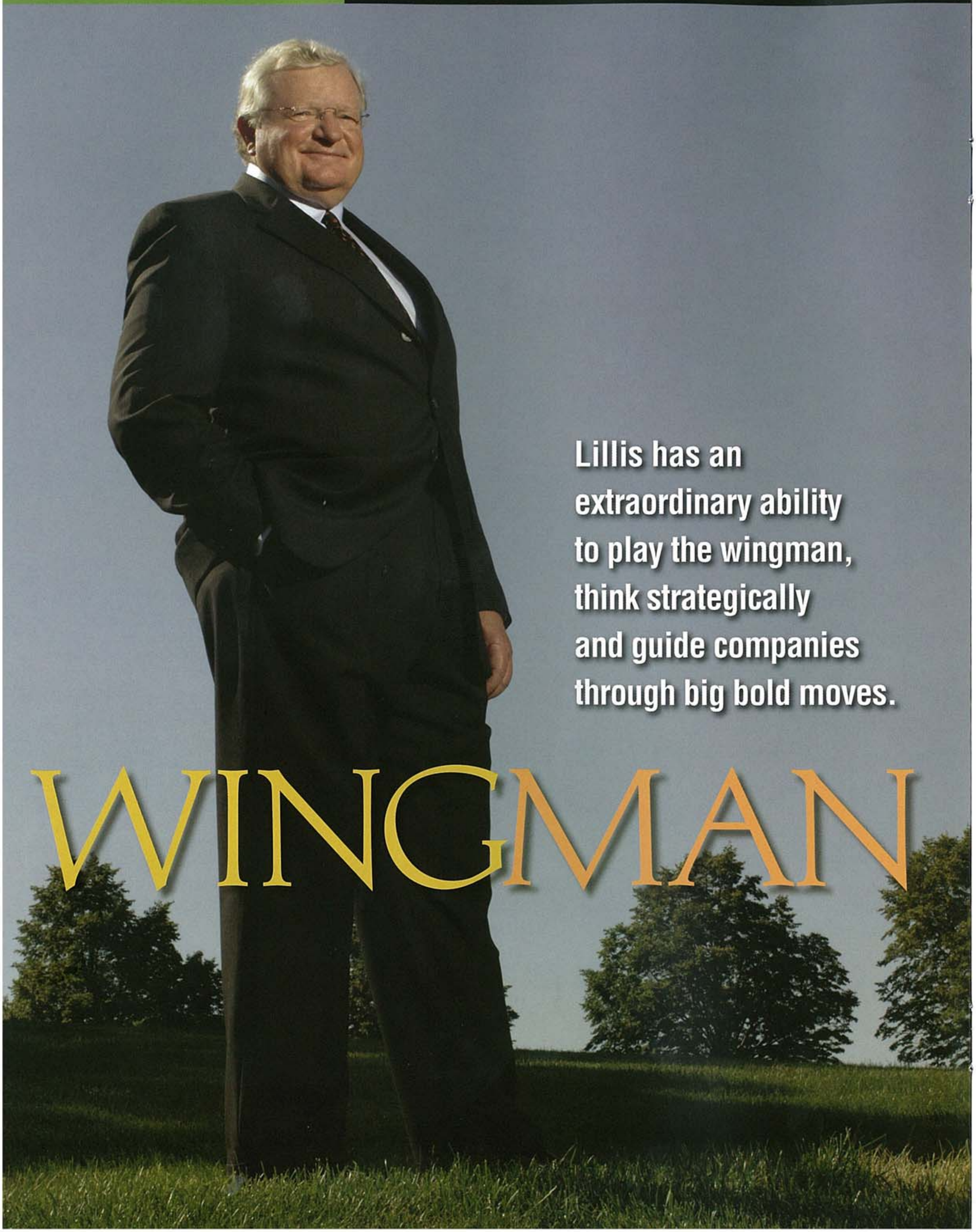
CHARLES M. LILLIS for helping to restore financial integrity to Williams Companies and bring strategic vision to SUPERVALU



Lillis has an extraordinary ability to play the wingman, think strategically and guide companies through big bold moves.

WINGMAN

BY HEATHER WOLF

Charles Lillis arrived on the University of Oregon campus in 1970, a 29-year-old doctoral student with a bushy red beard wearing jeans, hiking boots and a plaid shirt. His resume included being in the Army twice and getting thrown out of the University of Washington once," reads a fall 1999 article in *UO Business,* a publication at University of Oregon. "At first glance," observes Del Hawkins, now the Charles H. Lundquist Professor of Marketing but then a brand new assistant professor, "one did not envision an executive."

Fast-forward three and one half decades. By 2000 the *Wall Street Journal* was dubbing Lillis legendary in the telecom world, with a resume that included engineering the spinoff of MediaOne from USWest and its sale to AT&T for a whopping $60 billion.

Since then, Lillis has enmeshed himself in a private investment business, guest business school professorships, and directorships in four completely different industries—banking, energy, healthcare, and grocery/retail. The cumulative effect has been what colleagues say is Lillis' outstanding ability to play the wingman: think strategically and guide companies through big bold moves. "Chuck is famous for his 'have you thought abouts…'" says Jeff Noddle, chairman and CEO of SUPERVALU Inc., the 130-year-old Minnesota-based grocery retailer upon whose board Lillis sits. "He has great strategy skills yet is a practical businessman."

Perhaps no company has benefited more from this than Williams Companies. "Four years ago we were on the brink of bankruptcy," says W.R. Howell, former CEO of J.C. Penney and lead director at Williams. "Chuck was instrumental in curing our financial ills. If he does not merit an award, no one should."

The conglomerate had traditionally been in gas and telecoms but had followed Enron and others into the high-risk power trading business during the heady days of the late nineties. By 2001, Williams' share price had plummeted from around $30 to 80 cents, and survival depended on reducing debt by $6 billion in six months, securing rescue financing, and shifting away from the derivatives marketing business as quickly as possible. A planned CEO retirement had taken place so these Herculean challenges were in the hands of a brand new leader.

"We had nothing but bad news every day for months," recalls Lillis. "There was constant pressure from investigations, litigation, supervisory bodies, you name it."

Instead of giving up, the board embarked upon an aggressive sale of assets. Steve Malcolm, Williams' "new" CEO at the time who is still at the helm today says, "Chuck's very strong financial background was critical to helping us through the dark days of 2002." Lillis, as chair of the finance committee, helped guide two and one half years of financial restructuring that included selling nearly $9 billion in assets, restoring Williams' credit facility via a consortium of banks, and securing a $2 billion loan from Warren Buffet at a whopping 28% interest.

Today Williams has recovered and is starting to reap the benefits of increased focus on the natural gas market. As the company is now generating cash flow to pay for investments and has received credit upgrades, Lillis spends more time on routine matters, reviewing major projects, budgets and contracts and applying strong discipline in spending and investing, employing EVA (economic value added) methodology. Recently, Lillis developed a case study on Williams for a business school course he taught. "I'm amazed to be hearing myself tell MBA students that a loan at 28% interest can actually be a good deal!" he chuckles.

He also lent strategic vision and guidance to a bold move at SUPERVALU. Preying on Albertson's languishing overall position, SUPERVALU completed a $17 billion acquisition in June 2006 that cherry-picked Albertson's most profitable properties in its strongest markets. The move took what was a $20 billion company into a whole new league, more than doubling retail outlets to around 2,500 nationwide and adding another $25 billion in sales.

"Chuck helped us think thoroughly about the use of capital and took us through the alternatives," recalls fellow SUPERVALU director Susan Engel, CEO of Department 56. Engel says Lillis stressed that if they went for a deal the size of Albertson's, it would tie SUPERVALU's hands for a long time while the corporation worked off the debt. By rigorously exploring the alternatives, he guided directors toward consensus about investing in a business model that Engel calls "the same but bigger."

"With Albertson's we knew we weren't investing in the newest model like, say, buying Whole Foods," says Engel. "Chuck helped us feel sure we were doing the right thing and weren't biting off more than we could chew."

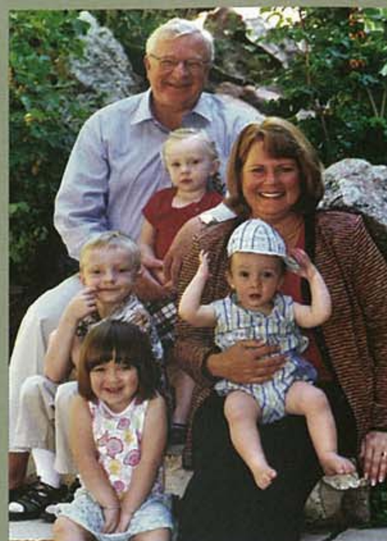
Because profit margins are slim in the grocery business, market share is key. If the integration goes smoothly, the new entity will have unparalleled economies of scale in a fiercely competitive sector. "The Albertson's acquisition takes SUPERVALU out of a 100-year pattern," says Lillis explaining that the company's roots are in wholesale grocery distribution to independent retailers. "I helped Jeff and the board think about

Chuck was instrumental in curing our financial ills. If he does not merit an award, no one should.

W.R. HOWELL • FELLOW WILLIAMS COMPANIES DIRECTOR

CHARLES M. LILLIS

Director's Snapshot



BORN: October 13, 1941, in Kansas City, Kan.

EDUCATION: BA and MBA in business, University of Washington; Ph.D. in marketing, University of Oregon.

CAREER HIGHLIGHTS: Principal and managing partner, LoneTree Capital Management; chairman and CEO, MediaOne Group, Inc.; Media Group president, USWest; Dean, University of Colorado College of Business; various positions at General Electric and Dupont.

HOMETOWN: Denver, Colo.

FAMILY: Wife Gwen, 3 children, 4 grandchildren (plus 1 on the way!).

MOST MEMORABLE SUMMER JOB: Forest fire fighter.

MOST RECENT BOOK READ: *The Plot Against America* by Philip Roth.

FAVORITE ARTIST/COMPOSER/POET: Paul Simon.

FAVORITE CHARITY: Lillis Foundation, focusing heavily on education.

SOMETHING MOST PEOPLE WOULD BE SURPRISED TO KNOW ABOUT ME: "I do woodworking and love to fish."

WON'T LEAVE HOME WITHOUT: Trio.

FAVORITE QUOTATION: "Why do it if you're going to be average?"

CURRENT PUBLIC COMPANY BOARDS: Medco Health Solutions, SuperValu Inc., Washington Mutual Inc., Williams Companies.

the deal and also post-acquisition when we become the nation's second largest grocery chain."

Acquisitions were also on the agenda when Lillis joined the Medco Health Solutions board in 2005. Lillis was brought onto the pharmacy benefit manager's board to add major corporate experience to the mix. "We were heavy on the technical/scientific side and thought it would be helpful to have someone who had run a large business," says fellow director Michael Goldstein, chairman Toys "R" Us Children's Fund, who chaired the nominating and governance committee.

As Lillis was joining the board, Medco, which had been spun off from Merck in 2003, was considering a major acquisition. With its low-margin business model already under pressure, and with legislators and customers calling for pharmacy benefit managers to pass along their cost savings to consumers, it was important to explore diversification.

The company made a successful $2 billion bid for Accredo, a lucrative specialist pharmacy business with which Medco already had a strategic alliance. Says Medco CEO David Snow: "Chuck's insights on pricing and positioning were invaluable during the negotiations to acquire Accredo." Paying a more than 40% premium for Accredo, Goldstein says, "Chuck helped the board feel comfortable with the strategic fit and financial undertaking."

There are still challenges and plenty of hard work for Lillis at Medco including board governance and oversight policy development and a legacy options problem that he is helping work through as a member of the compensation committee.

Lillis says the challenges go with the territory when you love working with interesting, bold, passionate people. Despite a virtually full slate of commitments, in 2005 Lillis could not resist an offer to join the board at banking mover and shaker, Washington Mutual (WaMu). "I love this company," he enthuses.

On the Washington Mutual board he was reunited with a former colleague, Jim Stever, retired executive vice president for public policy at USWest, who had actually hired Lillis at USWest in 1987. Stever says, "I was completely confident Chuck would make the time and get deeply into the issues. He has clearly demonstrated this already."

The wheels were already in motion for WaMu's acquisition of Providian, the country's 3rd largest credit card company, when Lillis arrived. Nonetheless, Stever says that he was extremely helpful throughout the acquisition process, "asking all the right questions and examining our best use of capital. Chuck is already a very important part of our strategy, finance and overall governance," he adds.

Lillis is adding value at WaMu not just through strategy development but follow-through. "Where I can play a big role is helping the board know what it should be doing once we say the strategy is 'X,'" says Lillis. He is working to ensure structure, compensation, metrics, reports, and benchmarks are all aligned to their chosen strategy.

Though no longer sporting a bushy red beard and hiking boots—at least not in the boardroom—Lillis clearly still craves adventure. His Denver office percolates with activity, with his two personal assistants (of 18 and 21 years) efficiently fielding a constant stream of calls, faxes and emails. Whether investment business, board work, foundation matters, or a teaching gig, Lillis focuses straight in on the matter. "I'm a little too busy right now," he says with a wink that belies his love for all that is on his plate.