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Case No. 11809-

IN THE COURT OF CHANCERY IN THE STATE OF DELAWARE

LARRY AMAITIS and LINDA AMAITIS, On Behalf of Themselves and All Others Similarly Situated, Plaintiffs, v. ALAN S. ARMSTRONG, FRANK T. MACINNIS, JANICE D. STONEY, JUANITA H. HINSHAW, KATHLEEN B. COOPER, JOSEPH R. CLEVELAND, LAURA A. SUGG, JOHN A. HAGG, STEVEN W. NANCE, MURRAY D. SMITH, RALPH IZZO, ERIC W. MANDELBLATT, KEITH A. MEISTER, ENERGY TRANSFER CORP, LP, ENERGY TRANSFER CORP GP, LLC, ENERGY TRANSFER EQUITY, L.P., LE GP, LLC, ENERGY TRANSFER EQUITY GP, LLC, BARCLAYS CAPITAL INC., AND LAZARD FRERES & CO. Defendants.	C.A. No. _____-_____

VERIFIED CLASS ACTION COMPLAINT

Plaintiffs Larry and Linda Amaitis ("Plaintiffs"), through undersigned counsel, bring this Complaint on behalf of themselves and the holders of the common stock of The Williams Companies, Inc. ("Williams" or the "Company") against (1) the members of the Board of Directors of Williams (the "Board" or "Individual Defendants") for breaching their fiduciary duties and (2) Energy Transfer Corp LP ("ETC"), Energy Transfer Corp GP, LLC ("ETC GP"), Energy Transfer Equity, L.P. ("ETE"), LE GP, LLC, ("LE GP"), Energy Transfer Equity

GP, LLC ("ETE GP"), Barclays Capital Inc. ("Barclays"), and Lazard Frères & Co. ("Lazard") for aiding and abetting these breaches. This action seeks to enjoin the acquisition of Williams by ETE and its affiliates (the "Merger" or "Proposed Transaction"). This action also seeks an order requiring that the Williams Board comply with its fiduciary obligations and awarding Plaintiffs and the Class (as defined herein) damages suffered as a result of Defendants' wrongdoing.

The allegations of this Complaint are based on Plaintiffs' knowledge as to themselves, and on information and belief based upon, among other things, the investigation of counsel and publicly available information, as to all other matters.

SUMMARY OF THE ACTION

1. This is a stockholder class action brought by Plaintiffs on behalf of Williams' stockholders against the Williams Board for breaches of fiduciary duty and/or other violations of state law arising out of their efforts to effectuate the acquisition of Williams by ETE and its affiliates pursuant to an unfair process, for an unfair price, and lacking material disclosures.

2. On September 28, 2015, Williams announced that it had entered into a definitive merger agreement (the "Merger Agreement") with ETC, ETC GP, ETE, LE GP, and ETE GP. Pursuant to the terms of the Merger Agreement, Williams will

merge with and into ETC, with ETC continuing as the surviving entity.[1]

3. Under the terms of the Merger Agreement, in exchange for each share of Williams common stock that they own, Williams' stockholders will receive (1) $43.50 in cash (the "Cash Consideration"), (2) 1.8716 common units representing limited partnership ("LP") interests in ETC (the "Unit Consideration"), or (3) a combination of cash and ETC units (the "Mixed Consideration") (collectively, the "Merger Consideration").[2] Importantly, though, Williams' stockholders' elections to receive cash or units will be subject to proration, pursuant to which all elections will be prorated to ensure that the aggregate number of ETC units and the aggregate amount of cash paid in the Merger will be the same as if all electing shares received the Mixed Consideration. Under the Mixed Consideration, approximately 18.4% of the Merger Consideration will be paid in cash, while the remaining 81.6% of the Merger Consideration will be paid in ETC units.

4. Concurrent with the Merger, ETC, as the surviving entity in the Merger, will contribute substantially all of the assets and liabilities it assumed from Williams

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[1] Immediately following the Merger, LE GP will merge with and into ETE GP, with ETE GP continuing as the surviving limited liability company and as the general partner of ETE. ETC will serve as the managing member of ETE GP.

[2] In addition, Williams' stockholders will be entitled to a special one-time dividend of $0.10 per Williams share to be paid immediately prior to the closing of the transaction, and, in an attempt to maintain the economic equivalence of ETC common units and ETE common units, each ETC common unit issued in the Merger (including those issued to ETE) will have attached to it one contingent consideration right (a "CCR").

in the Merger to ETE in exchange for the issuance by ETE to ETC of a number of Class E units, a new class of units representing limited partner interests in ETE, equal to the number of ETC common units issued to the Williams' stockholders in the Merger. In connection with these transactions, ETE will subscribe for a number of ETC common units at the transaction price, in exchange for the amount of cash needed by ETC to fund the cash portion of the Merger Consideration. Then, ETC will contribute an amount of cash to ETE GP, which ETE GP will in turn contribute back to ETE in exchange for newly issued ETE common units and general partner units in ETE, such that the percentage interest in ETE that will be owned by ETE GP after completion of the merger transactions will equal the percentage interest in ETE owned by LE GP immediately prior to the merger transactions. As a result of the circular nature of this transaction, ETE will own approximately 19% of the outstanding ETC common units immediately after the Merger.

5. In short, then, in exchange for all of their equity in Williams, Williams' stockholders will receive predominantly units in ETC – a newly-formed, never-before-traded LP that will be treated as a corporation for U.S. federal income tax purposes. Even worse, all of Williams' assets acquired in the Merger will not be held by ETC. Rather, ETC will transfer those assets to ETE in exchange for newly-minted, Class E units of ETE. As a result of those complex machinations, former Williams' stockholders will own but 81% of a newly-formed, never-before traded LP (ETC) that has no physical assets other than specialized units in another company

and which depend entirely on the financial health of several affiliates of that company for their value (as outlined in depth below).

6. To make matters even worse, because the Merger Agreement provides for no collar, and ETE's stock price (to which the value of ETC's units is indirectly tied, because ETC is a newly-formed LP with no assets) has plummeted since the announcement of the Merger Agreement, **the current implied value of the Merger Consideration is just $28.37 per Williams share. That is barely 44% of the $64.00 implied price per share that the Williams Board rejected in June of 2015 as "significantly undervalued" and "not deliver[ing] value commensurate with what [Williams] expected to achieve on a standalone basis and through other growth initiatives, including through the previously proposed acquisition of all of the public outstanding common units of WPZ."** Indeed, that current implied price is *barely above* Williams' current trading price and is well below virtually all of the value ranges implied by Barclays and Lazard in their financial analyses.

7. Quite simply, burdened as it is by the Board's failures, the complex nature of the Proposed Transaction, and the plummeting price of ETE's stock, the Merger Consideration is grossly inadequate by any number of metrics. In addition to not being bound by a collar, such that the Merger Consideration had dropped to a level that is at or barely above the current trading value of Williams common stock, the unit currency that Williams' stockholders will receive in the Merger is in the form of units in a newly-formed company that has never traded, will have no material

assets, and, thus, whose value is unclear at best. What is more, the Merger Consideration – either at its current implied value or at its original $43.50 implied value – does not adequately value the Company on a standalone basis – a fact that the Board and regular Company analysts both recognized. Finally, pursuant to ETC's limited partnership agreement and well-settled Delaware law, as a limited partnership, ETC will not owe the traditional corporate fiduciary duties (other than the contractual duties of good faith and fair dealing) that current Williams' stockholders are owed by the Williams Board, since the Company is a corporation, and the Merger Consideration utterly fails to compensate Williams' stockholders for these lost rights.

8. The facially unfair terms of the Merger Agreement and inadequacy of the Merger Consideration are the result of a flawed process marred by conflicts of interests, not the least of which is that two of the Individual Defendants – Messrs. Meister and Mandelblatt, who constituted two of the eight directors who voted in favor of the Merger Agreement – were conflicted as to that decision. This conflict arises from their relationship with Corvex Management LP ("Corvex") and Soroban Master Fund LP ("Soroban"), activist investor funds led by Messrs. Meister and Mandelblatt, respectively. After taking positions in the Company in early 2014 that accounted for approximately 9% of the Company's outstanding stock, Messrs. Meister and Mandelblatt forced their way onto the Board. As a result of their machinations, and based on the original $43.50 implied value of the Merger

Consideration at the time the Merger Agreement was announced, **their funds stood to make approximately $237 million and $186 million on their brief investments in Williams, respectively.** As a result, at the time they voted for the Merger Agreement, both Mr. Meister and Mr. Mandelblatt suffered from divided loyalties and were conflicted, such that they could not vote on the Merger Agreement in good faith and with the best interests of Williams' stockholders as their only guiding focus. **More importantly, because at least two of the eight directors who voted in favor of the Merger Agreement were conflicted, and the Board has but thirteen members, the vote in favor of the Merger Agreement was not approved by a majority of uninterested and un-conflicted directors, and the business judgment rule presumption thus does not attach.**

9. Other conflicts abounded. For example, the remaining members of the Board believed their jobs and equity interests in Williams to be at stake if they failed to vote in favor of the Merger Agreement, causing at least six of the eight directors who voted in favor of the Merger Agreement to do so out of fear and self-interest – and contrary to the interests of stockholders.[3] What is more, both Barclays and Lazard, the Board's financial advisors, were conflicted and incentivized to favor the

[3] To their credit, five of the thirteen members of the Board placed the interests of stockholders and the Company ahead of their own and voted against the Merger Agreement, but to no avail. They still acceded, however, to the materially misleading proxy filed in connection with the Merger (outlined below), and are named as defendants for that reason.

Merger **with ETE** over the Company's standalone plan. Barclays in particular stood to make many millions more by advising the Board to abandon Williams' previously-executed merger agreement with one of its affiliates (which cost the Company $428 million in termination fees) in favor of entering into the much larger (and thus more lucrative, for Barclays) Merger Agreement with ETE instead.

10. The Board also agreed to certain deal protection devices that will prevent other bidders from making successful competing offers, including a whopping $1.48 billion termination fee, a $50 million "Naked No-Vote Termination Fee," a strict no-solicitation provision, information and matching rights provisions, and a "no-waiver" provision that effectively prohibits the Company from terminating, amending, modifying, or waiving any "standstill" agreements that the Company executed with potential acquirers.

11. Finally, while some Individual Defendants declined to vote in favor of the Merger Agreement itself, they all authorized the release of the Form S-4 Registration Statement filed with the Securities and Exchange Commission on or about November 24, 2015, which contained a preliminary proxy statement for Williams' stockholders, (the "Proxy Statement" or "Proxy"). Therein, Defendants failed to disclose all material information necessary for Williams' stockholders to make an informed and knowledgeable decision regarding the Proposed Transaction. Perhaps most notably, the Proxy fails to disclose the value of several competing offers

12. In sum, the Individual Defendants failed to maximize stockholder value and to protect the interests of Williams' stockholders. Instead, they engaged in a process that was designed to benefit ETE and to secure material personal benefits for themselves. Each of the Individual Defendants has breached his fiduciary duties and/or has aided and abetted such breaches by favoring ETE's or his own financial interests over those of Williams and its public, non-insider stockholders and/or by failing to disclose all material information to Williams' stockholders. As a result, Plaintiffs and the other public stockholders are receiving an unfair price in the Proposed Transaction and lack the necessary and material information to consider it.

13. In facilitating the acquisition of Williams by ETE for inadequate consideration, through a flawed process, and lacking material disclosures, each of the Defendants breached and/or aided the other Defendants' breaches of their fiduciary duties. As set forth below, instead of working to maximize stockholder value as required, Defendants agreed to hand over the Company and its future prospects to ETE for a demonstrably unfair price and lacking material disclosures. If Defendants are able to consummate the Proposed Transaction, Williams' public stockholders will not receive the true value of their investment. The Merger Consideration does not reflect Williams' intrinsic value or the value of the Company as the target of a full and fair sale process.

14. For these reasons and as set forth in detail herein, Plaintiffs seek to

enjoin the Proposed Transaction, or, in the event the Proposed Transaction is consummated, recover damages resulting from the Individual Defendants' violations of their fiduciary duties, and from the other Defendants for aiding and abetting same.

PARTIES

A. Plaintiffs

15. Plaintiffs are, and at all relevant times were, continuous stockholders of Williams. Plaintiffs own 20,000 shares of Williams common stock, having purchased all of said stock at well above the original implied Merger Consideration of $43.50.

B. Defendants

16. Defendant Alan S. Armstrong presently serves as the Company's Chief Executive Officer and President and as a director of the Company since 2011. Mr. Armstrong voted against the Merger Agreement.

17. Defendant Frank T. MacInnis has served as a director of the Company since 1998 and presently serves as the Chairman of the Company's Board. Mr. MacInnis voted in favor of the Merger Agreement.

18. Defendant Janice D. Stoney has served as a director of the Company since 1999. Ms. Stoney voted in favor of the Merger Agreement.

19. Defendant Juanita H. Hinshaw has served as a director of the Company since 2004. Ms. Hinshaw voted against the Merger Agreement.

20. Defendant Kathleen B. Cooper has served as a director of the Company since 2006. Ms. Cooper voted against the Merger Agreement.

21. Defendant Joseph R. Cleveland has served as a director of the Company since 2008. Mr. Cleveland voted in favor of the Merger Agreement.

22. Defendant Laura A. Sugg has served as a director of the Company since 2010. Ms. Sugg voted in favor of the Merger Agreement.

23. Defendant John A. Hagg has served as a director of the Company since 2012. Mr. Hagg voted against the Merger Agreement.

24. Defendant Steven W. Nance has served as a director of the Company since 2012. Mr. Nance voted in favor of the Merger Agreement.

25. Defendant Murray D. Smith has served as a director of the Company since 2012. Mr. Smith voted against the Merger Agreement.

26. Defendant Ralph Izzo has served as a director of the Company since 2013. Mr. Izzo voted in favor of the Merger Agreement.

27. Defendant Eric W. Mandelblatt has served as a director of the Company since 2014. Mr. Mandelblatt voted in favor of the Merger Agreement. Mr. Mandelblatt controls the general partner of Soroban Master Fund LP (previously defined as "Soroban"), which is an exempted limited partnership organized and existing under the laws of the Cayman Islands. Soroban Capital Partners LLC, the investment manager for Soroban, is a New York-based investment firm for which Mr. Mandelblatt serves as Managing Partner and Chief Investment Officer.

28. Defendant Keith A. Meister has served as a director of the Company since 2014. Mr. Meister voted in favor of the Merger Agreement. Mr. Meister controls the general partner of Corvex Management LP (previously defined as "Corvex"), which is a limited partnership organized and existing under the laws of the State of Delaware. Mr. Meister also serves as Managing Partner and Chief Investment Officer of Corvex, where he "oversees all aspects of the firm's operations." Notably, prior to founding Corvex, Mr. Meister served from June 2002 to August 2010 in a range of leadership roles within the organization headed by Carl C. Icahn, including as Chief Executive Officer and Vice Chairman of Icahn Enterprises LP.

29. Defendants Armstrong, MacInnis, Stoney, Hinshaw, Cooper, Cleveland, Sugg, Hagg, Nance, Smith, Izzo, Mandelblatt, and Meister form the Board of Directors of Williams and are collectively referred to herein as the "Board" or the "Individual Defendants."

30. Defendant Energy Transfer Corp LP (previously defined as "ETC") is a limited partnership organized and existing under the laws of the State of Delaware with its principal executive offices located at 8111 Westchester Drive, Dallas, Texas 75225.

31. Defendant Energy Transfer Corp GP, LLC (previously defined as "ETC GP") is a limited liability company organized and existing under the laws of the State

of Delaware with its principal executive offices located at 3738 Oak Lawn Ave, Dallas Texas 75219. ETC GP is the general partner of ETC.[4]

32. Defendant Energy Transfer Equity, L.P. (previously defined as "ETE") is a limited partnership organized and existing under the laws of the State of Delaware with its principal executive offices located at 8111 Westchester Drive, Dallas, Texas 75225.

33. Defendant LE GP, LLC (previously defined as "LE GP") is a limited liability company organized and existing under the laws of the State of Delaware with its principal executive offices located at 3738 Oak Lawn Ave, Dallas Texas 75219. LE GP is the general partner of ETE. LE GP will be merged with and into ETE GP in the Merger and will thereafter cease to exist.

34. Defendant Energy Transfer Equity GP, LLC (previously defined as "ETE GP") is a limited liability company organized and existing under the laws of the State of Delaware with its principal executive offices located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. ETE GP is a wholly owned subsidiary of ETC and will become the general partner of ETE following the Merger.

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[4] The Merger Agreement appears to incorrectly refer to Energy Transfer Corp GP, LLC's formal name as "ETE Corp GP, LLC." Upon information and belief, the proper legal name for the GP of ETC is "Energy Transfer Corp GP, LLC." The Proxy lists ETC's GP legal name as "Energy Transfer Corp GP, LLC."

35. Defendant Barclays Capital Inc. (previously defined as "Barclays") is a corporation organized and existing under the laws of the State of Connecticut with its principal executive offices located at 745 Seventh Avenue, New York, New York 10019.

36. Defendant Lazard Frères & Co. (previously defined as "Lazard") is a limited liability company organized and existing under the laws of the State of New York with its principal executive offices located at 30 Rockefeller Plaza, New York, New York 10112.

C. Relevant Non-Parties

37. The Williams Companies, Inc. (previously defined as "Williams") is a corporation organized and existing under the laws of the State of Delaware with its principal executive offices located at One Williams Center, Tulsa, Oklahoma 74172.

INDIVIDUAL DEFENDANTS' FIDUCIARY DUTIES

38. By reason of the Individual Defendants' positions with the Company as officers and/or directors, they are in a fiduciary relationship with Plaintiffs and the other public stockholders of Williams and owe them a duty of care, loyalty, good faith, candor, and independence.

39. By virtue of their positions as directors and/or officers of Williams, the Individual Defendants, at all relevant times, had the power to control and influence Williams, did control and influence Williams, and caused Williams to engage in the practices complained of herein.

40. To diligently comply with their fiduciary duties, the Individual Defendants may not take any action that: (a) adversely affects the value provided to the Company's stockholders; (b) favors themselves or discourages or inhibits alternative offers to purchase control of the corporation or its assets; (c) adversely affects their duty to search and secure the best value reasonably available under the circumstances for the Company's stockholders; (d) will provide the Individual Defendants with preferential treatment at the expense of, or separate from, the public stockholders; and/or (e) contractually prohibits the Individual Defendants from complying with or carrying out their fiduciary duties.

41. In accordance with their duties of loyalty and good faith, the Individual Defendants are obligated to refrain from: (a) participating in any transaction where the Individual Defendants' loyalties are divided; (b) participating in any transaction where the Individual Defendants receive, or are entitled to receive, a personal financial benefit not equally shared by the public stockholders of the corporation; and/or (c) unjustly enriching themselves at the expense or to the detriment of the public stockholders.

42. Plaintiffs allege herein that the Individual Defendants, separately and together, in connection with the Proposed Transaction, are knowingly or recklessly violating their fiduciary duties, including their duties of loyalty, good faith, and independence owed to the Company, or are aiding and abetting others in violating those duties.

43. The Individual Defendants also owe the Company's stockholders a duty of candor, which includes the disclosure of all material facts concerning the Proposed Transaction and, particularly, the fairness of the price offered for the stockholders' equity interest. The Individual Defendants are knowingly or recklessly breaching their fiduciary duties of candor by failing to disclose all material information concerning the Proposed Transaction and/or aiding and abetting other Defendants' breaches.

AIDING AND ABETTING

44. In addition to the wrongful conduct herein alleged as giving rise to primary liability, certain of the Defendants further aided and abetted and/or assisted each other in the breach of their respective duties as herein alleged.

45. During all relevant times hereto, the Defendants, and each of them, initiated a course of conduct that was designed to: (i) favor ETE and the Individual Defendants; (ii) permit ETE to acquire Williams pursuant to a defective sales process; (iii) permit ETE to acquire Williams for an unfair price; and (iv) permit ETE to acquire Williams without Williams' stockholders being fully informed of all material information relating to the Proposed Transaction. In furtherance of this plan and course of conduct, Defendants, and each of them, took the actions as set forth herein.

46. Each of the Defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such actions, as

particularized herein, to substantially assist the commission of the wrongdoing complained of, each Defendant acted with knowledge of the primary wrongdoing, substantially assisted the accomplishment of that wrongdoing, and was aware of his or her overall contribution to, and furtherance of, the wrongdoing. Defendants' acts of aiding and abetting included, inter alia, the acts each of them are alleged to have committed in furtherance of the common enterprise and common course of conduct complained of herein.

CLASS REPRESENTATION ALLEGATIONS

47. Plaintiffs bring this action on behalf of themselves and as a class action pursuant to Rule 23 of the Rules of the Court of Chancery on behalf of all other holders of Williams common stock who are being and will be harmed by Defendants' actions described below (the "Class"). Excluded from the Class are Defendants herein and any person, firm, trust, corporation or other entity related to or affiliated with any of the Defendants.

48. This action is properly maintainable as a class action because:

a. The Class is so numerous that joinder of all members is impracticable. As of September 25, 2015, there were approximately 749,739,823 outstanding shares of Williams common stock. The actual number of public stockholders of Williams will be ascertained through discovery.

b. There are questions of law and fact that are common to the Class, including the following:

i) whether the Individual Defendants have breached their fiduciary duties with respect to Plaintiffs and the other members of the Class in connection with the Proposed Transaction;

ii) whether the Individual Defendants have breached their fiduciary duty to obtain the best price available for the benefit of Plaintiffs and the other members of the Class in connection with the Proposed Transaction;

iii) whether the Individual Defendants misrepresented and omitted material facts in violation of their fiduciary duties owed by them to Plaintiffs and the other members of the Class;

iv) whether ETC, ETC GP, ETE, LE GP, ETE GP, Barclays, and Lazard aided and abetted the Individual Defendants' breaches of fiduciary duty; and

v) whether Plaintiffs and other members of the Class would suffer irreparable injury were the Proposed Transaction consummated.

c. Plaintiffs are adequate representatives of the Class, have retained competent counsel experienced in litigation of this nature, and will fairly and adequately protect the interests of the Class.

d. Plaintiffs' claims are typical of the claims of the other members of the Class and Plaintiffs do not have any interests adverse to the Class.

e. The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class, which would establish incompatible standards of conduct for the party opposing the Class.

f. Defendants have acted on grounds generally applicable to the Class with respect to the matters complained of herein, thereby making appropriate the relief sought herein with respect to the Class as a whole.

SUBSTANTIVE ALLEGATIONS

A. Corporate Background

49. Founded in 1949, Williams is an energy infrastructure company focused on connecting North America's significant hydrocarbon resource plays to growing markets for natural gas, natural gas liquids ("NGLs"), and olefins. Williams' operations span from the Gulf of Mexico to Canada. Williams' interstate gas pipeline and midstream interests are largely held through its significant investment in Williams Partners L.P. ("WPZ"), which is a publicly traded energy infrastructure master limited partnership also focused on connecting North

America's significant hydrocarbon resource plays to growing markets for natural gas, NGLs, and olefins through its gas pipeline and midstream businesses. Williams owns approximately 60% of the outstanding LP units of WPZ.

50. ETE is a publicly traded master limited partnership whose principal sources of cash flow are derived from its direct and indirect equity interests in Energy Transfer Partners, L.P. ("ETP"), Sunoco Logistics Partners L.P., and Sunoco LP, all of which are publicly traded master limited partnerships engaged in diversified energy-related businesses. In addition to these equity interests, ETE also owns all of the equity interests in Lake Charles LNG Company, LLC, an entity that owns a fully constructed LNG import terminal and regasification facility near Lake Charles, Louisiana, and a 60% equity interest in Lake Charles LNG Export, LLC, an entity whose subsidiary is developing an LNG liquefaction and export terminal facility that will be integrated with Lake Charles LNG Company, LLC's import/regasification facility. On a consolidated basis, ETE's family of companies owns and operates approximately 71,000 miles of natural gas, natural gas liquids, refined products, and crude oil pipelines.

51. ETC is a newly-formed Delaware limited partnership that will be treated as a corporation for U.S. federal income tax purposes. Upon the completion of the merger transactions, ETC's primary cash generating asset will consist of Class E units, a new class of units representing limited partner interests in ETE, which will

represent an approximate 57% limited partner interest in ETE following the completion of the merger transactions.

B. Process Leading to the Proposed Transaction

52. The Proposed Transaction finds its genesis in a February 2014 communication by Kelcy L. Warren (the Chairman of the board of directors of LE GP) to Mr. Armstrong (Williams' CEO and one of its directors), wherein Mr. Warren expressed an interest in exploring a combination of ETE and Williams. In response, Mr. Armstrong stated that he did not believe Williams was interested in a combination but that, if Mr. Warren made an offer, he would take it to the Board.

53. On October 24, 2014, WPZ, Access Midstream Partners, L.P. ("ACMP"), and several affiliated entities of both companies entered into an Agreement and Plan of Merger (the "ACMP-WPZ Merger Agreement") pursuant to which WPZ would merge with and into ACMP, with ACMP surviving, and ACMP would change its name to WPZ (the "ACMP-WPZ Merger"). The ACMP-WPZ Merger was valued at approximately $50 billion. Williams owned controlling interests in both ACMP and WPZ and, as outlined below, the ACMP-WPZ Merger was expected to significantly benefit Williams' bottom line and was widely heralded by analysts and investor alike.

54. After several months of apparent silence from ETE, in November 2014, after the announcement of the ACMP-WPZ Merger, Barclays, one of Williams' regular financial advisors, received an informal indication of interest from Mr.

Welch (the Group Chief Financial Officer and Head of Business Development at LE GP) regarding a potential transaction between ETE and Williams.

55. On December 5, 2014, the Board determined that it was not in the best interest of Williams' stockholders to engage with ETE at that time because of the pending ACMP-WPZ Merger. Accordingly, the Board directed Barclays to communicate to ETE that Williams was not interested in discussing a potential combination at that time.

56. On February 2, 2015, the ACMP-WPZ Merger was completed. On the following day, Williams formally engaged Barclays to act as its financial advisor in connection with a review of Williams' strategic alternatives.

57. On February 13, 2015, Mr. Armstrong contacted Mr. Warren to obtain additional details about the nature and terms of ETE's interest in a potential combination with Williams. Mr. Warren replied that he was only interested in exploring a combination if Williams was supportive of such a combination. In response, Mr. Armstrong reiterated that Williams was not seeking a combination, but that it would always consider strategic proposals and that he would convey any offer to the Board.

58. On February 20, 2015, Mr. Welch called a representative of Barclays to further discuss a potential transaction between Williams and ETE. The representative of Barclays suggested to Mr. Welch that the best channel of communication would be directly between Mr. Warren and Mr. Armstrong. After a

brief game of phone tag, Messrs. Armstrong and Warren thereafter spoke again via telephone on March 2, 2015, during which call Mr. Warren invited Mr. Armstrong to meet to pursue a discussion of a potential business combination of ETE and Williams if Williams was supportive of a combination. In response, Mr. Armstrong agreed to discuss the invitation with the Board but again reiterated that Williams was not seeking a combination, but that it always considers strategic proposals and that he would convey any offer to the Board.

59. On March 5, 2015, during a Board meeting, members of Williams management and representatives of Barclays discussed additional strategic alternatives available to Williams, **including a potential transaction in which Williams would acquire all of the public outstanding common units of WPZ** (the "WPZ Merger") and a potential combination with ETE. Representatives of Barclays made a presentation regarding the WPZ merger, and the Board discussed the rationale for the WPZ Merger.

60. On April 2, 2015, during a special meeting of the Board, management and the Board discussed the potential WPZ Merger and determined that Williams management should present the terms of such a merger to the WPZ board and ask its conflicts committee to engage advisors to evaluate and negotiate the potential merger. On the same day, the WPZ board delegated authority to evaluate the potential WPZ Merger to a conflicts committee, after which the WPZ conflicts committee promptly began retaining advisors and evaluating the potential merger.

61. Between April 2, 2015 and May 12, 2015, representatives of Williams' and WPZ's legal counsel negotiated and finalized the terms of a merger agreement between Williams, WPZ, and various other relevant entities (the "WPZ Merger Agreement") and related transaction documents.

62. During this time, on May 6, 2015, Messrs. Armstrong and Chapel (Williams' Senior Vice President and Chief Financial Officer) attended a dinner with Mr. Warren and Mr. Welch at Mr. Warren's home in Dallas, Texas. At the dinner, the gentleman discussed, among other things, ETE's "strategy to serve customers' needs with a diversified portfolio of energy assets" and a potential combination of Williams and ETE "to support ETE's diversified strategy." Mr. Armstrong, in contrast, pointed out the strength of Williams' focus on a natural gas infrastructure strategy, rather than a diversified services strategy, but again affirmed that he would discuss any ETE offer made with the Board. Mr. Warren in turn again stated that he would not make an offer unless Mr. Armstrong was supportive thereof. As a result, "no offer was made to Mr. Armstrong or Mr. Chappel by Mr. Warren or Mr. Welch, nor was an offer requested by Mr. Armstrong or Mr. Chappel."

63. On May 11, 2015, Williams formally engaged Barclays to act as its financial advisor in connection with Williams' review of the potential WPZ Merger.

64. On May 12, 2015, during a special meeting of the Board, the Board discussed the proposed WPZ Merger, pursuant to which Williams would acquire all of the outstanding common units of WPZ in an all stock-for-unit transaction at a

ratio of 1.115 shares of Williams common stock per unit of WPZ. In so doing, and no doubt in light of the outstanding interest from ETE, the Board specifically discussed its ability to change its recommendation under the WPZ Merger Agreement, but acknowledged that doing so would result in a $410 million termination fee, which would be paid by way of a waiver of a portion of QPZ GC LLC's incentive distributions.

65. During the same meeting, representatives of Barclays presented its financial analyses regarding the consideration payable in the WPZ Merger and delivered its oral "fairness opinion" (confirmed in writing later in the day) that the merger consideration to be paid by Williams pursuant to the WPZ Merger Agreement was fair, from a financial point of view, to Williams. Thereafter, the Board **unanimously** approved the WPZ Merger Agreement and **unanimously** recommended that Williams' stockholders vote in favor of approving the Williams common stock issuance contemplated by the WPZ Merger Agreement. In other words, the Board **unanimously** chose the WPZ Merger over a potential transaction with ETE.

66. Later in the day on May 12, 2015, the WPZ board also unanimously approved the WPZ Merger Agreement and the transactions contemplated thereby. Later that day, Williams and WPZ executed the WPZ Merger Agreement, pursuant to which Williams would acquire all of the public outstanding common units of WPZ

in an all stock-for-unit transaction at a 1.115 ratio of Williams common shares per unit of WPZ. The WPZ Merger was valued at $13.8 billion.

67. On May 13, 2015, Williams and WPZ issued a joint press release announcing the execution of the WPZ Merger Agreement and discussed the WPZ Merger at a previously-scheduled Williams Analyst Day. On the news, Williams stock jumped approximately 6.5%, from a May 12, 2015 close of $50.10 per share to a May 13, 2015 close of $53.21 per share (later topping out at $53.80 per share on May 15, 2015).

68. On May 19, 2015, Mr. Armstrong received a letter from Mr. Warren in which ETE proposed to acquire Williams in an all-equity transaction at an **implied price** of $64.00 per share of William common stock (the "May 19 Proposal"). Importantly, the $64.00 implied price would have resulted in an **exchange ratio of 1.8673 ETE common units** per share of Williams common stock.[5] The May 19 Proposal also indicated that the equity that Williams' stockholders would receive in the proposed transaction would consist of shares of a newly-formed corporation that would only own ETE common units, that would be publicly traded on the NYSE, and that purportedly would effectively mirror the economic attributes of ETE common units. In other words, Williams' stockholders would get stock in a

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[5] After giving effect to a two-for-one split of ETE's units on July 27, 2015 and assuming that the equity to be received by WMB stockholders would be ETE common units or equity equivalent thereto.

company with no trading history of any kind that only held stock in another company. **Finally, the May 19 Proposal conditioned the offer on the termination of the WPZ Merger Agreement and indicated that ETE would agree to a "hell or high water" regulatory standard in the definitive merger agreement.**

69. The Board met on May 20 and 21, 2015 to discuss the May 19 Proposal. During the May 21, 2015 meeting, a representative of Barclays disclosed that Barclays had a separate team that advised and provided services for ETE from time to time on certain matters, but alleged that this team was not involved in advising ETE with respect to its May 19 Proposal to Williams. Thereafter, the Board considered whether to engage Barclays in connection with ETE's proposal and whether it should engage a second financial advisor, but ultimately decided, "given Barclays' prior history with [Williams] and Barclays' extensive knowledge of [Williams'] business and the industry, Barclays should continue to advise [Williams]." According to the Proxy, Williams "had received assurances from Barclays that the Barclays team that advised and provided services for ETE from time to time on certain matters and the Barclays team advising [Williams] did not share any information in connection with ETE's current proposal to [Williams], as set forth in the May 19 letter."

70. The Board also decided to hire a second advisor to assist Barclays and identified Lazard as that potential advisor. On May 28, 2015, the Board authorized management to negotiate a letter agreement to supplement Barclays existing

February 3, 2015 strategic alternatives engagement letter without deviating from the Board's instructions on fee structure, **which are not disclosed in the Proxy**. The Board also authorized management to negotiate an engagement letter with Lazard, again without deviating from the Board's instructions on fee structure, which again are not disclosed in the Proxy.

71. On May 29, 2015, a number of Williams directors raised concerns regarding whether all material information had been provided to the Board in connection with its approval of the WPZ Merger Agreement. Despite the seriousness of such an allegation (especially in light of the Board's split vote on the Merger Agreement with ETE), the Proxy fails to disclose the identity of the directors with these concerns, what gave rise to these concerns, or the nature of the information these directors believed may have been withheld from them.

72. In response, on June 1, 2015, the Board authorized the creation of a "Director Inquiry Panel" to "ascertain[] whether the [] Board had been provided with all material information necessary in connection with the approval of the WPZ [M]erger and to determine whether it had all material information necessary to assess ETE's proposal." Although the Panel was specifically authorized to retain outside legal counsel to assist in its inquiry, the Panel nonetheless retained the same counsel advising the Board in connection with both the WPZ Merger and ETE's May 19 Proposal.

73. On June 10, 2015, Mr. MacInnis received a letter from Mr. Warren reiterating ETE's proposal to acquire Williams in an all-equity transaction at an **implied price** of $64.00 per share of Williams common stock (the "June 10 Proposal"). This time, the $64.00 implied price would have resulted in an **exchange ratio of 1.8692 ETE common units** per share of Williams common stock.[6] In contrast to ETE's past representations that it would only seek a combination if Williams was open to such a combination, this time ETE's letter stated that it "desired to begin negotiations immediately" and "was prepared to conduct mutual due diligence . . . and negotiate transaction documentation in a short period of time." More to the point, the letter specifically noted that "representatives of ETE expected to hear from representatives of [Williams] by the end of the week."

74. On June 15, 2015, during a special meeting of the Board, the Director Inquiry Panel reported that, based on the information gathered, it had "concluded that the [] Board had all material information prior to approving the WPZ [M]erger [A]greement and had all material information necessary to assess ETE's proposal." Again, despite the seriousness of these allegations, the Proxy still fails to disclose the identity of the directors who initially raised these concerns, what gave rise to these concerns, or the nature of the information these directors believed may have

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[6] After giving effect to a two-for-one split of ETE's units on July 27, 2015 and assuming that the equity to be received by WMB stockholders would be ETE common units or equity equivalent thereto.

been withheld from them. The Proxy also does not disclose what investigation the Panel undertook or how it came to its conclusion. In short, the Proxy simply asks stockholders to trust the panel, despite the gravity of its mission and the Board's later split vote on the Merger Agreement with ETE.

75. Also during the June 15, 2015 meeting, the Board approved Barclays' and Lazard's engagement letters, and Williams formally engaged Barclays and Lazard to act as its financial advisors on that day.

76. On June 18, 2015, the Board received another letter from ETE in which ETE again reiterated its proposal to acquire all of the outstanding shares of Williams common stock in an all-equity transaction at an **implied price** of $64.00 per share (the "June 18 Proposal"). This time, the $64.00 implied price would have resulted in an **<u>exchange ratio of 1.8325 ETE common units</u>** per share of Williams common stock.[7] The June 18 Proposal confirmed the terms of ETE's prior proposal, including that (1) the equity to be received by Williams' stockholders in the proposed transaction would consist of a fixed number of shares of a new limited partnership entity that would elect to be treated as a corporation for tax purposes, would own no assets other than ETE common units and would be publicly traded on the NYSE, (2) the offer was contingent on the termination of the WPZ Merger Agreement and (3)

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[7] After giving effect to a two-for-one split of ETE's units on July 27, 2015 and assuming that the equity to be received by WMB stockholders would be ETE common units or equity equivalent thereto.

ETE would agree to a "hell or high water" regulatory standard in the definitive merger agreement. **The June 18 Proposal also indicated, though, that it would be ETE's last attempt to engage in a non-public discussion regarding a potential transaction and demanded a complete and substantive response by the morning of June 22, 2015, noting that, if Williams failed to do so, ETE would publicize its proposal to Williams' stockholders and would plan to take its proposal directly to Williams' stockholders.**

77. On June 20, 2015, during a special meeting of the Board, (1) Williams management made a presentation to the Board regarding its outlook for Williams, (2) representatives of Barclays discussed Barclays' analysis of ETE's proposal, including various financial analyses of Williams, transaction structure and tax considerations, potential alternative forms of consideration and potential strategic alternatives, and (3) representatives of Lazard discussed Lazard's analysis of ETE's proposal, including various financial analyses of Williams, other forms of consideration and other strategic alternatives. The Board then discussed whether ETE's proposal provided an adequate basis on which to begin discussions with ETE and the possibility of exploring a range of other potential strategic alternatives. After discussion, the Board authorized management to publicly announce that it was commencing a process to explore a range of strategic alternatives and to **communicate to ETE that its proposal, which, at the time, implied a price of $64.00 per share "did not provide an adequate basis on which to begin**

discussions regarding a potential transaction and that it <u>significantly undervalued</u> [Williams]."

78. Also during the June 20, 2015 meeting, Barclays' potential conflicts again rose to the forefront, and Barclays was again required to provide the Board with information regarding Barclays' relationships since 2012 with ETE, together with Williams, WPZ, and their respective affiliates, through which Barclays had provided advice or services, together with the approximate compensation Barclays received for such advice or services. Finally, at the conclusion of the meeting, the Board formed a strategic review administrative committee (the "Special Committee"), comprised of Mr. Nance, Ms. Janice Stoney, and Ms. Laura Sugg, to oversee the administration of the strategic alternatives review process. Importantly, the Special Committee does not appear to have retained independent legal or financial advisors separate from those retained by the Board.

79. **On June 21, 2015, Mr. Armstrong sent Mr. Warren a letter stating that the Board had determined that ETE's proposal "<u>significantly undervalued</u> [Williams], did not provide an adequate basis on which to begin discussions regarding a potential transaction and <u>would not deliver value commensurate with what [Williams] expected to achieve on a standalone basis</u> and through other growth initiatives, <u>including through the previously proposed acquisition of all of the public outstanding common units of WPZ</u>."** The letter further

indicated that Williams was commencing a strategic alternatives review process and invited ETE to participate in it.

80. Later on June 21, Williams issued a press release announcing that the Board had "authorized a process to explore a range of strategic alternatives following receipt of an unsolicited proposal to acquire Williams in an all-equity transaction at a stated per share price of $64.00." In other words, the Board only began the process **because** of ETE's proposals. Importantly, the press release also stated:

> With the assistance of its outside financial and legal advisors, the Williams Board carefully considered the unsolicited proposal and determined that it **significantly undervalues Williams and would not deliver value commensurate with what Williams expects to achieve on a standalone basis and through other growth initiatives, including the pending acquisition of WPZ**. [Emphasis added]

81. On the same day, Mr. Armstrong called the chair of the WPZ conflicts committee to inform him that the Board was undertaking the strategic alternatives review process but that Williams specifically "intended to continue to implement the transactions contemplated by the WPZ [M]erger [A]greement in accordance with its terms."

82. On June 22, 2015, ETE issued a press release confirming that it was the party that had made the proposal to acquire Williams and stated that ETE was willing to acquire all of the outstanding equity of Williams at a ***fixed*** **exchange ratio of**

1.8716 ETC common shares per share of Williams common stock,[8] again contingent on termination of the WPZ Merger Agreement.

83. Later on June 22, the Special Committee authorized the contact of 18 potential counterparties, which included only 6 strategic parties – ETE, Party A, Party B, Party C, Party D, and Party E – to solicit their interest in participating in the strategic alternatives review process. Thereafter, communications with the potential counterparties began. In cases where the potential counterparties, **other than ETE**, indicated a preliminary level of interest and a willingness to enter into a confidential disclosure agreement, those potential counterparties were instructed to submit first round, non-binding indications of interest ("IOI") to acquire 100% of Williams' capital stock by July 27, 2015.

84. In the following weeks, advisors to the respective parties negotiated the terms of confidentiality agreements. While all other parties were willing to accede to confidentiality agreements containing standstill provisions, ETE was not. Ultimately, Parties B, C, D, and E executed confidentiality agreements (presumably that contained standstill agreements, although the Proxy is not clear), **while the Special Committee acceded to a confidentiality agreement with ETE that did not contain a standstill agreement, thereby allowing ETE the ability to mount a hostile takeover attempt of Williams should "amicable" negotiations fail.**

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[8] After giving effect to a two-for-one split of ETE's units on July 27, 2015.

85. During the end of June and beginning of July 2015, **Williams management proposed the retention of a separate banking advisor to assist management in an effort to develop standalone alternatives that would not present themselves in the auction process**. According to the Proxy, though, the "Special Committee, legal counsel, the financial advisors and management then determined Barclays and Lazard could continue to provide the necessary additional support for this effort." Notably, all three members of the Special Committee voted in favor of the Merger Agreement with ETE.

86. On July 1, 2015, the Houston Municipal Employees Pension System filed a verified class action and derivative complaint against the members of the Board seeking to enjoin the WPZ Merger and to force the Board to negotiate with ETE and accept its offer.

87. On July 7, 2015, ETE publicly reaffirmed its bid for Williams. In so doing, however, ETE included a thinly-veiled threat to launch a proxy contest against Williams should the Board fail to come to terms with ETE: "In the event that ETE is unable to participate in the Williams process, ETE remains fully committed to taking the necessary steps to implement the proposed transaction with Williams (**including soliciting against the Williams and Williams Partners L.P. merger**") (emphasis added).

88. On July 9, 2015, representatives of Barclays and Lazard each made separate presentations to members of Williams management and certain directors

regarding potential standalone strategic alternatives. On the same day, Mr. Thomas Mason, Senior Vice President, General Counsel and Secretary of ETP, sent a letter to Williams on behalf of ETE regarding Williams' operations and the potential effects on a combination between Williams and ETE in light of the existing conditions in the market for natural gas liquids. The specific content of this letter is not disclosed in the Proxy.

89. On July 13, 2015, Party D informed Williams that it would no longer be participating in the process.

90. On July 14, 16, and 20, 2015, representatives of Barclays and Lazard discussed potential standalone strategic alternatives and the status of the financial analyses with respect to these alternatives with Williams management and/or some members of the Board.

91. On July 22, 23, and 24, 2015, Mr. MacInnis, Ms. Sugg, representatives of Williams' proxy solicitation firm, and representatives of Williams participated in meetings with representatives of 20 Williams' stockholders and two institutional investors to discuss their perspectives on the strategic alternatives review process. Although the Proxy fails to reveal the sentiment of the 20 stockholders present, certain members of the Board apparently got the impression that their jobs hinged on selling the Company to ETE. Both Mr. MacInnis and Ms. Sugg voted in favor of the Merger Agreement.

92. On July 27, 2015, Williams received written initial non-binding IOIs from ETE, Party A, and Party B. Parties C and E declined to continue in the process.

93. ETE proposed to acquire all of the shares of Williams common stock **in exchange for 1.8716 ETC common shares** per share of Williams common stock, contingent on the termination of the WPZ Merger Agreement (the "July 27 Proposal"). **Interestingly, for the first time, the Proxy fails to disclose the implied value of this offer on a per share basis.** That is likely because ETE's July 27 Proposal was no longer premised on paying an implied price of $64.00 per share of Williams common stock and then calculating the exchange ratio from that price. Instead, this time, ETE simply offered an exchange ratio that, based on ETE's closing price of $28.96 on July 27, 2015, implied a price per share of **only $54.20 per share of Williams common stock**. This surreptitious, almost $10 per share price drop represented a decrease of almost $7.4 billion in total consideration.

94. Party A proposed to acquire all of the shares of Williams common stock in exchange for a specified number of Party A shares – although the Proxy noticeable fails to actually specify that number of shares or, for that matter, the enterprise or per share value implied by Party A's offer. The Proxy is similarly lacking in connection with Party B's proposal, which was to acquire all of the shares of Williams common stock by way of a "double dummy" merger structure in which a new corporation would own both Williams and Party B and the Williams' stockholders and Party B would own 35% and 65%, respectively, of the new

corporation. Notably, neither Party A's nor Party B's proposals required that the WPZ Merger Agreement be terminated in connection with a potential transaction.

95. Also on July 27, 2015, representatives of Barclays and Lazard discussed potential standalone strategic alternatives and the status of each financial advisor's respective financial analysis with respect to these alternatives with management.

96. On July 31, 2015, the Special Committee concluded that ETE's proposal and Party A's proposal could be the basis for an attractive potential transaction, but that Party B's proposal would not offer any premium to Williams' stockholders, and accordingly determined to invite ETE and Party A to a second round of the process. Thereafter, representatives of Lazard discussed with representatives of ETE various matters relating to ETE's proposal, including concerns with ETE's proposed transaction structure **and the value of its offer**. In contrast, the issues discussed by representatives of Lazard with representatives of Party A included only regulatory concerns raised by Party A's proposal, **but, apparently, not the value of its offer. This strongly suggests that the value of Party A's offer was superior to that of ETE's offer, which militates all the more in favor its disclosure to stockholders.** Finally, representatives of Barclays informed representatives of Party B that its offer was not competitive and, therefore, Party B was unlikely to be invited to continue to the second round of the strategic alternatives review process unless it enhanced its offer.

97. Also on July 31, 2015, another Williams stockholder filed a second suit against the Board also seeking to enjoin the WPZ Merger and to force the Board to negotiate with ETE and accept its offer.[9]

98. Thereafter, and no doubt in light of ETE's decreasing offer, throughout August 2015, management undertook a revision of Williams' projections, "with the help of Barclays and Lazard" – advisors incentivized to push for a sale of the Company – purportedly "to consider the potential effects of changing market conditions, including lower commodity prices."

99. Also throughout August, the parties engaged in numerous discussions regarding potential terms. On August 10, 2015, representatives of Party A sent representatives of Williams a term sheet that set forth a proposal for amending the terms of the pending WPZ Merger. Again, the Proxy fails to disclose any detail regarding Party A's proposal.

100. On August 13, 2015, Mr. MacInnis, Ms. Sugg, and representatives of Williams' proxy solicitation service participated in calls with representatives of seven Williams' stockholders to discuss their perspectives on the strategic alternatives review process. Although the Proxy again fails to reveal the sentiment of the 20 stockholders present, and in light of the previous meeting and the two

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[9] These two suits were later consolidated and, thereafter, throughout the remainder of the process and through the execution of the Merger Agreement, the plaintiffs litigated their claims against the Board.

pending suits against the Board, the Board apparently got the impression that their jobs hinged on selling the Company to ETE.

101. In the interim, representatives of Williams and ETE and Party A had been exchanging draft merger agreements. On August 21, 2015, a representative of Williams' legal counsel called a representative of ETE's legal counsel "to provide feedback on how ETE could revise the terms of its August 12 merger agreement in order to be more competitive in the strategic alternatives review process." **The precise guidance provided to ETE during this "off-the-record" call is not disclosed in the Proxy. Nor is it clear why Williams chose to favor ETE over Party A. What is clear, however, is that Party A, whose bids remain undisclosed in the Proxy, was not provided with the same or similar guidance.**

102. Very much to the contrary, Party A was desperately seeking guidance from Williams. For example, on August 23, 2015, during a call between the respective parties legal counsel, representatives of Party A indicated to representatives of Williams that it would be difficult for Party A to submit its final bid without further guidance from Williams on certain matters.

103. Unsurprisingly, on the following day, August 24, 2015, representatives of Party A's legal counsel indicated that Party A might be revising its offer, purportedly due to, "among other things, recent market conditions."

104. Also on August 24, 2015, Williams received a letter from ETE setting forth ETE's revised proposal, which reiterated a proposed **exchange ratio of 1.8716**

ETC common shares for each share of William common stock (the "August 24 Proposal"). **Yet again, the Proxy fails to disclose the implied value of this offer on a per share basis.** No doubt for the same reason, as, based on ETE's closing price of $26.76 on August 24, 2015, the August 24 Proposal implied a price per share of **only $50.08 per share of Williams common stock**. No doubt in recognition of the rapidly declining value of its equity consideration, ETE indicated in its August 24 Proposal that it was prepared to include a cash component of approximately $6.05 billion in the aggregate as part of the proposed consideration available to Williams' stockholders. However, as mentioned above, that constitutes just over 18% of the consideration offered, hardly enough to act as a sufficient hedge against the continued slide of ETE's stock. Finally, the August 24 Proposal again reiterated that ETE's offer was contingent on the termination of the WPZ Merger Agreement.

105. On the following day, August 25, 2015, during a Special Committee meeting, representatives of Barclays and Lazard acknowledged that "ETE's basic economic proposal had not changed," despite the addition of the $6.05 billion cash component. At the conclusion of this meeting, the Special Committee concluded (and authorized Ms. Sugg and Mr. Meister to communicate to ETE) that, in order to be seen as a viable strategic alternative, (1) ETE would need to address Williams' concerns regarding the economic equivalence of ETC common shares and ETE common units, (2) **ETE would need to improve the overall economics of its proposal,** and, (3) in order to increase transaction certainty, ETE would need to

agree to negotiate exceptions to the definition of "material adverse effect" under the merger agreement. Noticeably, ETE's previous willingness to agree to a "hell or high water" regulatory standard appears to have evaporated. These three points were communicated to ETE on August 27, 2015.

106. On August 26, 2015, Williams received a term sheet from representatives of Party A that set forth revised terms upon which Party A would be willing to proceed with the transactions contemplated by the WPZ Merger Agreement, including a reduction in the proposed per share consideration to WPZ unitholders. No further specifics regarding the term sheet are provided in the Proxy.

107. Then, on August 27, 2015, Party A sent Williams a letter setting forth revised terms for its proposal to combine with Williams. Therein, Party A reduced the exchange ratio that would be payable to Williams' stockholders compared to the exchange ratio proposed by Party A in its July 27 letter, but increased the exchange ratio that would be payable to WPZ unitholders compared to the exchange ratio proposed by Party A in its August 26 term sheet. Yet again, the Proxy fails to identify any of these specific terms. Despite warning from Williams that it would need more time, the letter also stipulated that the offer would be withdrawn if Williams and Party A had not executed a merger agreement by 5:00 p.m. CT on August 29, 2015. Party A was informed that Williams would not be able to able to execute a merger agreement by the specified deadline.

108. On August 28, 2015, William received a letter from Mr. Warren setting forth ETE's position with respect to the three concerns raised on August 27, 2015. Specifically, ETE offered the CCRs as a solution to the Special Committee's first concern. **Importantly, though, ETE declined to adjust the exchange ratio**, and instead reiterated its previously proposed exchange ratio of 1.8716 ETC common shares for each share of Williams common stock and the availability of $6.05 billion in cash for Williams' stockholders making cash elections. Finally, while ETE stated that it was confident that the parties' legal counsel could resolve the definition of "material adverse effect" in the merger agreement in a mutually satisfactory manner, it noticeably failed to put the "hell or high water" provision back on the table.

109. Also on August 28, 2015, during a meeting of the Special Committee, management's "efforts to refine" Williams' projections were discussed. The Proxy does not disclose precisely how management was "refining" the projections, but, in light of Williams' previous statement that $64.00 per share was insufficient for the Company and its continued discussions with ETE while ETE was only offering $50.00 per share, it is reasonable to assume that those "refinements" were downward.

110. On August 30, 2015, a representative of Party A confirmed that the August 29 deadline had passed and Party A had withdrawn its offer. Notably, though, on the following day, Williams' advisors noted that, "even though Party A had formally withdrawn from the strategic alternatives review process, Party A

would likely re-engage if representatives of [Williams] contacted Party A." **But they never did, nor did the Board ever even try.**

111. Instead, according to the Proxy, "[d]uring August and September of 2015, [Williams] management ran business case models, with the input of Barclays and Lazard, to reflect current commodities prices, the concentration of customer credit risk and perception of access to capital markets, to aid in its analysis of the offers made in the strategic review process." In other words, management continued to "revise" Williams' projections– in a downward direction – to meet ETE's dwindling offer.

112. Now down to one bidder – ETE – the Board met on September 3, 2015 to review its options. At this meeting, the Board specifically discussed what it believed to be "the likely investor reaction if the [] Board rejected ETE's current offer . . . and possible actions ETE or [Williams] stockholders could take if the [] Board rejected ETE's current offer." In other words, the Individual Defendants specifically considered what actions Williams' stockholders might take **against them** (in addition to the suits already filed) were they to reject the public ETE offer. Of course, non-insider stockholders could not now know that ETE's current offer, unlike its June 2015 public offer, was no longer tied to a $64.00 per share implied price, but was instead simply tied to a fixed exchange ratio of ETE common shares that were dropping in value by the day. Nonetheless, in violation of their fiduciary duties, the Board allowed this factor to weigh on their decision. At the same

meeting, the Board determined not to proceed with exploring a transaction with Party A, but instead authorized final rounds of negotiations exclusively with ETE.

113. Thereafter, the parties conducted in person and telephonic negotiations, again focused on the three issues: the equivalence of ETC common units with ETE common units, **the price offered by ETE's exchange ratio of 1.8716 ETC common units per share of Williams common stock**, and the exceptions to the definition of "material adverse effect" under the merger agreement. On September 5, 2015, Mr. MacInnis asked Mr. Warren to consider increasing the exchange ratio of ETE's proposal to 2.0 ETC common units per share of Williams commons stock. Based on the closing price of ETE's units of $26.87 on September 4, 2015, the last trading day before the request was made, that exchange ratio would still have implied only a $53.74 price per share of Williams common stock.

114. It is of little matter, though, because ETE again refused. Specifically, on September 8, 2015, Mr. Warren sent Mr. MacInnis a letter setting forth ETE's revised proposal (the "September 8 Proposal"), in which ETE reiterated its **proposed exchange ratio of 1.8716** ETC common units per share of Williams common stock. What is more, while ETE reiterated its $6.05 billion cash component, it revised that term to provide that ETE would require that the consideration be prorated to allocate the entire cash component, even if the cash consideration was undersubscribed by Williams' stockholders. The September 8 Proposal also stated that Williams would be entitled to declare a one-time special cash dividend of $0.10 per Williams share

immediately prior to the closing of the transaction. Of course, this is not consideration paid by ETE, but rather simply a divestiture of cash already held by Williams and, thus, already owned by Williams' stockholders.[10]

115. On September 18, 2015, the Special Committee again instructed its advisors to seek to improve the terms of ETE's proposal. On September 19, 2015, Mr. MacInnis called Mr. Warren to inform him that a meeting of the Board would be convened on September 24, 2015 and that at that meeting the Board would determine how it would conclude the strategic alternatives review process. Mr. MacInnis told Mr. Warren that it would be in both parties' best interests for ETE to set forth its best and final offer for the Board's consideration.

116. Around this time, and specifically on September 17 and 22, 2015, the parties also began discussing "post-closing governance" issues. The Proxy does not disclose if this included post-closing employment.

117. Also during this time, there was disagreement between ETE and Williams regarding the exceptions requested by Williams to the definition of a "material adverse effect" under the draft merger agreement. While ETE later agreed to these exceptions, the Proxy never discloses when or why ETE's initial proposal for a "hell or high water" provision vanished or the Board did not fight to get it back.

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[10] What is more, this "special dividend" pales in comparison to Williams' regular dividend, which, as outlined below, has consistently grown exponentially over the years.

118. Then, on September 21, 2015, a representative of Party C called Mr. Armstrong to discuss a preliminary indication of interest to purchase the publicly held outstanding common units of WPZ at a premium with a right for Party C to exchange those common units of WPZ for shares of Williams common stock at a fixed exchange ratio and receive the tax basis step-up from such purchase and certain unspecified governance rights.

119. On September 23, 2015, ETE delivered its “best and final offer.” That offer included no change in the exchange ratio.

120. The Board met on September 24, 2015 to discuss the IOI from Party C and ETE’s best and final offer. With respect to Party C’s IOI, according to the Proxy, the Board “discussed with its advisors that Party C’s indication of interest was preliminary, the other [unidentified] shortcomings of the preliminary indication of interest as explained to the [] Board, and that therefore the [] Board did not have an offer to consider.” The Proxy fails to disclose what these alleged “shortcoming” were. The Board’s advisors noted that Party C could quickly provide the Board with a firm offer if Party C was serious about its preliminary IOI and the Board authorized representatives of Barclays and Lazard to contact representatives of Party C to obtain more specific information regarding its preliminary IOI. Shortly thereafter, representatives of Barclays and Lazard did so and reported to the Board the “additional information” about the preliminary IOI from Party C. Again, the Proxy fails to disclose even the subject of the information that was sought, much less what

was provided. Thereafter, according to the Proxy, the Board summarily "concluded that the preliminary indication of interest from Party C was not a viable alternative worthy of further deliberation."

121. The Board then turned to ETE's outstanding offer. In so doing, the Board again specifically considered "the likely investor reaction if the []Board rejected ETE's current offer . . . and possible actions ETE or [Williams] stockholders could take if the [] Board rejected ETE's current offer." Thus, again, and with knowledge of the outstanding suits against them, the Board inappropriately considered potential consequences **to them** were they to reject ETE's offer – an offer that was no longer valued at its publicly announced price.

122. At the conclusion of this discussion, six members of the Board (Mr. MacInnis, Mr. Izzo, Mr. Mandelblatt, Mr. Meister, Mr. Nance, and Ms. Sugg) were in favor of proceeding with the potential ETE transaction based on the terms set forth in ETE's most recent proposal, while seven members of the Board (Mr. Armstrong, Mr. Cleveland, Dr. Cooper, Mr. Hagg, Ms. Hinshaw, Mr. Smith, and Ms. Stoney) were not in favor of pursuing a merger with ETE.

123. Rather than simply let that vote stand and inform ETE that the Company was not interested in taking its bargain offer, the Board instead determined to recess the meeting to give the members of the Board "an opportunity to reflect further upon the strategic alternatives review process and the potential alternatives."

Following the meeting, the Board members separated into two groups for dinner meetings.

124. The Board meeting reconvened on September 25, 2015. Although the Proxy provides no detail as to what discussion occurred in the interim, the Board voted again, and this time, by an eight-to-five vote, the Board authorized Williams management and representatives of Barclays, Lazard, and counsel to finalize the terms of transaction documents for the Merger with ETE on substantially the terms set forth in ETE's most recent proposal and further authorized Mr. MacInnis to communicate the foregoing to Mr. Warren. This time, Mr. MacInnis, Mr. Cleveland, Mr. Izzo, Mr. Mandelblatt, Mr. Meister, Mr. Nance, Ms. Stoney and Ms. Sugg supported this decision, while Mr. Armstrong, Dr. Cooper, Mr. Hagg, Ms. Hinshaw, and Mr. Smith placed the interests of Williams' stockholders ahead of their own personal interests and opposed the Merger.

125. Later on September 25, 2015, counsel for Williams contacted counsel for WPZ to notify WPZ that Williams intended to change its recommendation of the WPZ Merger Agreement – in other words, to breach the WPZ Merger Agreement – and that representatives of Williams and its advisors were available to negotiate in good faith with the WPZ conflicts committee and its advisors to make such adjustments in the terms and conditions of the WPZ Merger Agreement so that the WMB Board would not be obligated to change its recommendation.

126. This, of course, was a hollow gesture, as no apparent negotiations took place. Instead, on the following day, September 26, 2015, counsel for Williams sent counsel for WPZ a draft termination agreement and release for the termination of the WPZ Merger Agreement and a draft amendment to WPZ's partnership agreement, pursuant to which, consistent with the terms of the WPZ Merger Agreement, WPZ GP LLC (WPZ's general partner, which is wholly-owned by Williams) would waive $410 million of its incentive distributions in an amount not to exceed $102.5 million in any one fiscal quarter. In the following days, between September 25, and 27, 2015, representatives of Williams and WPZ negotiated the terms of the termination of the WPZ Merger Agreement, pursuant to which WPZ agreed to terminate the WPZ Merger Agreement in exchange for **an increase in the termination fee** payable thereunder **from $410 million to $428 million** through a waiver of WPZ GP LLC's incentive distributions in an amount not to exceed $209 million in any one fiscal quarter. **In other words, not only did the Board cost Williams's stockholders billions of dollars in lost consideration as a result of the pending Merger Agreement with ETE, but it also cost them $428 million to terminate the superior WPZ Merger Agreement, which itself was an $18 million increase over the previously agreed to terms of that agreement.**

127. On September 28, 2015, a bare majority of the Board (Mr. MacInnis, Mr. Cleveland, Mr. Izzo, Mr. Mandelblatt, Mr. Meister, Mr. Nance, Ms. Stoney, and Ms. Sugg) approved the Merger Agreement with ETE and the termination of the

WPZ Merger Agreement. Mr. Armstrong, Dr. Cooper, Mr. Hagg, Ms. Hinshaw, and Mr. Smith opposed these resolutions. Later on September 28, 2015 the parties to the WPZ Merger Agreement terminated the WPZ Merger Agreement, and Williams and the ETE Parties executed the Merger Agreement.

C. <u>The Proposed Transaction</u>

128. On September 28, 2015, Williams and ETE issued a press release announcing the Proposed Transaction, which provides in pertinent part:

> ENERGY TRANSFER EQUITY TO COMBINE WITH WILLIAMS
>
> Anticipated commercial synergies exceed $2 billion of incremental EBITDA by 2020
>
> Up to $400 million of additional cost savings expected from the implementation of ETE's shared service model
>
> Williams' stockholders can elect to receive shares issued by new ETE C- corp and/or cash, subject to proration if either is oversubscribed
>
> Transaction is immediately accretive to cash flow and distributions for both ETE and WMB Williams Partners L.P. (WPZ) to retain its name and remain headquartered in Tulsa
>
> DALLAS, TEXAS AND TULSA, OKLAHOMA — September 28, 2015 — Energy Transfer Equity, L.P. (NYSE: ETE) ("ETE") and The Williams Companies, Inc. (NYSE: WMB) ("Williams" or "WMB") today announced a business combination transaction valued at approximately $37.7 billion, including the assumption of debt and other liabilities. This announcement follows the termination of the previously agreed merger agreement between WMB and Williams Partners L.P. ("WPZ"). The business combination between ETE and WMB was approved by the Boards

of Directors of both entities. The combination will create the third largest energy franchise in North America and one of the five largest global energy companies. The combination will also benefit customers by enabling further investments in capital projects and efficiencies that would not be achievable absent the transaction.

Under the terms of the transaction, Energy Transfer Corp LP ("ETC"), an affiliate of ETE, will acquire Williams at an implied current price of $43.50 per Williams share. Williams' stockholders will have the right to elect to receive as merger consideration either ETC common shares, which would be publicly traded on the NYSE under the symbol "ETC", and / or cash. Elections to receive ETC common shares and cash will be subject to proration. Cash elections will be prorated to the extent they exceed $6.05 billion in the aggregate and stock elections will be prorated to the extent the full $6.05 billion cash pool is not utilized. Williams' stockholders electing to receive stock consideration will receive a fixed exchange ratio of 1.8716 ETC common shares for each share of WMB common stock, before giving effect to proration. If all Williams' stockholders elect to receive all cash or all stock, then each share of Williams common stock would receive $8.00 in cash and 1.5274 ETC common shares. In addition, WMB stockholders will be entitled to a special one-time dividend of $0.10 per WMB share to be paid immediately prior to the closing of the transaction. The special one-time dividend is in addition to the regularly scheduled WMB dividends to be paid before closing.

ETC will be treated as a corporation for U.S. federal income tax purposes, and holders of ETC common shares will therefore receive an IRS Form 1099, rather than a Schedule K-1, for federal income tax reporting. As part of this transaction, in exchange for the contribution by ETC to ETE of all of the assets and liabilities of WMB, ETE will issue to ETC a number of ETE Class E common units equal to the number of ETC common shares to be issued in the transaction. The Class E common units will be

entitled to receive the same quarterly cash distribution per unit as the quarterly cash distribution per ETE common unit. As ETE has agreed to provide all administrative services to ETC and to indemnify ETC for all liabilities incurred by ETC, ETC is expected to distribute 100% of the after-tax cash distributions it receives from ETE to holders of ETC common shares on a quarterly basis as a cash dividend. ETC will benefit from a dividend equalization agreement through calendar 2018 with ETE that ensures that ETC shareholders will receive the identical cash dividend as an ETE unit holder.

To address any uncertainty as to how the newly listed ETC common shares, as a new security, will trade relative to ETE common units, ETE has agreed that, as part of the merger consideration, each ETC share will have attached to it one contingent consideration right ("CCR"). In the event the ETC common shares trade at a discount to the ETE common units on a daily volume-weighted average basis over the 23-month period following the 20th trading day after the closing of the transaction, ETC will make a one-time payment in an amount equal to such volume-weighted price differential (the "Shortfall Amount"). Any Shortfall Amount will be settled in ETC common shares (at the then current value) or cash at ETE's election, and ETE will issue a proportionate amount of Class E common units to ETC. If ETC common shares trade at a premium to ETE common units over the same 23-month period, the CCR will expire with no value and a portion of the ETE Class E common units held by ETC will be cancelled based on the volume weighted average price differential, thereby reducing ETC's ownership interest in ETE. There is also an automatic termination provision of the CCR if ETC trades above ETE on a daily VWAP basis for 20 consecutive trading days and there is no Shortfall Amount outstanding at the end of that 20 trading day period.

The transaction is expected to be tax-free to Williams' stockholders, except with respect to any cash received. The parties believe that all stakeholders will benefit from the cash flow

diversification associated with ownership in three large investment grade MLPs (Energy Transfer Partners, L.P. ("ETP"), Sunoco Logistics Partners L.P. ("SXL") and WPZ). As a result, the combination creates a truly unique and diversified collection of compatible businesses that will drive greater near- and long-term value.

Kelcy Warren, ETE's Chairman, said: "I am excited that we have now agreed to the terms of this merger with Williams. I believe that the combination of Williams and ETE will create substantial value for both companies' stakeholders that would not be realized otherwise."

Frank T. MacInnis, Chairman of the Williams Board of Directors, said: "After a comprehensive evaluation of strategic alternatives, including extensive discussions with numerous parties, the Williams Board of Directors concluded that a merger with Energy Transfer Equity is in the best interests of Williams' stockholders and all of our other stakeholders. The merger provides Williams' stockholders with compelling value today as well as the opportunity to benefit from enhanced growth projects."

Alan Armstrong, President and Chief Executive Officer of Williams, said: "Williams' intense focus on connecting the best natural gas supplies to the best natural gas markets will be a significant complement to the ETE family of diverse energy infrastructure. As a combined company, we will have enhanced prospects for growth, be better able to connect our customers to more diverse markets, and have more stability in an environment of low commodity prices. Importantly, Williams Partners will retain its current name and remain a publicly traded partnership headquartered in Tulsa, Oklahoma."

During the course of its diligence process over the last ten weeks, the Energy Transfer family has identified significant commercial synergies. These synergies run across a broad spectrum, ranging from new revenue opportunities, improved operational

efficiencies and performance, new capital opportunities and prioritization of existing capital projects. ETE expects that the anticipated EBITDA from these commercial synergies will exceed $2 billion per year by 2020 (or more than 20% of the estimated current pro forma EBITDA for the combined company) and will require overall incremental capital investment of more than $5 billion to achieve.

As part of the merger, WPZ will retain its current name and remain a publicly traded partnership headquartered with a meaningful ongoing presence in Tulsa, Oklahoma. Also as a result of this announcement, WMB and WPZ are withdrawing their financial guidance. ETE expects no impact from this transaction on the credit ratings of ETP, SXL, Sunoco L.P. ("SUN") or WPZ.

D. The Proposed Transaction Does Not Provide Adequate Value to Stockholders

129. As noted above, pursuant to the terms of the Merger Agreement:

- Williams will merge with and into ETC, with ETC continuing as the surviving entity.

- Immediately following the Merger, LE GP will merge with and into ETE GP, with ETE GP continuing as the surviving limited liability company and as the general partner of ETE. ETC will serve as the managing member of ETE GP.

- Concurrently, ETC, as the surviving entity in the Merger, will contribute substantially all of the assets and liabilities it assumed from Williams in the Merger to ETE in exchange for the issuance by ETE to ETC of a number of Class E units, a new class of units representing limited partner interests in ETE, equal to the number of ETC common units issued to Williams' stockholders in the Merger.

- In connection with these transactions, ETE will subscribe for a number of ETC common units at the transaction price, in exchange for the amount of cash needed by ETC to fund the $6.05 billion cash portion of the Merger Consideration.

- Then, ETC will contribute an amount of cash to ETE GP, which ETE GP will in turn contribute back to ETE in exchange for newly issued ETE common units and general partner units in ETE, such that the percentage interest in ETE that will be owned by ETE GP after completion of the merger transactions will equal the percentage interest in ETE owned by LE GP immediately prior to the merger transactions.

- As a result of the circular nature of these transactions, ETE will own approximately 19% of the outstanding ETC common units immediately after the Merger.

130. Under the terms of the Merger Agreement, in exchange for each share of Williams common stock that they own, Williams' stockholders will receive:

a) $43.50 in cash (previously defined the "Cash Consideration");

b) 1.8716 common units representing LP interests in ETC (previously defined as the "Unit Consideration"); **or**

c) a combination of cash and ETC units (previously defined as the "Mixed Consideration").

In addition, Williams' stockholders will be entitled to a special one-time dividend of $0.10 per Williams share to be paid immediately prior to the closing of the transaction. What is more, as noted above, in an attempt to maintain the economic equivalence of ETC common units and ETE common units, each ETC common unit issued in the Merger (including those issued to ETE) will have attached to it one CCR.[11]

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[11] Each CCR will provide that, in the event that the daily volume weighted average trading price of ETC common shares for the 23-month period following the

131. Quite simply, this Merger Consideration in grossly inadequate by any number of metrics. As an initial matter, the Merger Consideration is not bound by a collar, and ETE's stock has dropped precipitously since the announcement of the Merger Agreement, causing the implied value of the Merger Consideration to drop to a level that is at or barely above the current trading value of Williams common stock. Second, the stock currency that Williams' stockholders will receive in the Merger is in the form of ETC units, but ETC is a newly-formed company that has

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20th trading day after the closing of the Merger (the "Measurement Period") is less than the daily volume weighted average trading price of ETE common units during the Measurement Period, then ETC will make a one-time payment in an amount equal to such difference (the "Shortfall Amount"). Any Shortfall Amount will be settled in ETC common shares or cash at ETE's election, and ETE will issue a proportionate amount of ETE Class E common units to ETC. If the daily volume weighted average trading price of ETC common shares during the Measurement Period is equal to or greater than the daily volume weighted average trading price of ETE common units during the Measurement Period, then the CCR will expire with no value. Moreover, in the event that the daily volume weighted average trading price of ETC common shares during the Measurement Period is greater than the daily volume weighted average trading price of ETE common units during the Measurement Period, then ETC will return to ETE a portion of the ETE Class E common units held by it based on the amount of such difference, thereby reducing ETC's ownership interest in ETE. The CCRs will automatically terminate prior to the end of the Measurement Period, without any payment to the holder of the CCRs or any payment between ETC and ETE, if (1) the daily volume weighted average trading price of ETC common shares is greater than the daily volume weighted average trading price of ETE common units for 20 consecutive trading days; and (2) no Shortfall Amount would be payable at the end of that 20-trading day period if the Shortfall Amount were calculated using a Measurement Period that commenced on the 20th trading day after the closing of the Merger and ending on such 20th trading day. **Most importantly, the CCRs be "stapled" to the ETC common shares, such that they will trade with the ETC common shares and will not be separable or separately traded and have no separate voting rights.**

never traded, will have no material assets, and, thus, its value is unclear at best. Third, the Merger Consideration – either at its current implied value or at its original $43.50 implied value – does not adequately value the Company on a standalone basis – a fact that the Board and regular Company analysts both recognized. Finally, pursuant to ETC's LP agreement and well-settled Delaware law, as a LP, ETC will not owe the traditional corporate fiduciary duties (other than the contractual duties of good faith and fair dealing) that current Williams' stockholders are owed by the Williams Board, and the Merger Consideration utterly fails to compensate Williams' stockholders for these lost rights.

1. The Merger Consideration Has No Collar and Continues to Drop in Value

132. As an initial matter, and as noted above, Williams' stockholders' elections to receive cash or LP units will be subject to proration. Pursuant to the proration scheme outlined in the Merger Agreement, Cash Consideration elections will be prorated to the extent they exceed $6.05 billion in the aggregate and Unit Consideration elections will be prorated to the extent the full $6.05 billion cash pool is not utilized. In other words, all elections will be prorated to ensure that the aggregate number of ETC common units and the aggregate amount of cash paid in the Merger will be the same as if all electing shares received the Mixed Consideration.

133. Under the Mixed Consideration, Williams' stockholders will receive $8.00 in cash and 1.5274 ETC common units for each share of Williams common stock that they own. Therefore, approximately 18.4% of the Merger Consideration will be paid in cash, while the remaining 81.6% of the Merger Consideration will be paid in ETC common units. This is critical in this case, for two reasons.

134. *First*, the Merger Agreement provides for no collar. In light of the fact that ETE's stock price dropped by $11.04 per unit – or 32% – between its original May 19 Proposal and the announcement of the Merger Agreement, the Board's failure to bargain for a collar **alone** was unreasonable and constitutes a violation of their *Revlon* duties.[12]

135. *Second*, ETE's stock price has continued its precipitous drop since the announcement of the Merger Agreement. Specifically, on the day of the announcement of the Merger Agreement **alone**, ETE's stock dropped $2.95 per unit (or 12.7%), from $23.24 (on September 25, 2015, the last trading day prior to the announcement) **to $20.29** September 28, 2015. Since then, the stock has not only failed to recover, but has continued to plummet. On December11, 2015, the last trading day before the filing of this Complaint, ETE's stock closed at just $13.34 per unit, marking a $9.90 per unit (or 42.5%) decline from its pre-Merger Agreement

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[12] Specifically, ETE's stock closed at $34.28 on May 19, 2015, the day of the May 19 Proposal, and at $23.24 per unit on September 25, 2015, the last trading day prior to the announcement of the Merger Agreement.

price.

136. **Based on this price, the current implied value of the Merger Consideration is just $28.37 per Williams share. That is barely 44% of the $64.00 implied price per share that the Board rejected as "significantly undervalued" and "not deliver[ing] value commensurate with what [Williams] expected to achieve on a standalone basis and through other growth initiatives, including through the previously proposed acquisition of all of the public outstanding common units of WPZ."** Indeed, that current implied price is *barely above* Williams' current trading price and is well below virtually all of the value ranges implied by Barclays and Lazard in their financial analyses.[13]

2. ETC Is a Newly-Formed Company and Its Stock Has Never Traded

137. As the Proxy acknowledges, although "the value of the merger consideration that [Williams] stockholders receive will depend on the per share value of ETC common shares at the effective time[, u]nless a 'when issued' trading market for the ETC common shares develops, prior to the effective time, there has not been and will not be an established public trading market for ETC common shares." As a result, "no trading market currently exists for ETC common shares, the price of ETC common shares may be volatile, and a trading market that will

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[13] Indeed, even on the day the Merger Agreement was announced, the Merger Consideration represented a mere 4.5% premium over Williams' September 25, 2015 closing price of $41.60.

provide ETC shareholders with adequate liquidity may not develop."

138. What is more, even if the value of ETC's stock were tied directly to the value of ETE's stock (which it is not), ETC's cash flow, and therefore its ability to make distributions to ETC unitholders, depends primarily upon ETE's ability to make cash distributions to ETC, which in turn depends on the cash distributions ETE receives from ETE's many affiliates, cash flows ETE receives from its LNG business, the consolidated debt level and debt agreements of ETE, ETC, and ETE's many affiliates and their respective subsidiaries, and the expenses ETE otherwise incurs.

139. To make matters worse, the Merger Consideration that Williams' stockholders will receive in the Merger is not actually **directly** tied to ETE's stock – poorly performing and subject to so many caveats as it may be. To the contrary, Williams' stockholders will be receiving units in ETC, a newly-formed company with no current assets or trading history whose stock will only be indirectly tied to the value of ETE's stock by the CCRs.

140. But the CCRs are not a cure-all, as ETC stockholders may not receive any payment in respect of the CCRs at all, ETC stockholders will not be able to determine the payments to be received under the CCRs until at least two years following the closing date, and the CCRs are stapled to the ETC common shares and are not separately tradeable. Accordingly, despite the existence of the CCRs, "ETC common shares and ETE common units may not trade in relation or proportion to

one another" and, indeed, "ETC common shares could trade at a discount to ETE common units." This is especially troubling in light of the fact that, even based on the value of ETE units (to say nothing of the unknown value of the ETC units), the Merger Consideration currently implies a price barely above the trading price of Williams' stock.

141. What is more, ETC's ownership in ETE may actually be **diminished** by operation of the CCRs if ETC common units trade at a premium to ETE common units over the Measurement Period. Finally, starting in 2019, all bets are off, and the distributions ETC unitholders receive on their ETC common units may be lower than the distribution ETE common unitholders receive on their ETE common units.

142. These many issues make the Merger Consideration being received by Williams' stockholders difficult, if not impossible, to accurately value – especially in light of the precipitous drop in the value of ETE's stock. Indeed, on September 10, 2015, analysts at Wells Fargo even noted the likelihood that the Board – or, at least, a Board acting in stockholders' best interests – would reject the deal for such reasons:

> Given significant volatility in the capital markets, WMB's board could emphasize the lack of trading history for the new ETC security and reject the offer on this basis. Further, the decrease in ETE's unit price (22% decrease since the offer was made) could also cause WMB's board to balk.

3. The Merger Consideration Does Not Adequately Compensate Stockholders for Williams' Inherent, Standalone Value

143. As alluded to above and as specifically acknowledged by the Board early on in the process, Williams was and remains a fundamentally strong company with significant inherent standalone value not accurately reflected in or compensated by the Merger Consideration – either at $64.00 per share, its September 28, 2015 implied value of $43.50 per share, or its significantly lesser implied value today.

144. As noted above, on October 24, 2014, WPZ, ACMP, and several affiliated entities of both companies entered into the ACMP-WPZ Merger Agreement to undertake the ACMP-WPZ Merger, a transaction valued at approximately $50 billion.[14] At the time, Williams owned controlling interests in both ACMP and WPZ, and the ACMP-WPZ Merger was expected to significantly benefit Williams' bottom line and was widely heralded by analysts and investor alike.

145. Specifically, at the time the ACMP-WPZ Merger was announced, Mr. Armstrong stated:

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[14] Prior to the ACMP-WPZ Merger, WPZ owned and operated on-shore and offshore assets of approximately 15,000 miles of natural gas gathering and transmission pipelines, 1,800 miles of NGL transportation pipelines, an additional 11,000 miles of oil and gas gathering pipelines and numerous other energy infrastructure assets, while ACMP owned and operated natural gas midstream assets across nine states, with an average net throughput of approximately 3.9 billion cubic feet per day and more than 6,495 miles of natural gas gathering pipelines.

> This is another big step toward our goal of becoming the leading natural gas infrastructure provider in North America. The combination of Access Midstream Partners' intense focus on natural gas gathering with Williams Partners' broader service offerings along the value chain is yielding even more robust growth opportunities. Additionally, the people at both partnerships bring valuable skills, experiences and best practices that will strengthen the combined partnership's ability to execute and grow. This transaction advances our strategy to connect the best supplies to the best markets by allowing us to provide even more service and market options for our customers.

In the same press release, the Company stated:

> **Upon completion of the merger, expected to occur by early 2015, the merged MLP is anticipated to be one of the largest and fastest growing MLPs with expected 2015 adjusted EBITDA of approximately $5 billion, industry-leading 10% to 12% annual limited partner unit distribution growth rate through the 2017 guidance period and with expected strong growth beyond.** Distribution coverage is expected to be at or above 1.1x or an aggregate of $1.1 billion through the 2017 guidance period. **Cash distributions for 2015 are expected to total $3.65 per limited partner unit, up 50% and 30% over ACMP's 2014 and 2015 distribution guidance, respectively.** The merged MLP expects to pay a regular cash distribution in the first quarter of 2015 in the amount of **$0.85 per unit, up 53%** over the ACMP distribution paid in the first quarter of the prior year (assuming that the merger closes before the distribution record date). [Emphasis added]

146. In connection with the ACMP-WPZ Merger, Williams increased its third-quarter 2014 dividend 32% to $0.56, or $2.24 on an annualized basis. The sharp increase in the third quarter dividend resulted from Williams' July 1 acquisition of controlling interests in ACMP as well as the decision to accelerate its planned shift to a pure play GP holding company. In addition to the third-quarter

2014 dividend increase, Williams also affirmed dividend-growth guidance of approximately 15% annually – from the higher third-quarter 2014 base – through 2017 **with planned dividends of approximately $1.96 in 2014, $2.46 in 2015, $2.82 in 2016, and $3.25 in 2017**.

147. Unsurprisingly, analyst reaction to the ACMP-WPZ Merger was glowing. On October 27, 2014, in a report entitled "Why Wait til Wednesday when it's Win-Win-Win," analysts at Credit Suisse stated that they "continue to believe [Williams] drives toward at least our TP [target price] of $70 over the coming year, if not higher based on the yield vs growth of its peers." Meanwhile, analysts at J.P. Morgan "s[aw] an improved path for future [Williams] dividend growth due to the merged MLP's stronger distribution coverage and financial flexibility" on October 29, 2014.

148. On the same day as this October 29, 2014 report, Williams released its financial results for the third quarter of 2014. For the quarter, the Company announced cash distributions from WPZ and ACMP of $521 million – a $189 million (or 57%) increase from total cash distributions received for the third quarter of 2013. Year-to-date 2014, Williams reported cash distributions from WPZ and ACMP of $1.485 billion – a $377 million (or 34%) increase from the same period in 2013.

149. On the following day, commenting on both the third quarter results and the pending ACMP-WPZ Merger, analysts at Credit Suisse stated:

> This was a big week for Williams—nailing down the final terms of the ACMP-WPZ merger, outlining the Geismar restart, and getting through 3Q relatively unscathed. Looking ahead, the transformation should be finalized over the coming months, **and by early next year WMB** will be a pure- play GP that (barring a massive move in the stock) **will be trading at a sizeable valuation discount vs its peers**. In our revised estimates for WPZ (and up to the merged MLP and eventually WMB), **we have been very cautious** on the rampup of projects and volumes as well as with commodity prices. **Despite this, we still see solid coverage at the merged MLP level and also potential room at the WMB level for the dividend guidance to be revised higher over time. All told, we continue to see WMB driving to at least our $70 TP over the next year, with considerable room for upside with successful execution.** [Emphasis added]

150. On February 2, 2015, the ACMP-WPZ Merger was completed.

151. Shortly thereafter, on February 18, 2015, Williams released its financial results for the fourth quarter and full year of 2014. For the fourth quarter, Williams reported total MLP cash distributions of $515 million – a $70 million (or 16%) increase from total MLP cash distributions for the fourth quarter of 2013. For the full year, Williams reported total MLP cash distributions from WPZ and ACMP of $2 billion – **a $447 million (or 29%) increase** from total MLP cash distributions received for 2013. In connection with these results, Mr. Armstrong stated:

> Williams' rapidly growing cash distributions from Williams Partners and Access Midstream Partners totaled $2 billion in 2014. With the two partnerships now merged into a leading large-cap MLP focused on natural gas infrastructure, we're further positioned to take advantage of long-term natural gas demand growth for power generation, manufacturing and exports. We expect the new Williams Partners to generate approximately $4.5 billion of adjusted EBITDA in 2015 from a gross margin that is about 88 percent fee-based, the majority of which consists of

> contracts with demand payments, cost-of-service rates or minimum volume commitments.
>
> In the fourth quarter, Williams Partners' fee-based revenues continued to grow and we began commissioning major new assets including Gulfstar One, Keathley Canyon Connector and our Geismar plant. These large-scale assets are ramping up in the first quarter of 2015 and are expected to deliver strong contributions for the balance of the year and beyond. However, the sharp decline in commodity prices, the delay in the startup of Geismar and higher costs associated with the commissioning of these large-scale assets, reduced our overall results.

152. Based on these results, Williams also updated its guidance. Specifically, the Company updated guidance for WPZ's 2015 common unit cash distributions to $3.40, with an annual growth rate of 7%-11% through 2017 with growing coverage, and, based on this updated guidance, Williams's updated its guidance for its expected dividends per share for to $2.38 per share, with an annual growth rate of 10%-15% through 2017 with growing coverage.

153. On April 29, 2015, the Company released its financial results for the first quarter of 2015, during which the ACMP-WPZ Merger was completed. For the quarter, the Company reported cash distributions from WPZ of $515 million – a $60 million (or 13%) increase from total MLP cash distributions received in the first quarter of 2014.

154. Then, on May 13, 2015, Williams announced the WPZ Merger Agreement, pursuant to which Williams would acquire all of the public outstanding common units of WPZ in an all stock-for-unit transaction at a 1.115 ratio of Williams

common shares per unit of WPZ, a transaction valued at $13.8 billion. Pursuant to the press release announcing the WPZ Merger, upon completion of the WPZ Merger, the combined entity was anticipated to be one of the largest and fastest-growing high-dividend paying C-Corps in the energy sector with an industry-leading 10%-15% annual dividend growth rate through 2020. The combined entity was expected to pay a third quarter of 2015 dividend of $0.64 per share (or $2.56 per share on an annual basis) – **up 6.7%** over Williams' previously planned third quarter of 2015 dividend of $0.60 per share. Dividends for 2016 were further expected to total $2.85 per share – **approximately 20% above Williams' previous guidance for its 2015 dividend and 6.3% above its previous guidance for its 2016 dividend**.

155. In connection with the deal, Mr. Armstrong stated:

> **This strategic transaction will provide immediate benefits to Williams** and Williams Partners investors. We continue to see an expanding portfolio of projects to connect the best supplier of natural gas and natural gas products to the best markets. The lower cost of capital and improved tax benefits expected from this transaction increase our confidence in extending the duration of our expected 10 percent to 15 percent dividend growth rate through 2020.
>
> This transaction simplifies our corporate structure, streamlines governance and positions Williams for strong investment-grade credit ratings. **We anticipate significant market valuation upside and lower cost of capital for new fee-based growth projects along with incremental growth through strategically aligned M&A activities.** Our roster of large-scale, fully contracted infrastructure projects will drive extraordinary adjusted EBITDA growth from an expected $5.4 billion in 2016 to $6.8 billion in 2018. [Emphasis added]

156. Analyst reaction was correspondingly positive. Analysts at BMO Capital Markets called the WPZ Merger "a positive, but unexpected move." Analysts at J.P. Morgan noted that the WPZ Merger "should be viewed favorably given higher and extended dividend growth, with better coverage" and further opined that the "[l]ower cost of capital and transaction tax savings should drive stronger accretion." Analysts at Wells Fargo, in turn, sated that they "view[ed] the deal as a net long-term positive for both entities" and correspondingly maintained their Outperform ratings. They further stated:

> **We believe the key beneficiary is WMB** given the near-term step-up in its dividend rate and the extension of a 10-15% annual dividend growth rate through 2020. WPZ unitholders benefit from the 14.5% premium offered, a lower cost of capital to pursue organic growth opportunities/M&A and an accelerated dividend growth rate. This is somewhat offset by lower cumulative cash distributions in 2015-19 and a possible significant tax hit (depending upon length of ownership, etc.), in our view. **We are increasing our WMB valuation range by $7 to $60-64 per unit** to reflect a our revised forecasted 5-year dividend CAGR of 13.2% (vs. our previous estimate of 10.8%).
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> * * *
>
> The deal provides WMB shareholders with several benefits including: *(1) Accretion/Acceleration Of Dividend Growth*. Management estimates average annual accretion of more than 10% in 2016-18 cash available for dividends. This compares to our average accretion estimate of 10% relative to our pre-acquisition estimates. The transaction results in ~$2.1B of cash tax savings (from a $6B step-up) to be realized over a 15-year period, likely starting in 2019 when Williams is expected to be a taxpayer. For the dividend per share, WMB expects to step up the rate 8.5% sequentially to $2.56 (annualized) in Q3'15, $2.85 in 2016 (up 15% yr/yr and 6% relative to previous guidance) and then increase

> it 10-15% annually through 2020. Our three-year (2016-19) dividend CAGR estimate increases to 8.5% from 6.8% previously. *(2) Lower Cost Of Equity.* The elimination of incentive distribution right (IDR) payments reduces the cost of equity which could improve the accretion from growth projects. *(3) Increased M&A Opportunities.* A lower cost of equity could enable WMB to accelerate its M&A efforts and *(4) Simplification.* Williams would have one publicly traded security instead of two. [Emphasis added]

And, on May 14, 2015, analysts at BMO Capital Markets noted:

> We see this as a positive event, and while the stock traded up 6%, we think more is to come as the transaction transpires, ultimately accelerating a re-rating to the 4.0-4.5% dividend yield range.
>
> * * *
>
> We reiterate our Outperform rating, and are raising our YE15 price target to $61 predicated on a combination 17x 2016 EBITDA and 18x DCF (16x and 17.7x peer average, respectively), which translates to a year end yield of ~4.3%.

157. As noted above, on the news of the WPZ Merger, Williams stock jumped approximately 6.5%, from a May 12, 2015 close of $50.10 per share to a May 13, 2015 close of $53.21 per share (later topping out at $53.80 per share on May 15, 2015).

158. Importantly, analysts also understood that Williams, especially after the acquisition of WPZ, was and would be well-positioned for future growth, despite the oncoming commodities slow down. That is because Williams' position as a midstream pipeline supplier positioned it to weather any such commodities slow down better than a pure-play oil producer. For example, on June 16, 2015, analysts

at Morningstar noted that, "[i]t is worth reiterating that over the longer term, we expect North America to become a leading source of oil supply growth, and with this, we also expect demand for pipeline capacity to remain robust as upstream producers begin to benefit from the improved drilling economics."

159. Then, on June 21, 2015, Williams publicly issued the press release announcing that the strategic review process initiated because of the receipt of ETE's implied $64.00 per share offers. Importantly, in that press release, the Company took the position that the unsolicited proposal:

> significantly undervalues Williams and would not deliver value commensurate with what Williams expects to achieve on a standalone basis and through other growth initiatives, including the pending acquisition of WPZ.

In addition, on the press release, Mr. Armstrong stated:

> Williams' premier infrastructure connects the best natural gas supplies to the best markets, and our strategy has provided substantial shareholder value allowing us to deliver a compound annual dividend growth rate of approximately 30% since we embarked on our strategy in 2012. In addition, we expect the growth of our business and the benefits from the WPZ transaction to enable10-15% dividend growth through 2020. **We are confident in our strategic plan and the significant value that will be created through the acquisition of WPZ and our large portfolio of growth projects.** [Emphasis added]

160. What is more, in a separate June 21, 2015 email to Williams' senior management, Mr. Armstrong represented:

> As some of you know, Williams has received an unsolicited proposal to acquire us Williams in an all-equity transaction at a stated per share price of $64.00. The unsolicited proposal was

> contingent on the termination of Williams' pending acquisition of Williams Partners L.P. The Williams Board of Directors, along with its advisors, carefully reviewed the proposal, and as a result of this review, **our Board determined that the proposal significantly undervalues WMB and that the continued aggressive pursuit of our strategy on a stand-alone basis, including our pending acquisition of Williams Partners, will create more value for our shareholders.**
>
> In light of the unsolicited proposal, our Board believes it is appropriate to conduct a thorough evaluation of strategic alternatives. **We are confident in our strategic plan and the significant value that will be created through the acquisition of Williams Partners and our large portfolio of growth projects.** At the same time, we are committed to ensuring that Williams is maximizing value for shareholders. **We will continue to work towards the completion of the Williams Partners [WPZ] transaction as the Board conducts its review.**

161. After the June 21, 2015 public announcement by Williams that it was considering strategic alternatives and had rebuffed a $64.00 per share offer and ETE's subsequent June 22, 2015 public announcement by ETE of its proposal to acquire the Company for $64.00 per share, analysts continued to note Williams' comparative strength and the reason for its attractiveness to ETE. For example, on June 22, 2015, analysts at Morningstar noted:

> Williams has built a significant position in the Marcellus shale through both organic growth projects and savvy acquisitions. As a result, it is now in an enviable position in the race to build infrastructure in the fastest growing gas play in the country. **Kelcy Warren, CEO of the Energy Transfer Family and himself a savvy dealmaker, understands this but may need to pay up to complete this deal.** Overall, we see many long-term positives from this transaction for Williams holders given they are officially in play at this point. **Several options include ETE coming back with a higher offer**, a third party coming in with an offer**, or**

> **Williams continuing along its existing growth plan**. [Emphasis added]

Similarly, on June 23, 2015, analysts at Wells Fargo stated:

> [W]e see very few potential bidders. We think the most likely path forward will be a negotiation between ETE and WMB with a final offer price perhaps modestly above the $64 per share proposal. According to our analysis, **ETE could pay up to approximately $70 per share for WMB**. [Emphasis added][15]

162. On June 22, 2015, analysts at Morgan Stanley similarly noted that "we think ETE has a little room to bid higher." On June 22, 2015, analysts at Jefferies noted that that "ha[d] consistently highlighted WMB as a top 2015 pick."

163. On July 29, 2015, Williams released its financial results for the second quarter of 2015. For the quarter, the Company reported cash distributions from WPZ of $513 million – a $4 million increase from total MLP cash distributions received in the second quarter of 2014. The Company also reported adjusted EBITDA for the second quarter of 2015 of $1.02 billion, compared with $770 million in second quarter of 2014, an increase of $247 million (or 32%). Year-to-date in 2015, Williams reported $1.94 billion in adjusted EBITDA, a $344 million (or 22%) increase from the same period in 2014.

164. On September 28, 2015, the Merger Agreement was announced.

165. Market, analyst, commentator, and investor reaction were all swift and

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[15] Of course, not only did ETE never come back with a higher offer, but the value of its offer dropped as time went on.

overwhelmingly negative. As noted above, ETE's stock dropped $2.95 per unit (or 12.7%), from $23.24 (on September 25, 2015, the last trading day prior to the announcement) **to $20.29** on September 28, 2015. In stark comparison to the news of the WPZ Merger (which heralded a stock jump), Williams' stock also dropped on the news – no doubt to reflect ETE's ongoing free-fall – from $41.60 per share on September 25, 2015 to $34.93 on September 29, 2015.[16] This is a far cry from Williams' 52-week closing high of $60.86 per share on June 22, 2015.

166. Analysts mirrored the sentiment. On September 28, 2015, analysts at Morningstar recognized that the implied offer price was "well below" the $64.00 offer in June 2015 and noted that "[t[he market has reacted negatively to the news," with "ETE down 13%" and Williams "down 12% versus the American MLP index down 5.8%." S&P Capital IQ cut its 12-month price target for the Company **by $16.00 per share** to $44.00 from $60.00 per share to reflect the deal terms. Seeking Alpha published an article titled "Energy Transfer Equity Won Williams, But Shareholders Lost," while the New York Times published an article of its own describing the Proposed Transaction as a "coup for Energy Transfer. . ." And analysts at Jefferies noted on September 28, 2015, that they "believe[d] some shareholders may be disappointed as the implied value is identical to what was

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[16] Since then, and as is typical, Williams' stock has continued to drop as it tracks the free-fall in ETE's stock price.

rejected just three months earlier and were perhaps expecting a marginal uplift in implied deal terms," rather than a significant decrease.

167. Commentators and stockholders were more than simply disappointed. Four stockholders filed suit criticizing the Merger and the Merger Consideration between October 5 and October 13, 2015, and, in an article entitled "Williams Companies' Investors Should Say 'No' to Energy Transfer," a Company commentator opined:

> For the last six months, midstream and marketing giant Energy Transfer Equity (ETE) has been pursuing Williams Companies (WMB), a dry-gas-focused midstream firm and owner of the Transco Pipeline -- which is a vital pipeline between the Eastern Seaboard and the Gulf Coast. About six months ago, Energy Transfer made an offer for Williams of $64 a share; a big premium to the share price at that time.
>
> Despite the premium, Williams Companies rejected the offer, not least because it would mean an end to the merger between Williams Companies and its Master Limited Partnership arm, Williams Partners (WPZ). Williams' management said Energy Transfer's offer "significantly undervalued" Williams Companies.
>
> You might guess that Energy Transfer's second offer would therefore be higher, but, in fact, it isn't. Just last week, Williams and Energy Transfer settled on an effective price of $43.50 a share -- far lower than the price offered 6 months ago. And this time, Williams accepted.
>
> While shareholders of Williams Companies are justifiably unhappy, the deal isn't as terrible as it looks. Yes, shares of Williams Companies are way down since the first offer, but shares of Energy Transfer Equity are down by just as much, and this is an all-stock deal (with a cash option).
>
> So, what does this deal look like? The deal documents have a lot of fine print, but, to put it simply, Energy Transfer is now offering

about a 5% premium to the price of Williams Companies. That's not much. When the smoke clears, Energy Transfer Equity will spin off into a corporate entity, take Williams' assets with those of Energy Transfer Equity, and slap them together into a new corporation, Energy Transfer Company, which will have ticker symbol ETC.

One interesting caveat is that if ETC drops well below shares of Energy Transfer Equity, shareholders in ETC will be compensated in shares of Energy Transfer Equity for the difference in value.

Williams owns the fastest-growing, most-important pipeline system in North America: the Transco System. Natural gas is in a very good spot: The world is increasingly turning to natural gas as a power source, and the United States now has the cheapest source of dry gas. To put it simply, Williams Companies is in a uniquely great position to grow from the natural gas 'supercycle.'

What does this acquisition do? Energy Transfer is a very diversified energy conglomerate, with exposure to not only midstream services, but also shale gas production, an LNG facility, and fuel marketing and convenience stores. Energy Transfer Companies will be the largest dry-gas transporter, the third-largest NGL fractionator (natural gas liquid processor), the third largest transporter of crude oil and it will have 5% of all gas sales through Sunoco, some shale gas production, and the brand new Lake Charles LNG facility.

Energy Transfer is a great business, with strong brands across many fields. However, shareholders of Williams Companies will be losing their uniquely strong, gas-focused company to be part of a large conglomerate.

If I were a shareholder of Williams Companies, I wouldn't want that setup unless I was getting a substantial premium to do so. That premium is not forthcoming, and that's why I don't feel this deal is a very good one for shareholders.

Energy Transfer expects to garner $2 billion in EBITDA synergies from this acquisition. Considering that the combined company will have a market cap of some $150 billion, this isn't a hugely accretive deal. And furthermore, these savings won't be fully realized until 2018 – more than two years from now.

> Conclusion
>
> Williams Companies has a unique business, with growth prospects from a strong line of business. I think that investors should work to keep it this way by voting 'no' on the proposed merger.

168. On October 28, 2015, Williams released its financial results for the third quarter of 2015. For the quarter, and despite the downturn in commodities affecting much of the rest of the market, the Company reported cash distributions from WPZ of $513 million – a slight $8 million decrease from total MLP cash distributions received in the third quarter of 2014. However, the Company also reported adjusted EBITDA for the third quarter of 2015 of $1.1 billion, compared with $908 million in third quarter of 2014, an increase of $195 million (or 21%). Year-to-date in 2015, Williams reported $3.04 billion in adjusted EBITDA, a $539 million (or 22%) increase from the same period in 2014.

169. Notably, upon the release of these results, analysts noted that Williams appeared better positioned to weather the commodities downturn. For example, on October 28, 2015, analysts at UBS noted that Williams' third quarter results exceeded expectations on lower costs and that, "should this cost performance be sustainable it suggests that WPZ/WMB will be better able to navigate through the 'lower for longer' cycle the energy patch appears to be in." Similarly, analysts at J.P. Morgan "view[ed the] results positively as the baseline business performed better than expected in a period of weak commodity prices." Similarly, on October 30 2015, analysts at Wells Fargo Securities increased their 2015 and 2016 DCF per

share estimates to $2.36 and $2.54, respectively, from $2.11 and $2.25, opining: "Despite challenging market conditions, Williams reported solid Q3 results driven by contributions from several large-scale projects, particularly in the Atlantic Gulf segment."

170. Given the Company's pre-announcement financial success, strong market positioning, and corresponding stock price performance, it should come as no surprise that several analysts set a target price of $63.00 per Company share, or $19.50 above the originally-implied value of the Merger Consideration.

171. In short, the Merger Consideration simply does not adequately value Williams as a standalone entity – a sentiment even the Board recognized in June 2015.

172. Nor does the Merger Consideration account for Williams' consistent dividends, which it has paid every quarter since 1974, with the Company's most recent issuance in December 2015 amounting to $0.64 per share. Though the Proposed Transaction contemplates a one-time special dividend of $0.10 per share to be paid immediately before the Merger closes, Company stockholders receiving units of ETC as part of the Merger Consideration stand to receive much smaller dividend payments going forward. Indeed, the Merger Agreement notes that ETC unitholders will receive the same cash dividends as ETE unitholders, and ETE unitholders most recent dividend payment in November 2015 amounted to just over $0.28 per unit. In addition, as noted above, ETC's cash flow, and therefore its ability

to make distributions to ETC unitholders, depends primarily upon ETE's ability to make cash distributions to ETC, which in turn depends on the cash distributions ETE receives from ETE's many affiliates, cash flows ETE receives from its LNG business, the consolidated debt level and debt agreements of ETE, ETC, and ETE's many affiliates and their respective subsidiaries, and the expenses ETE otherwise incurs.

173. Finally, as a condition to the Proposed Transaction, the Company was forced to terminate the WPZ Merger, resulting in a loss of $428 million in the termination fee.[17]

4. The Merger Consideration Does Not Compensate Stockholders for Their Lost Fiduciary Rights in Any Way

174. Finally, Williams' stockholders will also lose the well-established, traditional corporate fiduciary duties that they are currently owed by the Williams Board when they become unitholders of ETC. That is because ETC is a limited partnership under Delaware law and, pursuant to its certificate of limited partnership, its partnership agreement, and Delaware law, ETC appears to have severely limited

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[17] Many analysts also believe that ETE and Williams overstated the value to be derived from synergies between the companies. According to Defendants, ETE expects to garner $2 billion in EBITDA synergies from the acquisition. Considering that it will take approximately $5 billion in capital investments to realize these synergies and the combined company will have a market capitalization of approximately $150 billion, any synergy value accreting to shareholders will likely be minimal in both the short and long term.

the duties that it owes to its unit holders, save the standard contractual duties of good faith and fair dealing. This means that, for many future actions contemplated by ETC that will affect the economic well-being of former Williams' stockholders, the ETC GP board will not owe the traditional corporate fiduciary duties that the Williams Board currently owes to Williams' stockholders, since Williams is a corporation subject to the more robust corporate fiduciary duties under Delaware law.

175. For example, ETC will be managed by its general partner, ETC GP, which in turn will be managed by a board of directors appointed by the existing owner of the GP, an entity wholly owned by Mr. Warren of ETE. Moreover, after the Merger, former-Williams' stockholders and then-ETC unitholders will have limited voting rights on matters affecting ETC's business, will not be entitled to elect or remove ETC GP as the general partner of ETC or to elect or remove directors on the ETC GP board, and will not be entitled to direct the manner in which ETC votes its ETE Class E units and, therefore, will not have any voting rights with respect to ETE's business through their ownership of ETC.[18]

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[18] Mr. Warren will also retain certain "approval rights" with respect to certain ETC matters, including ETC's ability to declare any material extraordinary distribution on the common shares, sell substantially all of its assets or engage in mergers or combinations with other entities. These matters cannot therefore be approved solely by a majority vote of the ETC GP Board or the ETC unitholders. As a result, these approval rights may prevent ETC from engaging in certain matters that the ETC GP board or ETC unitholders believe to be in the best interest of ETC

176. This is important to ETC stockholders' bottom line, though, as ETC's cash flow, and therefore its ability to make distributions to ETC unitholders, depends primarily upon ETE's ability to make cash distributions to ETC, which in turn depends on the cash distributions ETE receives from ETE's many affiliates. But the incentive distributions that ETE is entitled to receive may be limited or modified without the consent of ETC's unitholders, which may reduce cash distributions to ETC unitholders, and a reduction in ETE's affiliates' distributions will disproportionately affect the amount of cash distributions to which ETE is entitled and, consequently, the amount of cash distributions to which ETC is entitled. After the merger is completed, holders of ETC common units will receive distributions according to ETC's partnership agreement, but any such distributions or changes to ETC's distribution policy can be made **at the discretion of the board of directors of ETC GP** – the entity controlled by Mr. Warren.

177. Further, current-Williams' stockholders (and future ETC unitholders) will be subject to the dilution of their ownership interests in ETC. Specifically, ETC may issue an unlimited number of additional common shares or convertible securities in subsequent public or private offerings, and ETC GP may cause ETC to issue additional common units or other equity securities, including equity securities

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and its unitholders. What is more, the control of ETC GP can be transferred to a third party without ETC unitholder consent.

that are senior to ETC common unit, in each case without ETC unitholder approval, which may adversely affect ETC unitholders. As a limited partnership, ETC is not required to seek unitholder approval for issuances of common units, including issuances in excess of 20% of ETC's outstanding equity securities, or for issuances of equity to certain affiliates.

178. Current-Williams' stockholders (and future ETC unitholders) will also be subject to summary buyout, since ETC GP has a call right that may require ETC unitholders to sell their common shares at an undesirable time or price. Specifically, if at any time more than 90% of ETC's outstanding common units are owned by ETC GP and its affiliates, ETC GP will have the right (which it may assign to any of its affiliates or ETC), but not the obligation, to acquire all, but not less than all, of the remaining ETC common units held by ETC's public unitholders.

179. ETC GP and ETE's other affiliates can take these kinds of actions with virtually no oversight, and unrestrained by traditional fiduciary duties, for a number of reasons. First, because ETC is a limited partnership, the NYSE does not require ETC GP to have a majority of independent directors on its board of directors or to establish a compensation committee or a nominating and corporate governance committee.

180. Second, despite the fact that ETC's existing organizational structure and the relationships among it, ETE, ETE's many affiliates, and the respective general partners and affiliated entities present the potential for conflicts of interest,

the ETC GP board can approve such conflicted matters without seeking approval of such resolution or course of action from its conflicts committee or from the holders of a majority of the outstanding units. And, even if the ETC GP board elects not to submit a conflicted transaction to the ETC conflicts committee for approval, it will be presumed to have acted in good faith in connection with approving such transaction and the ETC unitholders will bear the burden of overcoming such presumption. As a result, ETC GP and ETE's other affiliates may be able to engage in facially conflicted transactions without liability.

181. Third, ETC's partnership agreement defines ETC GP's duties to ETC and contains provisions that reduce the remedies available to ETC's unitholders for actions that might otherwise be challenged as breaches of fiduciary or other duties under state law. For example, ETC's partnership agreement:

- permits ETC GP to make a number of decisions in its individual capacity, as opposed to in its capacity as ETC's general partner, which entitles ETC GP to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting, ETC, ETE, ETE's affiliates, ETC's affiliates or any shareholder;

- generally provides that ETC GP will not have any liability to ETC or its shareholders for decisions made in its capacity as a general partner so long as it acted in good faith which, pursuant to ETC's partnership agreement, requires a subjective belief that the determination, or other action or anticipated result thereof is in ETC's best interests;

- generally provides that any resolution or course of action adopted by ETC GP and its affiliates in respect of a conflict of interest will be permitted and deemed approved by all of ETC's shareholders, and will not constitute a breach of ETC's partnership agreement or any duty if

the resolution or course of action in respect of such conflict of interest is (i) approved by a majority of the members of ETC GP's conflicts committee or (ii) approved by majority vote of ETC common units (excluding common shares owned by ETC GP and its affiliates);

- provides that, to the fullest extent permitted by law, in connection with any action or inaction of, or determination made by, ETC GP or the conflicts committee of the ETC GP board with respect to any matter relating ETC, it shall be presumed that ETC GP or the conflicts committee of the ETC GP Board acted in good faith, and in any proceeding brought by or on behalf of any of ETC's shareholders challenging any such action or inaction of, or determination made by, ETC GP or the conflicts committee of the ETC GP board, the person bringing or prosecuting such proceeding shall have the burden of overcoming such presumption; and

- provides that ETC GP and its officers and directors will not be liable for monetary damages to ETC, its shareholders or assignees for any acts or omissions unless there has been a final and no appealable judgment entered by a court of competent jurisdiction determining that ETC GP or those other persons acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that such person's conduct was criminal.

182. These kinds of limited fiduciary duties have come under fire recently. Indeed, commenting on the growing complexity, rather than simplification, of the ETE family of companies, analysts at Morningstar even noted on September 28, 2015, that they believed that ETE investors were "weary and want more transparency," but that, "[u]nfortunately they are not going to get it at this time."

183. The Proposed Transaction does not even begin to compensate Williams' stockholders for these lost rights. More importantly, the Proxy does not suggest that the Board even considered these lost rights, or their value, in agreeing to the Merger.

E. The Proposed Transaction Is the Result of a Flawed Process that Is Marred by Conflicts of Interest

184. The insufficient consideration contemplated by the Proposed Transaction is the result of a flawed process marred by conflicts of interest.

185. As an initial matter, two of the Individual Defendants – Messrs. Mandelblatt and Meister, who constituted two of the eight directors who voted in favor of the Merger Agreement – were conflicted as to that decision. This conflict arises from their relationship with Corvex and Soroban. As noted above, Mr. Meister controls the general partner of Corvex, while Mr. Mandelblatt controls the general partner of Soroban.

186. Corvex and Soroban first announced their investment in Williams in a Schedule 13D filed on December 4, 2013. Therein, Corvex and Soroban revealed that they had accumulated approximately 8.82% of the Company's outstanding shares by that date for an average purchase price of approximately $34.70 per share and $33.39 per share, respectively. In that filing, Messrs. Meister and Mandelblatt revealed that they had entered into an agreement to coordinate their activities with regard to Williams, stated that they had had discussion with the Company's management and Board, and noted that they intended to discuss, among other topics, "the potential for participating in strategic combinations [for Williams] given the rapid pace of consolidation in the midstream energy industry." In other words, in industry parlance, Messrs. Meister and Mandelblatt placed the Board on notice that

they were activist investors that had accumulated more than 8% of the Company's outstanding stock and that they would be seeking a potential sale of the Company.

187. Barely two months later, on February 5, 2014, Corvex and Soroban revealed that they now held approximately 9.96% of the Company's outstanding shares, having acquired, respectively, 41,682,960 shares of the Company's stock at an average price of $37.80 per share and 21,000,000 shares of the Company's stock at an average price of $34.62 per share, plus miscellaneous options. In the same filing, Corvex and Soroban revealed that they had reached an agreement with Williams, pursuant to which, among other things, Williams would increase the size of its Board and appoint Messrs. Meister and Mandelblatt to the Board. In exchange, Corvex and Soroban (and, thus, Messrs. Meister and Mandelblatt) agreed, among other things, not to solicit proxies or engage in a proxy contest with regard to Williams. Notably, pursuant to the agreement, both Corvex and Soroban must retain minimum ownership levels of Williams' stock.[19]

188. Messrs. Meister and Mandelblatt – and Corvex and Soroban – are, quite simply put, activist investors.[20] They staked out equity positions in Williams and

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[19] In the press release announcing the agreement, Mr. Armstrong, who voted against the Merger Agreement, presciently stated: "We look forward to working with [Corvex and Soroban] as we continue to execute our short **and long-term plans** and create **sustainable stockholder value**" (emphasis added).

[20] Indeed, Mr. Meister previously served in a range of leadership riles within the organization headed by Carl C. Icahn, including as CEO and Vice Chairman of Icahn Enterprises LP.

forced their way on to the Board to secure a sale of the Company. Having bought into Williams to the tune of 41,682,960 shares at an average price of $37.80 per share and 21,000,000 shares at an average price of $34.62 per share, both men and their respective firms stood to make millions for any sale over $38.00 and $35.00 per share, respectively. **And, indeed, based on the original $43.50 implied value of the Merger Consideration at the time the Merger Agreement was announced, Corvex stood to make approximately $237 million on its investment in Williams, while Soroban stood to make approximately $186 million on its investment in Williams.** These amounts are enough to divide the loyalties of any man.[21]

189. As a result, at the time they voted for the Merger Agreement, both Mr. Meister and Mr. Mandelblatt suffered from divided loyalties and were conflicted, such that they could not vote on the Merger Agreement in good faith and with the best interests of Williams' stockholders as their only guiding focus. **More importantly, because at least two of the eight directors who voted in favor of the Merger Agreement were conflicted, and the Board has only thirteen**

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[21] Unsurprisingly, because Messrs. Meister and Mandelblatt, in their capacity as Williams directors, voted in favor of the Merger Agreement, Corvex and Soroban – which, as of the close of business on November 13, 2015, held, directly or indirectly, and therefore controlled the power to vote or direct the voting of, 8.36% of the combined voting power of William common stock – will in turn vote their shares in favor of the Merger Agreement.

members, the vote in favor of the Merger Agreement was not approved by a majority of uninterested and un-conflicted directors, and the business judgment rule presumption thus does not attach.

190. This conflict has not gone unnoticed. On June 22, 2015, after the public announcement of ETE's bid, analysts at Gordon Hackett Research Advisors commented:

> As it proceeds down this path, we think investors should give proper consideration to the fact that Corvex was the largest WMB shareholder as of March 31 and Soroban Capital Partners was the fifth largest holder. The founders of each fund - Keith Meister and Eric Mandelblatt - also happen to be board members. Not to pre-judge the review or the contributions that these two individuals will offer, but if you go back to the original 13-D that the two funds jointly filed in 2013, there was mention of talking to WMB about its "potential for participating in strategic combinations given the rapid pace of consolidation in the midstream energy industry." Thanks to ETE, this "potential" now takes center stage and we certainly wouldn't rule out a higher offer from ETE.

On September 28, 2015, after the announcement of the Merger Agreement, analysts at Morningstar specifically noted that the Proposed Transaction, despite being "well below" the June 2015 $64.00 per share offer, still would "provide larger institutional investors with access to the ETE family."

191. This is hardly the only conflict affecting this case. As outlined above, all of the Individual Defendants had reason to believe that their jobs and equity in the Company were on the line after several conversations with large stockholders – including institutional stockholders – and the filing two stockholder suits (one by an

institutional investor) seeking to enjoin the WPZ Merger and to force the Board to negotiate with ETE and accept its offer.

192. Ultimately, six of the Individual Defendants succumbed to their fear and placed their own financial interests above those of Williams' non-insider stockholders and supported the Merger. Those Individual Defendants – Mr. MacInnis, Mr. Cleveland, Mr. Izzo, Mr. Nance, Ms. Stoney, and Ms. Sugg – had much to lose if they were terminated. For example, Mr. MacInnis, Mr. Cleveland, Mr. Izzo, Ms. Nance, Ms. Stoney and Ms. Sugg all received 2014 retainers for their work as directors in the form of cash and equity interests of $640,041, $250,010, $256,010, $267,760, $295,010, and $250,010, respectively. In addition, they all had unvested equity awards that, according to the Proxy, are worth several hundred thousand dollars each (and, as to Ms. Stoney, more than a million dollars), and that may have been lost had they been terminated.

193. Rather than risk the loss of their annual retainers and unvested equity interests, through the consummation of the Merger, these Individual Defendants will retain and (in some instances) accelerate their equity interests. Specifically, in connection with the consummation of the Proposed Transaction, all Williams stock options, including those held by directors and executive officers, will be equitably adjusted immediately by reducing the exercise price thereof by an amount equal to the pre-Merger special dividend. Then, all Williams' equity-based awards, including those held by directors and executive officers, will be assumed by ETC

and converted into cash-settled, time-based equity awards of ETC. Performance conditions applicable to Williams' restricted stock units will generally be deemed to be satisfied at target (in the case of Williams performance stock units) or the greater of target and actual performance (in the case of Williams leveraged performance stock units). The converted stock options and restricted stock units will only be subject to time-based vesting conditions following the merger. In addition, all restricted stock units held by non-employee directors (who will be terminated in connection with the Merger) will accelerate. And, upon such settlement, holders of converted restricted stock units and deferred stock units will also be entitled to receive (1) the pre-Merger special dividend and payment of any other accrued dividend equivalents, (2) a cash payment in respect of any fractional ETC common shares that would have resulted from such conversion and (3) if such unit settles after the end of the CCR Measurement Period, an amount in cash equal to the Shortfall Amount (if any). In this way, the Individual Defendants who voted in favor of the Merger Agreement have assurances that they will realize the value of their unvested equity interests.

194. Indeed, all of the Individual Defendants had much to gain from the consummation of the Merger Agreement. In connection with the consummation of the Merger, Defendant Armstrong alone will reap almost $20 million, while each of the Individual Defendants will receive hundreds of thousands, if not millions, from the cash out and/or acceleration of some of their equity interests in Williams.

195. Finally, as noted above, Barclays had its own conflicts with ETE, so much so that Lazard had to be retained just to bless the Proposed Transaction. But even then, both Barclays and Lazard were incentivized to favor a sale to ETE over the WPZ Merger and/or remaining a standalone Company. For example, while it is not clear how much Barclays stood to gain in fees from the WPZ Merger (as no proxy was ever issued in connection with that merger), it is known that Barclays advised Williams on that merger and, in light of the WPZ Merger's lesser value in comparison to the Proposed Transaction with ETE, it is safe to assume that Barclays stood to gain much more from the Proposed Transaction with ETE than from the consummation of the WPZ Merger.

196. And what it stood to gain from the Merger **with ETE** was significant. Specifically, Barclays was paid $2 million as a retainer and an additional $2.5 million for its fairness opinion. An additional $43.3 million will be paid to Barclays contingent upon the closing of the Merger with ETE**. Thus, $45.8 million of Barclays' $47.8 million total fee was contingent upon Williams executing the Merger Agreement and, correspondingly, scuttling the WPZ Merger.**

197. The Merger with ETE will also accelerate the payment of a fee of $6.5 million that would otherwise have been payable by WPZ to Barclays in August 2016 in connection with financing and capital markets advisory services that Barclays performed for WPZ in August 2015. Finally, Barclays has performed a plethora of services for ETE and its affiliates that far outweigh any services it has performed for

Williams in the past two years, thereby incentivizing Barclays not to seek to "squeeze the last drop from the lemon" so as to avoid a bruising fight with one of its regular customers.[22] Indeed, as noted above, **during** the pendency of the WPZ

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[22] Specifically, since 2012, Barclays has had no less than **twenty-eight** separate engagements for ETE and its affiliates totaling several billion dollars in aggregate work: (1) ETE's $700 million tack-on term loan entered into in May 2014; (2) ETE's $900 million term loan entered into in November 2013; (3) ETE's $450 million high yield senior debt offering in January 2013; (4) ETP's acquisition of Regency in April 2015; (5) ETP's December 2014 acquisition of an interest in the Bakken pipeline project from ETE in an asset swap; (6) ETP's November 2014 "At-the-Market" equity offering program of up to $1.5 billion; (7) the approximately $800 million drop down of businesses from ETP to Susser Holdings Corporation in September 2014; (8) ETP's acquisition of Susser Holdings Corporation in August 2014; (9) ETP's $577 million equity offering in April 2013; (10) ETP's $600 million block equity offering in June 2012; (11) ETP's $590 million follow-on equity offering in November 2011; (12) Regency's $700 million offering of senior unsecured notes in October 2014; (13) Regency's acquisition of assets relating to the Midstream business from Eagle Rock Energy Partners, L.P. in July 2014 and December 2013; (14) Regency's exchange offer in July 2014 for Eagle Rock Energy Partners, L.P.'s 8.375% notes due 2019; (15) Regency's $400 million equity offering program in June 2014; (16) Regency's offering of $600 million 4.5% senior notes due 2023 in April 2013; (17) Regency's $700 million senior notes offering in September 2012; (18) Regency's $269 million and $209 million share follow-on offerings in March 2012 and October 2011 respectively; (19) SXL's August 2015 $1 billion equity offering program; (20) SXL's amended $2.5 billion credit facility entered into in March 2015; (21) SXL's $564 million equity offering in March 2015 and $373 million follow-on offering in September 2014; (22) SXL's $1.0 billion senior notes offering in March 2014; (23) SXL's $200 million extension of its revolving credit facility in August 2013; (24) Sunoco's $370 million equity offering in October 2014; (25) Sunoco's acquisition of Aloha Petroleum, Ltd. in December 2014; (26) Sunoco's IPO in September 2012; (27) SXL's $600 million loan facility in July 2011; and (28) certain other investment banking and financial services matters.

By contrast, since 2012, Barclays has had only nineteen similar engagement for Williams and its affiliates: (1) the WPZ Merger; (2) WMB's strategic alternatives review process; (3) WMB's acquisition of 50% of the general partner interest and 55.1 million limited partner units in ACMP for $5.995 billion and the associated

Merger and the negotiations with ETE that resulted in the termination of that merger and the execution of the Merger Agreement with ETE, **Barclays ostensibly appointed a separate team that advised and provided services for ETE**.

198. Lazard fares no better as it too suffers from its own conflicts of interest. For its brief work in the process and its fairness opinion, Lazard will receive a fee of $23 million, "plus a discretionary amount to be agreed at the discretion of the [Williams] Board" – the same conflicted Board that voted 8-5 to approve the Merger Agreement – "to appropriately compensate Lazard in the light of the magnitude and complexity of the transaction." A portion of Lazard's fee has been payable since June 2015 as a monthly fee in the amount of $500,000 per month, and another $2.5 million of Lazard's fee became payable upon the rendering of Lazard's opinion. The remainder of Lazard's fee (approximately $19 million) is contingent upon the closing of the Merger.

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interim-liquidity facility in June 2014; (4) WMB's October 2014 merger with ACMP; (5) WMB's $1.9 billion notes offering in June 2014; (6) WMB's $3.5 billion equity offering in June 2014; (7) WMB's sale to WPZ of certain Canadian assets for $1.2 billion in February 2014; (8) WMB's $1.4 billion equity offering in December 2012; (9) WMB's $850 million senior notes offering in December 2012; (10) WMB's $850 million bridge loan in December 2012; (11) WPZ's $1.0 billion liquidity facility entered into in August 2015; (12) WPZ's $3.0 billion notes offering in March 2015; (13) WPZ's March 2015 common unit equity program of up to $1.0 billion; (14) WPZ's $1.5 billion liquidity facility entered into in February 2015; (15) WPZ's $1.2 billion equity offering in August 2013; (16) ACMP's $372 million public offering on August 2013; (17) ACMP's $359 million equity offering in March 2013; (18) ACMP's $514 million equity offering in December 2012; and (19) certain other investment banking and financial services matters.

F. The Merger Agreement Contains Unfair Deal Protection Devices

199. The Proposed Transaction is also unfair because, as part of the Merger Agreement, the Board agreed to certain unfair deal protection devices that operate conjunctively to ensure that no successful competing offers will emerge for the Company.

200. Despite the unfair price, the Merger Agreement has a number of provisions that make it more difficult for another buyer to purchase the Company, and for the Company to seek out competing offers. Specifically, if the Company terminates the Proposed Transaction under certain circumstances, including to accept a better deal, the Merger Agreement states that the Company must pay ETE a $1.48 billion termination fee.

201. What is worse, even if stockholders simply exercised their right to vote down the Proposed Transaction and instead to remain a standalone Company, the Merger Agreement contains a "Naked No-Vote Termination Fee," which requires Williams to pay a penalty of up to $50 million in expenses incurred by ETE in connection with the Merger.

202. Additionally, the Merger Agreement contains a strict no-solicitation provision, pursuant to which the Company is prohibited from soliciting competing acquisition proposals or, subject to certain exceptions regarding unsolicited proposals, engaging in discussions or providing information in connection with an alternative acquisition proposal. This clause prohibits the Company and its agents

from soliciting, encouraging, or facilitating certain third party acquisition proposals for the Company.

203. The Merger Agreement also contains an information rights and matching rights provision that requires the Company to notify ETE of certain unsolicited competing offers, provide ETE with information regarding such offers, and negotiate in good faith with ETE regarding same.

204. Even worse, the Merger Agreement contains a "no-waiver" provision that effectively prohibits the Company from terminating, amending, modifying, or waiving any "standstill" agreements that the Company executed with potential acquirers. As noted above, while it is unclear if the confidentiality agreement that Williams executed with Parties B, C, D, and E contained standstill provisions (because the Proxy is not clear on this point), it appears that it did, as the only party that balked at such provisions was ETE.[23]

205. Finally, as noted above, both Corvex and Soroban are required to vote their combined 8.36% of Company's voting power in favor of the Merger Agreement.

206. These provisions and requirement will cumulatively discourage other potential bidders from making a competing bid for the Company. Similarly, these

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[23] It is further unclear from the Proxy whether these agreements contained sunset provisions that would permit these parties to rebid once the Company entered into the Merger Agreement with ETE.

provisions and agreements make it more difficult for the Company and individual stockholders to exercise their rights and to obtain a fair price for the Company's shares.

G. The Board has Not Disclosed Material Information

207. Finally, it is critical that stockholders receive complete and accurate information about the Proposed Transaction prior to casting a vote. To date, however, the Individual Defendants have failed to provide Williams' stockholders with such information. As set forth in more detail below, the Proxy omits and/or misrepresents material information concerning, among other things: (1) the background of the Proposed Transaction; (2) the data and inputs underlying the financial valuation exercises that purportedly support the so-called "fairness opinion" provided by Barclays and Lazard; and (3) certain financial projections regarding Williams and ETE.

1. The Proxy Statement fails to adequately describe the process that resulted in the Proposed Transaction and the conflicts of interest infecting it

208. The Proxy Statement fails to fully and fairly disclose certain material information concerning the Proposed Transaction, including (among other things):

a. The Board's May 28, 2015 instructions regarding the fee structure to be negotiated as a supplement to Barclays existing February 3, 2015 strategic alternatives engagement letter;

b. Barclays' fee structure for the WPZ Merger;

c. The Board's May 28, 2015 instructions regarding the fee structure to be negotiated for Lazard's engagement;

d. The identify of the directors with concerns regarding whether all material information had been provided to the Board in connection with its approval of the WPZ Merger Agreement, what gave rise to these concerns, or the nature of the information these directors believed may have been withheld from them;

e. What investigation the Director Inquiry Panel undertook or how it came to its conclusion;

f. Whether the confidentiality agreements with Parties B, C, D, and E contained standstill agreements, the terms of those agreements, and whether the standstill provisions fall away upon the announcement of a merger agreement;

g. What specifically was discussed with investors on July 22, 23, and 24, 2015, and the precise messages that those investors related to the Board;

h. The implied value on a per share basis for each ETE offer following July 27, 2015;

i. The terms of Party A's July 27, 2015 indication of interest, including the enterprise or per share value implied thereby;

j. The terms of Party B's July 27, 2015 indication of interest, including

the enterprise or per share value implied thereby;

k. The terms of Party A's August 10, 2015 indication of interest, including the enterprise or per share value implied thereby;

l. What specifically was discussed with investors on August 13, 2015, and the precise messages that those investors related to the Board;

m. The terms of Party A's August 24, 2015 indication of interest, including the enterprise or per share value implied thereby;

n. The terms of Party A's August 27, 2015 indication of interest, including the enterprise or per share value implied thereby;

o. Whether post-closing employment was discussed during the September 2015 meeting at which "post-closing governance" issues were discussed;

p. The terms of Party C's September 24, 2015 indication of interest, what alleged "shortcomings" it suffered from, and what information was sought from and provided by Party C in response;

q. What discussions incurred in the interim between the Board's September 24, 2015 meeting, at which a majority of the Board was not in favor of the Merger Agreement, and the September 25, 2015 vote in favor of the Merger Agreement.

209. These omissions are material because, without the omitted information, Williams' public stockholders are unable to assess whether the Board maximized

stockholder value, whether other bidders may be willing to pay more for the Company, whether the Individual Defendants reasonably canvassed the market for potential acquirers of Williams, whether the Individual Defendants conducted a process that was fair, whether the Individual Defendants secured value commensurate with the standalone value of Williams, and the conflicts infecting the process that was conducted.

2. The Proxy Statement fails to disclose material facts concerning Barclays' and Lazard's Fairness Opinions

210. The Proxy Statement describes the fairness opinions and the various valuation analyses performed by Barclays and Lazard. However, the description of the opinions and analyses fails to include key inputs and assumptions underlying the analyses. Without this information, Williams' stockholders are unable to fully understand or independently recreate the analyses and, thus, are unable to determine what weight, if any, to place on the fairness opinion in determining how to vote in connection with the Proposed Transaction.

211. Specifically, in connection with Barclays' *Dividend Discount Model Analysis* of Williams, the Proxy Statement fails to disclose:

a. The individual inputs utilized by Barclay's to derive the assumed terminal dividend yield range of 5.25% - 7.75%;

b. The individual inputs and assumptions utilized by Barclay's to derive the equity discount rate range of 10.6% - 12.6% for the Pre-WPZ scenario;

c. The individual inputs and assumptions utilized by Barclay's to derive the equity discount rate range of 10.1% - 12.1% for the Post-WPZ scenario; and

d. The implied perpetuity growth rate range resulting from this analysis.

212. In connection with Barclays' *Dividend Discount Model Analysis* of ETE, the Proxy Statement fails to disclose:

a. The individual inputs utilized by Barclay's to derive the assumed terminal dividend yield range of 3.5% - 5.25%;

b. The individual inputs and assumptions utilized by Barclay's to derive the equity discount rate range of 9.8% - 11.8%; and

c. The implied perpetuity growth rate range resulting from this analysis.

213. In connection with Barclays' *Dividend Discount Model Analysis* of ETC, the Proxy Statement fails to disclose:

a. The actions management can take to result in the distributions from ETE to ETC being taxed at a rate of 10% in 2019 and 2020 and 15% thereafter under the managed tax liability scenario;

b. The higher tax rate (by period) assumed under the full tax liability

scenario; and

c. The specific CCR values Barclay's incorporated into this analysis.

214. In connection with Barclays' *Premiums Paid Analysis*, the Proxy Statement fails to disclose the following individual metrics for each of the selected transactions analyzed by Barclays:

a. Transaction date;

b. Acquirer;

c. Target; and

d. Premium paid.

Indeed, the Proxy reveals virtually nothing of this analysis at all.

215. In connection with Lazard's *Selected Comparable Company Multiples Analysis* of Williams, the Proxy Statement fails to disclose:

a. The individual Price/DCF multiples for each of the selected public companies analyzed by Lazard; and

b. Whether Lazard performed any type of benchmarking analysis for Williams in relation to the selected public companies.

216. In connection with Lazard's *Selected Comparable Company Multiples Analysis* of ETE, the Proxy Statement fails to disclose:

a. The individual 2016E Price/DCF multiples for each of the selected public companies analyzed by Lazard; and

b. Whether Lazard performed any type of benchmarking analysis for ETE

in relation to the selected public companies.

217. In connection with Lazard's *Dividend Discount Analysis* of Williams, the Proxy Statement fails to disclose:

a. The individual inputs and assumptions utilized by Lazard to derive the equity discount rate range of 10.0% - 12.0%; and

b. The implied perpetuity growth rate range resulting from this analysis.

218. In connection with Lazard's *Dividend Discount Analysis* of ETE, the Proxy Statement fails to disclose:

a. The individual inputs and assumptions utilized by Lazard to derive the equity discount rate range of 10.5% - 12.5%; and

b. The implied perpetuity growth rate range resulting from this analysis.

219. Finally, in connection with Lazard's *Relative Implied Exchange Ratio Analysis*, the Proxy Statement fails to disclose the individual "tax drag" and CCR value adjustments Lazard applied in its analysis.

3. The Proxy Statement fails to disclose material facts concerning the <u>financial projections prepared by the Company's management</u>

220. Finally, the Proxy Statement provides a series of projections, but fails to disclose all of the metrics usually associated with such projections. Specifically, in connection with the Williams financial projections provided by Williams management for ETE and relied upon by Barclays and Lazard for purposes of their analysis, for fiscal years 2016 – 2019, the Proxy fails to disclose:

a. Revenue;

b. EBITDA;

c. EBIT (or D&A);

d. Taxes (or tax rate);

e. Stock-based compensation expense;

f. Any other adjustments to total cash available for dividend;

g. Total cash available for distribution;

h. Distribution per Unit;

i. WTI ($/bbl); and

j. Henry Hub ($/bbl).

221. Similarly, for the financial projections provided by Williams management for Williams and relied upon by Barclays and Lazard for purposes of their analysis, for fiscal years 2016 – 2019, the Proxy fails to disclose:

a. Revenue;

b. EBIT (or D&A);

c. Taxes (or tax rate);

d. Stock-based compensation expense; and

e. Any other adjustments to total cash available for dividend.

222. Finally, for the financial projections provided by Williams management for ETC projections and relied upon by Barclays and Lazard for purposes of their analysis, for fiscal years 2016 – 2019, the Proxy fails to disclose:

a. Revenue;

b. EBIT (or D&A);

c. Taxes (or tax rate);

d. Stock-based compensation expense;

e. Any other adjustments to total cash available for distribution; and

f. Any synergies produced.

223. These omissions are material because, without this information, Williams' stockholders are unable to fully understand or recreate these analyses and, thus, are unable to determine what weight, if any, to place on the fairness opinion in determining how to vote.

224. In the light of the conflicts of interest of Williams' directors and executive officers in the Proposed Transaction and the concerns that the current price undervalues the Company, it is necessary that the Board provide detailed information to stockholders regarding the process and the negotiations that led to the Merger Agreement.

FIRST CAUSE OF ACTION

(Against Defendants MacInnis, Cleveland, Izzo, Mandelblatt, Meister, Nance, Stoney and Sugg for Breach of Fiduciary Duties)

225. Plaintiffs repeat and reallege each allegation set forth herein.

226. Defendants MacInnis, Cleveland, Izzo, Mandelblatt, Meister, Nance, Stoney and Sugg have violated fiduciary duties owed to the public stockholders of

Williams.

227. By the acts, transactions and courses of conduct alleged herein, the Individual Defendants have failed to obtain for the public stockholders of Williams the highest value (or a value that is entirely fair) available for Williams in the marketplace.

228. As alleged herein, Defendants MacInnis, Cleveland, Izzo, Mandelblatt, Meister, Nance, Stoney and Sugg initiated a process to sell Williams that was against the best interests of stockholders, that undervalues the Company, and that vests them with benefits that are not shared equally by Williams' public stockholders. In addition, by agreeing to the Proposed Transaction, these Defendants have capped the price of Williams stock at a price that does not adequately reflect the Company's true value, either as a standalone entity or as the target of a full, far, informed, and reasonably-conduced sales process. As outlined above, these Individual Defendants failed to sufficiently inform themselves of Williams' value, or disregarded the true value of the Company, in an effort to benefit themselves. Furthermore, any alternate acquirer will be faced with engaging in discussions with a management team and Board majority that is committed to the Proposed Transaction.

229. As a result of the actions of these Individual Defendants, Plaintiffs and the Class will suffer irreparable injury in that they have not and will not receive the highest available value for their equity interest in Williams. Unless the Proposed Transaction is enjoined by the Court, they will continue to breach their fiduciary

duties owed to Plaintiffs and the members of the Class, all to the irreparable harm of the members of the Class.

230. Plaintiffs and the members of the Class have no adequate remedy at law. Only through the exercise of this Court's equitable powers can Plaintiffs and the Class be fully protected from immediate and irreparable injury, which these Defendants' actions threaten to inflict.

SECOND CAUSE OF ACTION

(Against the Individual Defendants for Breach of Fiduciary Duties)

231. Plaintiffs repeat and reallege each allegation set forth herein.

232. The Individual Defendants have violated fiduciary duties owed to the public stockholders of Williams.

233. By the acts, transactions and courses of conduct alleged herein, all of the Individual Defendants have failed to provide Williams' public stockholders with all material information necessary to decide how to vote their shares in connection with the Proposed Transaction. As a result of the actions of Defendants, Plaintiffs and the Class will suffer irreparable injury in that they will be forced to vote on the Proposed Transaction without all material information necessary to cast a fully-informed vote.

234. Unless the Proposed Transaction is enjoined, the Individual Defendants will continue to breach their fiduciary duties owed to Plaintiffs and the members of the Class, all to the irreparable harm of the members of the Class. Plaintiffs and the

members of the Class have no adequate remedy at law. Only through the exercise of this Court's equitable powers can Plaintiffs and the Class be fully protected from immediate and irreparable injury, which the Individual Defendants' actions threaten to inflict.

THIRD CAUSE OF ACTION

(Against ETC, ETC GP, ETE, LE GP, ETE GP, Barclays, and Lazard for Aiding and Abetting)

235. Plaintiffs repeat and reallege each allegation set forth herein.

236. ETC, ETC GP, ETE, LE GP, ETE GP, Barclays, and Lazard have acted and are acting with knowledge of, or with reckless disregard to, the fact that the Individual Defendants are in breach of their fiduciary duties to the public stockholders of Williams, and have participated in such breaches of fiduciary duties.

237. ETC, ETC GP, ETE, LE GP, ETE GP, Barclays, and Lazard knowingly aided and abetted the Individual Defendants' wrongdoing alleged herein. In so doing, they rendered substantial assistance in order to effectuate the Individual Defendants' plan to consummate the Proposed Transaction in breach of their fiduciary duties.

238. Plaintiffs and the members of the Class have no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demand relief in their favor and in favor of the LClass and against Defendants as follows:

A. Declaring that this action is properly maintainable as a Class action and certifying Plaintiffs as the Class representatives;

B. Enjoining the Proposed Transaction, unless and until the Company adopts and implements a procedure or process to obtain a merger agreement providing the best available terms for stockholders, and the Individual Defendants disclose all material information necessary for Williams' stockholders to cast an informed vote on the Proposed Transaction;

C. Rescinding, to the extent already implemented, the Proposed Transaction or any of the terms thereof, or granting Plaintiffs and the Class rescissory damages;

D. Directing the Individual Defendants to account to Plaintiffs and the Class for all damages suffered as a result of the wrongdoing;

E. Awarding Plaintiffs the costs and disbursements of this action, including reasonable attorneys' and experts' fees; and

F. Granting such other and further equitable relief as this Court may deem just and proper.

DATED: December 15, 2015

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