 for any Participant determined pursuant to clause (a) of this paragraph of Section 2.3.

For purposes of the Plan, "Salary" shall mean, for Performance Periods beginning on or after January 1, 2004, (A) for any Participant hired on or before March 20, 2003, the sum of (i) the base salary of the Participant on March 20, 2003, and (ii) an amount equal to the annual rate of any compensation for such Performance Period deferred pursuant to the participant's employment agreement entered into on or before March 20, 2003 until no earlier than the year after the Participant ceases to be an executive officer of the Company; *provided*, that, if the employment agreement for the Participant expires or is no longer in effect for all or any part of a Performance Period, the Participant's Salary for such Performance Period shall mean the sum of (x) the base salary of the Participant on March 20, 2003, and (y) an amount equal to the annual rate of any compensation deferred pursuant to the Participant's employment agreement for the final Performance Period for which such agreement was in effect; and (B) for any Participant hired after March 20, 2003, the sum of (i) such participant's base salary on the date of hire, and (ii) an amount equal the annual rate of any compensation for the year of hire deferred pursuant to such Participant's employment agreement as in effect on his date of hire until no earlier than the year after the Participant ceases to be an executive officer of the Company; *provided*, that the Salary for this purpose of a Participant hired after March 20, 2003 shall not exceed 1.5 times the highest Salary on March 20, 2003 for any Participant determined pursuant to clause (A) of this paragraph of Section 2.3.

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**SECTION 2.4** *Determination of Award.*

The Committee shall, promptly after the date on which the necessary financial or other information for a particular Performance Period becomes available, certify whether the Performance Targets have been achieved in the manner required by Section 162(m) of the Code. If the Performance Targets have been achieved, the Awards for such Performance Period shall have been earned except that the Committee may, in its sole discretion, reduce the amount of any Award to reflect the Committee's assessment of the Participant's individual performance or for any other reason. Subject to Section 2.5, such Awards shall become payable in cash as promptly as practicable thereafter.

**SECTION 2.5** *Employment Requirement.*

To be eligible to receive an Award, the Participant must have remained in the continuous employ of the Company or its subsidiaries through the end of the applicable Performance Period. If the Company or any subsidiary terminates a Participant's employment other than for "cause", a Participant terminates his employment for "good reason" or a Participant becomes "permanently disabled" (in each case, as determined by the Committee in its sole discretion) or a Participant dies during a Performance Period, such Participant or his estate shall be awarded, unless his employment agreement provides otherwise, a pro rata portion of the amount of the Award for such Performance Period except that the Committee may, in its sole discretion, reduce the amount of such Award to reflect the Committee's assessment of such Participant's individual performance prior to the termination of such participant's employment, such Participant's becoming permanently disabled or such Participant's death, as the case may be, or for any other reason.

**ARTICLE III**

**ADJUSTMENT OF AWARDS**

In the event that, during a Performance Period, any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin-off, combination, liquidation, dissolution, sale of assets, or other similar corporate transaction or event, or any other extraordinary event, occurs, or any other event or circumstance occurs which has the effect, as determined by the Committee in its sole and absolute discretion, of distorting the

applicable performance criteria involving the Company, including, without limitation, changes in accounting standards, the Committee may adjust or modify, as determined by the Committee in its sole and absolute discretion, the calculation of EBITDA, Operating Income, Free Cash Flow or Net Earnings or, the applicable Performance Targets, to the extent necessary to prevent reduction or enlargement of Participants' Awards under the Plan for such Performance Period attributable to such transaction, circumstance or event. Such adjustments shall be conclusive and binding for all purposes.

#### ARTICLE IV

##### MISCELLANEOUS

###### SECTION 4.1 *No Rights to Awards or Continued Employment.*

No employee shall have any claim or right to receive Awards under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained by the Company or any of its subsidiaries.

###### SECTION 4.2 *Restriction on Transfer.*

The rights of a Participant with respect to Awards under the Plan shall not be transferable by the Participant to whom such Award is granted, otherwise than by will or the laws of descent and distribution.

###### SECTION 4.3 *Withholding.*

The Company, or a subsidiary thereof, as appropriate shall have the right to deduct from all payments made under the Plan to a Participant or to a Participant's beneficiary or beneficiaries any federal, state or local taxes required by law to be withheld with respect to such payments.

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###### SECTION 4.4 *No Restriction on Right of Company to Effect Changes.*

The Plan shall not affect in any way the right or power of the Company or its stockholders to make or authorize any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin-off, combination, liquidation, dissolution, sale of assets, or other similar corporate transaction or event involving the Company or a subsidiary thereof or any other event or series of events, whether of a similar character or otherwise.

###### SECTION 4.5 *Source of Payments.*

The Company shall not have any obligation to establish any separate fund or trust or other segregation of assets to provide for payments under the Plan. To the extent any person acquires any rights to receive payments hereunder from the Company, such rights shall be no greater than those of an unsecured creditor.

###### SECTION 4.6 *Amendment and Termination.*

The Board may at any time and from time to time alter, amend, suspend or terminate the Plan in whole or in part. No termination or amendment of the Plan may, without the consent of the Participant to whom an Award has been made, adversely affect the rights of such participant in such Award.

###### SECTION 4.7 *Governmental Regulations.*

The Plan, and all Awards hereunder, shall be subject to all applicable rules and regulations of governmental or other authorities.

###### SECTION 4.8 *Headings.*

The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

###### SECTION 4.9 *Governing Law.*



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The Plan and all rights and Awards hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

SECTION 4.10 *Effective Date.*

The Plan became effective as of January 1, 1994. The first amendment and restatement thereof became effective as of March 27, 1996. The second amendment and restatement became effective as of March 18, 1999. The third amendment and restatement thereof became effective as of May 25, 2000. The fourth amendment and restatement thereof became effective as of March 20, 2003; *provided, however*, that it shall be a condition to the effectiveness of the fourth amendment and restatement of the Plan, that the stockholders of the Company approve the fourth amendment and restatement of the Plan at the 2003 Annual Meeting of Stockholders. Such approval shall meet the requirements of Section 162(m) of the Code and the regulations thereunder. If such approval is not obtained, then the fourth amendment and restatement of the Plan shall not be effective.

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**Viacom Inc.  
1515 Broadway  
New York, New York 10036**

**VOTE BY INTERNET [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions up until 11:59 p.m. Eastern Daylight Time on May 20, 2003. Have your proxy card in hand when you access the web site. You will be prompted to enter your 12-digit Control Number which is located below to obtain your records and to create an electronic voting instruction form.

**VOTE BY PHONE 1-800-690-6903**

If you live in the United States or Canada, use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Daylight Time on May 20, 2003. Have your proxy card in hand when you call. You will be prompted to enter your 12-digit Control Number which is located below and then follow the recorded instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the enclosed postage prepaid envelope.

Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned the proxy card. If you have submitted your proxy by telephone or the Internet there is no need for you to mail back your proxy.

**DETACH PROXY HERE IF YOU ARE NOT VOTING BY TELEPHONE OR INTERNET AND MARK BELOW IN BLUE OR BLACK INK AS FOLLOWS:**

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**VIACOM INC.**

1. Election of Directors

**Nominees:**

01) George S. Abrams, 02) David R. Andelman, 03) Joseph A. Califano, Jr.,  
04) William S. Cohen, 05) Philippe P. Dauman, 06) William H. Gray III,  
07) Alan C. Greenberg, 08) Mel Karmazin, 09) Jan Leschly,  
10) David T. McLaughlin, 11) Shari Redstone, 12) Sumner M. Redstone,  
13) Frederic V. Salerno, 14) William Schwartz, 15) Ivan Seidenberg,  
16) Patty Stonesifer, 17) Robert D. Walter

<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>	To withhold authority to vote for any individual nominees, mark "For All Except" and write the nominee's number on the line below.
o	o	o	

2. Adoption of an Amended and Restated Certificate of Incorporation of Viacom Inc. which amends certain provisions relating to indemnification of directors, officers, employees and agents.

<b>For</b>	<b>Against</b>	<b>Abstain</b>
o	o	o

3. Approval of the Amended and Restated Viacom Inc. Senior Executive Short-Term Incentive Plan which amends certain provisions relating to the performance criteria and increases the maximum limit for bonuses payable under the plan.

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- 4. Ratification of the appointment of PricewaterhouseCoopers LLP to serve as independent auditors for Viacom Inc. for calendar year 2003. o o o

**Please sign exactly as your name(s) appear hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.**

Change of Address and/or Comments Mark Here and Note on the Right

Please indicate if you plan to attend this meeting. If you check "yes," an admission ticket will be sent to you. YES  NO

**Please sign, date and return this proxy in the enclosed postage prepaid envelope.**

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Signature (PLEASE SIGN WITHIN BOX)	Date	Signature (Joint Owners)	Date
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**PROXY**

**VIACOM INC.  
1515 Broadway  
New York, New York 10036**

**Annual Meeting Proxy Card**

The undersigned hereby appoints SUMNER M. REDSTONE, MEL KARMAZIN and MICHAEL D. FRICKLAS, and each of them, as proxies with full power of substitution, to represent and to vote on behalf of the undersigned all of the shares of Class A Common Stock of Viacom Inc. which the undersigned is entitled to vote at the Annual Meeting of Stockholders to be held at the Equitable Center, 787 Seventh Avenue (at 51st Street), New York, New York at 10:00 a.m. on Wednesday, May 21, 2003, and at any adjournments or postponements thereof, upon the matters set forth on the reverse side as more fully described in the Notice of 2003 Annual Meeting and Proxy Statement.

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF VIACOM INC. THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER.**

**You are encouraged to specify your choices by marking the appropriate boxes, but you need not mark any boxes if you wish to vote in accordance with the Board of Directors' recommendations.**

**The proxies are directed to vote as specified on the reverse side hereof and in their discretion on all other matters. The Board of Directors has proposed and recommends a vote FOR Proposals (1), (2), (3) and (4). Unless otherwise specified, the vote represented by this proxy will be cast FOR Proposals (1), (2), (3) and (4).**

Attention participants in 401(k) plans: If you hold shares of Viacom Inc. Class A Common Stock through the Viacom Inc. or Blockbuster Inc. 401(k) plan, you should complete and return this proxy to instruct the Trustee of the respective plan how to vote your shares. Any shares of Viacom Inc. Class A Common Stock held in the Viacom Inc. or Blockbuster Inc. 401(k) plan for which the Trustees do not receive timely voting instructions will be voted by the Trustees in the same proportion as shares held in the respective plan that have been voted.

(Continued, and to be signed and dated on the reverse side.)

**Viacom Inc.**  
c/o ADP  
51 Mercedes Way  
Edgewood, NY 11717