

To All Stockholders  
of  
**The Williams Companies, Inc.**  
("WMB")

June 02, 2016

As former CEOs of The Williams Companies, we have watched the Williams/ETE merger process with great interest, but also with considerable concern. We will elect to vote our WMB shares **\*AGAINST\*** the merger at the Special Meeting on June 27, 2016, for reasons described below, and we urge all other Williams stockholders to strongly consider doing the same.

**Part I: Why We Oppose the Merger**

**No Real Economic Benefit; No "Industrial" Logic; No Meaningful Economic "Synergy"**

The merger announcement in September was accompanied by projected synergies of over \$2 billion in **annual** EBITDA improvements. We never thought such projections had any validity, but in any case, they are now gone, and the latest estimate is \$126 million.

As for the \$8 per share cash portion of the merger consideration, please keep in mind that you will receive **NO** cash distributions from ETC for two years after the merger. If Williams maintained its current quarterly dividend rate of \$.64 per share, you would receive \$5.12 in dividends during that period. So in the end, \$8 actually looks a lot more like \$2.88.

**Dilution Unilaterally Imposed by Kelcy Warren without Consideration or Justification**

Under the announced ETC 2016 Long-Term Incentive Plan, management simply takes for themselves 10% of ETC from us the day after the merger closes. Really.

Hence, the effective ownership of the post-merger ETE by former WMB stockholders is reduced from 46.2% to 40.7%, a reduction of our interest by 11.9%, and this occurs without changing so much as a word of the Merger Agreement.

**Future Governance and Oversight Has Disappeared**

ETC is a shell entity which was created to allow former WMB stockholders to continue to receive dividends rather than partnership distributions. But ETC is actually a partnership in which former WMB stockholders will be limited partners, and Kelcy Warren will own the general partner.

The ETC entity has turned out to be a trap. It provides a mechanism through which former WMB stockholders can be segregated and isolated, and more easily taken advantage of. We believe that the actions of Mr. Warren with respect to his convertible preferred and the Incentive

Plan clearly indicate that he does not intend to treat us fairly in ETC, and we strongly prefer not to be limited partners in any entity in which Mr. Warren is, or owns, the general partner.

### **The Board's Recommendation to You is Required by Their Earlier Agreement**

The Merger Agreement **requires** the Williams Board to recommend that you vote FOR the merger at the Special Meeting. If the Board changes that recommendation **for any reason**, ETE has the right to terminate the Agreement and extract from Williams a \$1.48 billion breakup fee. While the Board has made repeated statements that it unanimously supports enforcing Williams' rights under the Agreement, we believe they continue to say that, despite the many negative developments that have occurred since September, because of the risk of being liable for the breakup fee if they say otherwise. We know that five Directors, including the CEO, opposed the merger in September, and apparently still do. Note that the proxy says only a majority of the Board recommends the merger. We don't give any weight to the Board's recommendation. In fact, this is the one area where we agree completely with the CEO of Energy Transfer - this is a bad deal which should not close.

### **Part II. What is Williams' Worth as an Independent Company** **Should the Proposed Merger Fail to Close?**

The dramatic under-performance of Williams' stock since it became entangled in this value-destroying transaction may offer the best clue as to where the stock might settle if the acquisition does not occur.

Measured from the final trading day before the transaction was announced in September, through May 26, 2016, Williams' stock price under-performed the Alerian MLP Index of peer companies in the midstream energy sector by an astounding 46 percentage points. Had Williams' stock experienced the same decline as its peers in the index the shares would trade around \$39 today.

Then there is the dividend to consider. ETC is expected to pay zero dividends for at least two years after closing. Williams currently pays \$2.56 per annum. If Williams' stock returns to parity with the 7.68% yield of Alerian MLP Index the implied stock price would be around \$33 per share.

### **Listen to the Markets**

The markets have hated this merger from the day it was announced. Both stocks cratered. Then when the litigation and tax issue made it seem questionable that the merger would close, both stocks went up. But as the proxy admits, "If the closing of the merger becomes more certain, the trading price of ETE's common units may decline materially and affect the implied value of ETC common shares to be received as merger consideration." We believe the message of the markets is clear - this is a bad deal for both companies.

<http://seekingalpha.com/article/3971442-williams-companies-bear-left-building>

<http://seekingalpha.com/article/3965433-williams-worth-owning-even-energy-transfer-equity-merger-fails>

<http://seekingalpha.com/article/3966203-williams-ete-merger-hell-just-gets-worse>

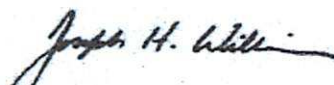
<http://seekingalpha.com/article/3979311-ideal-path-williams-companies>

### **Part III. Conclusion**

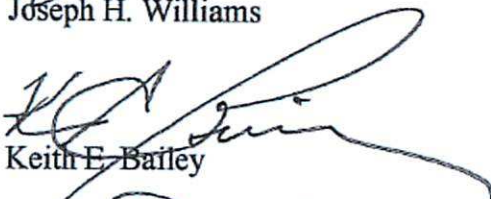
We believe your choice is clear cut. A vote FOR is a vote to become part of a financially challenged company led by a CEO who has clearly demonstrated since the transaction was announced that his interests supersede those of his individual share and unit holders. A vote AGAINST, as we show in the analysis above, preserves Williams' independence and provides the opportunity for substantial value accretion once the overhang of this transaction is gone.

We believe it's time for WMB stockholders to take control of this process and end the merger for good by voting it down. We recommend that you vote **AGAINST** all proposals presented at the Special Meeting.

Sincerely,



Joseph H. Williams



Keith E. Bailey



Steven J. Malcolm