



[Top of the Form](#)

**Item 1.01 Entry into a Material Definitive Agreement.**

On May 21, 2007, The Williams Companies, Inc. (the "Company") announced that Williams Power Company, Inc. ("Williams Power"), a wholly-owned indirect subsidiary of the Company, entered into a definitive agreement to sell substantially all of its power assets to Bear Energy LP, a unit of The Bear Stearns Companies Inc.

The agreement encompasses Williams Power's 7,500-megawatt portfolio of power contracts and certain other assets. Closing of the transaction is expected within the next six months. The base purchase price is \$512 million. Under the agreement, this amount will be reduced by expected net portfolio cash flows from the April 1 valuation date through the transaction closing date.

The foregoing does not constitute a complete summary of the terms of the sales agreement, which is attached hereto as Exhibit 99.1. The description of the terms of the sales agreement is qualified in its entirety by reference to such exhibit.

A copy of the press release announcing the sales agreement is furnished herewith as Exhibit 99.2.

**Item 3.03 Material Modifications to Rights of Security Holders.**

On May 18, 2007, the Company entered into an amendment to the Amended and Restated Rights Agreement dated September 21, 2004 (the "Rights Agreement"). In conjunction with the appointment of UMB Bank, n.a. as the successor Rights Agent under the Rights Agreement, the amendment replaces all references to Equiserve Trust Company, N.A. with references to UMB Bank, n.a. The amendment also amends the Rights Agreement to allow the successor Rights Agent to be a national association rather than only a corporation.

The foregoing does not constitute a complete summary of the terms of the amendment, which is attached hereto as Exhibit 4.1. The description of the terms of the amendment is qualified in its entirety by reference to such exhibit.

**Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.**

Effective May 17, 2007, the Company's Board of Directors amended the Company's By-laws to define the position of General Counsel in Article VI, Section 7, and amend Article VIII, Section 2 to provide for advancement of expenses for the General Counsel.

Article V of the By-laws was also amended to specifically allow for uncertificated shares to evidence share ownership in the Company.

A copy of the By-laws is filed as Exhibit 3.2 and is incorporated by reference herein.

**Item 7.01 Regulation FD Disclosure.**

See the disclosure under Item 1.01 of this report, which is incorporated by reference into this Item 7.01 in its entirety.

**Item 9.01 Financial Statements and Exhibits.**

- a) None
- b) None
- c) None
- d) Exhibits

Exhibit 3.2 Restated By-laws effective May 17, 2007.

Exhibit 4.1 Amendment No. 1 dated May 18, 2007 to the Amended and Restated Rights Agreement dated September 21, 2004.

Exhibit 99.1 Asset Purchase Agreement between Williams Power Company, Inc. and Bear Energy LP dated May 20, 2007.

Exhibit 99.2 Press release dated May 21, 2007 publicly announcing the Williams Power Company, Inc. Asset Purchase Agreement with Bear Energy LP.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

May 22, 2007

The Williams Companies, Inc.

By: *Brian K. Shore*

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*Name: Brian K. Shore*  
*Title: Corporate Secretary*

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Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
3.2	Restated By-laws effective May 17, 2007.
4.1	Amendment No. 1 dated May 18, 2007 to the Amended and Restated Rights Agreement dated September 21, 2004.
99.1	Asset Purchase Agreement between Williams Power Company, Inc. and Bear Energy LP dated May 20, 2007.
99.2	Press release dated May 21, 2007 publicly announcing the Williams Power Company, Inc. Asset Purchase Agreement with Bear Energy LP.

Effective May 17, 2007

BY-LAWS  
OF  
THE WILLIAMS COMPANIES, INC.  
(hereinafter called the "Company")

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the Company shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Other Offices. The Company may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. Meetings of the stockholders for the election of Directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The Annual Meetings of the Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meetings, and transact such business as may properly be brought before the meetings. Written notice of the Annual Meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 3. Special Meetings. Unless otherwise prescribed by law or by the Restated Certificate of Incorporation, Special Meetings of Stockholders, for any purpose or purposes, may be called by either the Chairman of the Board, if one has been elected, or the President, and shall be called by either such officer or the Secretary at the request in writing of a majority of the Board of Directors. Such request shall state the purpose or purposes of the proposed meeting. Written notice of a Special Meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 4. Quorum. Except as otherwise provided by law or by the Restated Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present or represented by proxy at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented by proxy, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a written notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

Section 5. Voting. At each meeting of stockholders held for any purpose, each stockholder of record of Common Stock entitled to vote thereat shall be entitled to one vote for every share of such stock standing in such stockholder's name on the books of the Company on the date determined in accordance with Section 5 of Article V of these By-laws, and each stockholder of record of Preferred Stock entitled to vote thereat shall be entitled to the vote as set forth in the resolution or resolutions of the Board of Directors providing for such series for each share of Preferred Stock standing in such stockholder's name on the books of the Company on the date determined in accordance with Section 5 of Article V of these By-laws. On any matter on which the holders of the Preferred Stock or any series thereof shall be entitled to vote separately as a class or series, they shall be entitled to one vote for each share held.

Each stockholder entitled to vote at any meeting of stockholders may authorize not in excess of three persons to act for such stockholder by a proxy signed by such stockholder or such stockholder's attorney-in-fact. Any such proxy shall be delivered to the secretary of such meeting at or prior to the time designated for holding such meeting, but in any event not later than the time designated in the order of business for so delivering such proxies. No such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Except as otherwise provided by law or by the Restated Certificate of Incorporation, at each meeting of the stockholders, all corporate actions to be taken by vote of the stockholders shall be authorized by a majority of the votes cast by the stockholders entitled to vote thereon, present in person or represented by proxy, and where a separate vote by class is required, a majority of the votes cast by the stockholders of such class, present in person or represented by proxy, shall be the act of such class.

Unless required by law or determined by the chairman of the meeting to be advisable, the vote on any matter, including the election of Directors, need not be by written ballot. In the case of a vote by written ballot, each ballot shall be signed by the stockholder voting, or by such stockholder's proxy, and shall state the number of shares voted.

Section 6. List of Stockholders Entitled to Vote The officer of the Company who has charge of the stock ledger of the Company shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder or person representing a stockholder by proxy, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Company who is present.

Section 7. Stock Ledger. The stock ledger of the Company shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Company, or to vote in person or by proxy at any meeting of stockholders.

Section 8. Nature of Business at Meetings of Stockholders No business may be transacted at an Annual Meeting of Stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any Stockholder of the Company (i) who is a Stockholder of record on the date of the giving of the notice provided for in this Section 8 and on the record date for the determination of Stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 8.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a Stockholder, such Stockholder must have given timely notice thereof in proper written form to the Secretary of the Company.

To be timely, a Stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Company not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders; provided, however, that in the event that the Annual Meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the Stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs.

To be in proper written form, a Stockholder's notice to the Secretary must set forth as to each matter such Stockholder proposes to bring before the Annual Meeting (i) a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the Annual Meeting, (ii) the name and record address of such Stockholder, (iii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such Stockholder, (iv) a description of all arrangements or understandings between such Stockholder and any other person or persons (including their names) in connection with the proposal of such business by such Stockholder and any material interest of such Stockholder in such business and (v) a representation that such Stockholder intends to appear in person or by proxy at the Annual Meeting to bring such business before the meeting.

No business shall be conducted at the Annual meeting of Stockholders except business brought before the Annual Meeting in accordance with the procedures set forth in this Section 8; provided, however, that, once business has been properly brought before the Annual Meeting in accordance with such procedures, nothing in this Section 8 shall be deemed to preclude discussion by any Stockholder of any such business. If the Chairman of an Annual Meeting determines that business was not properly brought before the Annual Meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

### ARTICLE III

#### DIRECTORS

Section 1. Number, Nomination, and Election of Directors The number of Directors constituting the Board of Directors shall be no more than seventeen nor less than five, the precise number within such limitations to be fixed by resolution of the Board of Directors from time to time. Except as provided in Section 2 of this Article III, a nominee for Director shall be elected to the Board of Directors if the votes cast for such nominee's election exceed the votes cast against such nominee's election; provided, however, that Directors shall be elected by a plurality of the votes cast at any meeting of Stockholders for which (i) the Secretary of the Company receives a notice that a Stockholder has nominated a person for election to the Board of Directors in compliance with the advance notice requirements for Stockholder nominees for Director set forth in this Article III, Section 1, and (ii) such nomination has not been withdrawn by such Stockholder on or prior to the day next preceding the date the Company first mails its notice of meeting for such meeting to the Stockholders. If Directors are to be elected by a plurality of the votes cast, Stockholders shall not be permitted to vote against a nominee. Each

Director so elected shall hold office until the third Annual Meeting of Stockholders following such election and until a successor is duly elected and qualified, or until earlier resignation or removal. Any Director may resign at any time upon notice to the Company. Directors need not be stockholders.

Notwithstanding the foregoing, whenever the holders of any Preferred Stock, as may at any time be provided in the Restated Certificate of Incorporation or in any resolution or resolutions of the Board of Directors establishing any such Preferred Stock, shall have the right, voting as a class or as classes, to elect Directors at any Annual or Special Meeting of Stockholders, the then authorized number of Directors of the Company may be increased by such number as may therein be provided, and at such meeting the holders of such Preferred Stock shall be entitled to elect the additional Directors as therein provided. Any Directors so elected, unless so reelected at the Annual Meeting of Stockholders or Special Meeting held in place thereof, next succeeding the time when the holders of any such Preferred Stock became entitled to elect Directors as above provided, shall not hold office beyond such Annual or Special Meeting. Any such provision for election of Directors by holders of the Preferred Stock shall apply notwithstanding the maximum number of Directors set forth in the provisions hereinabove.

Only persons who are nominated in accordance with the following procedures shall be eligible for election as Directors of the Company, except as may be otherwise provided in the Restated Certificate of Incorporation with respect to the right of holders of preferred stock of the Company to nominate and elect a specified number of Directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any Annual Meeting of Stockholders, or at any Special Meeting of Stockholders called for the purpose of electing Directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any Stockholder of the Company (i) who is a Stockholder of record on the date of the giving of the notice provided for in this Section 9 and on the record date for the determination of Stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 9.

In addition to any other applicable requirements, for a nomination to be made by a Stockholder, such Stockholder must have given timely notice thereof in proper written form to the Secretary of the Company.

To be timely, a Stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Company (a) in the case of an Annual Meeting, not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders; provide however, that in the event that the Annual Meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the Stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs; and (b) in the case of a Special Meeting of Stockholders called for the purpose of electing Directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the Special meeting was mailed or public disclosure of the date of the Special meeting was made, whichever first occurs.

To be in proper written form, a Stockholder's notice to the Secretary must set forth (a) as to each person whom the Stockholder proposes to nominate for election as a Director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the Stockholder giving the notice (i) the name and record address of such Stockholder, (ii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such Stockholder, (iii) a description of all arrangements or understandings between such Stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nominations are to be made by such Stockholder, (iv) a representation that such Stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such Stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by (i) a written consent of each proposed nominee to being named as a nominee and to serve as a Director if elected, and (ii) a statement whether such person, if elected, intends to tender, promptly following such person's election or re-election, an irrevocable resignation effective upon such person's failure to receive the required vote for re-election at the next meeting at which such person would face re-election and upon acceptance of such resignation by the Board of Directors, in accordance with the Director Resignation Policy set forth in the Company's Corporate Governance Guidelines.

No person shall be eligible for election as a Director of the Company unless nominated in accordance with the procedures set forth in this Section 9. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 2. Vacancies. Subject to the provisions of the Restated Certificate of Incorporation, vacancies and newly created directorships resulting from any increase in the authorized number of Directors may be filled by a majority of the Directors then in office, though less than a quorum, or by a sole remaining Director, and the Directors so chosen shall hold office for a term that shall coincide with the unexpired portion of the term of that directorship, and until their successors are



duly elected and qualified, or until their earlier resignation or removal.

Section 3. Duties and Powers. The business of the Company shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Company and do all such lawful acts and things as are not by statute or by the Restated Certificate of Incorporation or by these By-laws directed or required to be exercised or done by the stockholders.

Section 4. Meetings. The Board of Directors of the Company may hold meetings, both regular and special, within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board, if one has been elected, or by the President or any three Directors. Notice thereof stating the place, date and hour of the meeting shall be given to each Director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or telegram on twenty-four (24) hours notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 5. Quorum. Except as may be otherwise specifically provided by law, the Restated Certificate of Incorporation or these By-laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 6. Actions of the Board. Unless otherwise provided by the Restated Certificate of Incorporation or these By-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board of Directors or committee.

Section 7. Meetings by Means of Conference Telephone. Unless otherwise provided by the Restated Certificate of Incorporation or these By-laws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 7 shall constitute presence in person at such meeting.

Section 8. Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the Directors. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, or in the By-laws of the Company, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Company, and may authorize the seal of the Company to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by Delaware law to be submitted to stockholders for approval; or (ii) adopting, amending or repealing any By-law of the Company. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 9. Compensation. The Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and such compensation for serving as a Director and attending each meeting of the Board of Directors as may be fixed from time to time by resolution of the Board. No such payment shall preclude any Director from serving the Company in any other capacity and receiving compensation therefor. Members of special or standing committees may also be paid such compensation for committee service or for attending committee meetings as the Board may establish from time to time.

## ARTICLE IV

### OFFICERS

Section 1. General. The officers shall be elected by the Board of Directors and shall include a President, a Secretary and a Treasurer and, at the discretion of the Board of Directors, may include a Chairman of the Board, one or more Vice Presidents and such other officers as the Board of Directors may from time to time deem necessary or appropriate. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Restated Certificate of Incorporation or these By-laws. The officers need not be stockholders nor, except in the case of the Chairman of the Board, need such officers be Directors.

Section 2. Election. The Board of Directors shall elect the officers of the Company who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers shall hold office until their successors are chosen and qualified, or until their death, resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office shall be filled by the Board of Directors.

Section 3. Voting Securities Owned by the Company. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Company may be executed in the name of and on behalf of the Company by the Chief Executive Officer, any Vice President or the Secretary, and any such officer may in the name of and on behalf of the Company, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Company may own securities and at any such meeting shall possess ownership of such securities and which, as the owner thereof, the Company might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chief Executive Officer. If no Chairman of the Board has been elected, the President shall be the Chief Executive Officer. If a person has been elected as both Chairman of the Board and President, that person shall be the Chief Executive Officer. Otherwise, if a Chairman of the Board has been elected, the Board of Directors shall designate either the Chairman of the Board or the President as Chief Executive Officer. Subject to the directions of the Board of Directors or any duly authorized committee of Directors, the Chief Executive Officer shall direct the policy of the Company and shall have general direction of the Company's business, affairs and property and over its several officers, in addition to his duties set forth in Section 5 or 6 of this Article IV, as the case may be.

Section 5. Chairman of the Board. If one has been elected, the Chairman of the Board shall, if present, preside at all meetings of the Board of Directors and of the stockholders. The Chairman of the Board may, with the Treasurer or the Secretary, or an Assistant Treasurer or an Assistant Secretary, sign certificates for stock of the Company and any other documents, of whatever nature, in the name of the Company, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by a duly authorized committee of Directors, or by these By-laws to some other officer or agent of the Company, or shall be required by law otherwise to be signed or executed and shall perform such other duties as may from time to time be assigned by the Board of Directors or by any duly authorized committee of Directors.

Section 6. President. The President, unless he is serving as Chief Executive Officer, shall be responsible to the Chairman of the Board. During the absence or disability of the Chairman of the Board, or if one shall not have been elected, the President shall exercise all the powers and discharge all the duties of the Chairman of the Board. The President may, with the Treasurer or the Secretary, or an Assistant Treasurer or an Assistant Secretary, sign certificates for stock of the Company and any other documents, of whatever nature, in the name of the Company, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by a duly authorized committee of Directors, or by these By-laws, to some other officer or agent of the Company, or shall be required by law otherwise to be signed or executed and shall perform such other duties as may from time to time be assigned by the Board of Directors or by any duly authorized committee of Directors.

Section 7. Vice Presidents. In the absence of the President or in the event of inability or refusal of the President to perform the duties of his office, the Vice Presidents (including the Vice Presidents designated as the General Counsel and the Chief Financial Officer), if any have been elected, in the order designated by the Board of Directors or, in the absence of such designation, in the order of seniority in office, shall perform the duties and possess the authority and powers of the President. Any Vice President may also sign and execute in the name of the Company deeds, mortgages, bonds, contracts and other instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by a duly authorized committee of Directors, or by these By-laws, to some other officer or agent of the Company, or shall be required by law otherwise to be signed or executed. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe.

Section 8. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all of the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform, or cause to be performed, like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer. If the Secretary shall be unable or shall refuse to cause notice to be given of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors, the Chairman of the Board, if one has been elected, or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Company and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Company and to attest the affixing by such officers a signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 9. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Company as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all transactions of the Treasurer and of the financial condition of the Company.

Section 10. Assistant Secretaries. Except as may be otherwise provided in these By-laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, any Vice President or the Secretary, and in the absence of the Secretary or in the event of the disability or refusal of the Secretary to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 11. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, any Vice President or the Treasurer, and in the absence of the Treasurer or in the event of the disability or refusal to act of the Treasurer, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer.

Section 12. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors.

## ARTICLE V

### STOCK

Section 1. Form of Certificates; Uncertificated Shares. Shares of stock in the Company may be represented by certificates or may be issued in uncertificated form in accordance with Delaware law. The issuance of shares in uncertificated form shall not affect shares already represented by a certificate unless and until the certificate is surrendered to the Company. Every holder of stock in the Company represented by certificates shall be entitled to have a certificate signed in the name of the Company (i) by the Chairman of the Board, if one has been elected, or the President; and (ii) by the Secretary or an Assistant Secretary of the Company, certifying the number of shares represented.

Section 2. Signatures. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, the certificate may be issued by the Company with the same effect as if such officer or entity were an officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate or uncertificated shares to be issued in place of any certificate theretofore issued by the Company alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or such owner's legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Company a bond in such sum as it may direct as indemnity against any claim that may be made against the Company and its transfer agents and registrars with respect to the certificate alleged to have been lost, stolen or destroyed or the issuance of such new certificate or uncertificated shares.

Section 4. Transfers. Stock of the Company shall be transferable in the manner prescribed by law and in these By-laws. Transfers of stock shall be made on the books of the Company only upon authorization by the stockholder of record or by such person's attorney lawfully constituted in writing and filed with the Secretary of the Company, or a transfer agent for such stock, if any, and if such shares are represented by a certificate, upon the surrender of the certificate therefor, which shall be canceled before a new certificate or uncertificated shares shall be issued.

Section 5. Record Date. In order that the Company may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action for which a record date is required. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

## ARTICLE VI

### NOTICES

Section 1. Notices. Whenever written notice is required by law, the Restated Certificate of Incorporation or these By-laws, to be given to any Director, member of a committee or stockholder, such notice may be given by mail, addressed to such Director, member of a committee or stockholder, at such address as appears on the records of the Company, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable.

Section 2. Waivers of Notice. Whenever any notice is required by law, the Restated Certificate of Incorporation or these By-laws, to be given to any Director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

## ARTICLE VII

## GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Company, subject to the provisions of the Restated Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Company available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Company, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Fiscal Year. The fiscal year of the Company shall be fixed by resolution of the Board of Directors.

Section 3. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Company, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed, affixed, reproduced or otherwise.

Section 4. By-laws Subject to Law and Restated Certificate of Incorporation of the Company Each provision of these By-laws is subject to any contrary provision of the Restated Certificate of Incorporation of the Company or of an applicable law as from time to time in effect, and to the extent any such provision is inconsistent therewith, such provision shall be superseded thereby for as long as such inconsistency shall exist, but for all other purposes these By-laws shall continue in full force and effect.

## ARTICLE VIII

### INDEMNIFICATION

Section 1. Right to Indemnification. Each person (hereinafter referred to as an "indemnitee") who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit, arbitration, alternative dispute mechanism, inquiry, administrative or legislative hearing, investigation or any other actual, threatened or completed proceeding, including any and all appeals, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she (a) is or was an employee providing service to an employee benefit plan in which the Company or any of its subsidiaries or affiliates participates or is a participating company or (b) is or was a director or an officer of the Company or is or was serving at the request of the Company as a director or officer (including elected or appointed positions that are equivalent to director or officer) of another corporation, partnership, joint venture, trust or other enterprise, whether the basis of such proceeding is alleged action in an official capacity as a director or officer (or equivalent) or in any other capacity while serving as a director or officer (or equivalent), shall be indemnified and held harmless by the Company to the fullest extent authorized by the Delaware General Corporation Law ("DGCL"), as the same exists or may hereafter be amended, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Section 3 of this Article VIII with respect to proceedings to enforce rights to indemnification, the Company shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized or ratified by the Board of Directors of the Company.

#### Section 2. Advancement of Expenses.

(a) In addition to the right to indemnification conferred in Section 1 of this Article VIII, each director, the Chief Executive Officer, the General Counsel, and the Chief Financial Officer of the Company shall, to the fullest extent not prohibited by law, also have the right to be paid by the Company the expenses (including attorneys' fees) incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the DGCL requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director, Chief Executive Officer, General Counsel or Chief Financial Officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Company of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 2(a) of this Article VIII or otherwise.

(b) In addition to the right to indemnification conferred in Section 1 of this Article VIII and except for the indemnitees covered under Section 2(a) above, any person entitled to indemnification in Section 1 may to the extent authorized from time to time by the Board of Directors, be paid an advancement of expenses, provided, however, that if the DGCL requires an advancement of expenses incurred by an indemnitee in his or her capacity as an officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final adjudication that such indemnitee is not entitled to be indemnified for such expenses under this Section 2(b) of this Article VIII or otherwise.

Section 3. Right of Indemnitee to Bring Suit If a claim under Section 1 or 2 of this Article VIII is not paid in full by the Company within 60 days after a written claim has been received by the Company, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter

bring suit against the Company in a court of competent jurisdiction in the State of Delaware to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Company to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (a) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (b) in any suit brought by the Company to recover an advancement of expenses pursuant to the terms of an undertaking, the Company shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the DGCL. Neither the failure of the Company (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Company (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Company to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VIII or otherwise shall be on the Company.

Section 4. Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article VIII shall not be exclusive of any other right which any person may have or hereafter acquire under any law, agreement, vote of stockholders or directors, provisions of the Certificate of Incorporation or these Bylaws or otherwise.

Section 5. Insurance. The Company may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Company or another Company, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Section 6. Indemnification of Employees and Agents of the Company. Except for those indemnitees entitled to indemnification under Section 1, the Company may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Company to the fullest extent of the provisions of this Article VIII with respect to the indemnification and advancement of expenses of directors and officers of the Company.

Section 7. Nature of Rights. The rights conferred upon indemnitees in this Article VIII shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer or employee and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article VIII that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

Section 8. Settlement of Claims. The Company shall not be liable to indemnify any indemnitee under this Article VIII for any amounts paid in settlement of any action or claim effected without the Company's written consent, which consent shall not be unreasonably withheld, or for any judicial award if the Company was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action.

Section 9. Subrogation. In the event of payment under this Article VIII, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

Section 10. Procedures for Submission of Claims. The Board of Directors may establish reasonable procedures for the submission of claims for indemnification pursuant to this Article VIII, determination of the entitlement of any person thereto and review of any such determination. Such procedures shall be set forth in an appendix to these Bylaws and shall be deemed for all purposes to be a part hereof.

## ARTICLE IX

### AMENDMENTS

Section 1. Amendments of By-laws. These By-laws may be altered, amended, supplemented or repealed and new By-laws may be adopted by an affirmative vote of the holders of 75 percent of the voting power of all shares of outstanding stock of the Company entitled to vote at any duly constituted Annual or Special Meeting of Stockholders, and, except as otherwise expressly provided in a By-law made by the stockholders, by the Board of Directors at any duly constituted regular or special meeting thereof; provided that no amendment of these By-laws changing the place named therein for the annual election of Directors shall be made within sixty days next before the day on which any such election is to be held.

## AMENDMENT No. 1

to the

## AMENDED AND RESTATED RIGHTS AGREEMENT

This Amendment No. 1 (this "**Amendment**") to the Amended and Restated Rights Agreement dated as of September 21, 2004, between The Williams Companies, Inc., a Delaware corporation (the "**Company**"), and Computershare Trust Company, N.A., a federally chartered trust company (formerly known as Equiserve Trust Company, N.A., "**Computershare**") (the "**Rights Agreement**"), is entered into by and among the Company, Computershare, and UMB Bank, n.a., a national banking association ("**UMB**"), this 18th day of May, 2007.

WHEREAS, on September 21, 2004, the Company and Computershare entered into the Rights Agreement, pursuant to which Computershare has heretofore acted as the transfer agent and Rights Agent of the Company;

WHEREAS, Section 21 of the Rights Agreement provides that if the transfer agency relationship between the Company and the Rights Agent terminates, the Rights Agent will be deemed to resign automatically on the effective date of such termination and the Company shall appoint a successor; and

WHEREAS, effective February 1, 2007, the Company desires to retain UMB as its transfer agent and therefore its Rights Agent pursuant to the Rights Agreement:

NOW, THEREFORE, in consideration of the premises and mutual agreements set forth herein and intending to be legally bound hereby, the parties hereto agree as follows:

1. Termination and Appointment. In accordance with Section 21 of the Rights Agreement, effective February 1, 2007, Computershare will cease to be the Rights Agent of the Company. The Company appoints UMB as the successor Rights Agent of the Company as of February 1, 2007, and UMB agrees to assume such role and its attending responsibilities in accordance with the terms of the Rights Agreement as of such date.

2. Representations and Warranties. UMB represents and warrants to the Company that it (i) is a national banking association organized and doing business under the laws of the United States in good standing; (ii) is authorized to exercise stock transfer or corporate trust power and is subject to supervision or examination by federal or state authority; and (iii) has a combined capital and surplus of over \$100,000,000.

3. Amendment of Rights Agreement.

(a) The Rights Agreement is hereby amended to replace all references to Equiserve Trust Company, N.A. in the Rights Agreement and any exhibits or appendices thereto with references to UMB. For purposes of the notice provision set forth in Section 25 of the Rights Agreement, the address for UMB is UMB Bank, n.a., Corporate Trust Division, 2401 Grand Blvd., Suite 200, Kansas City, MO 64108.

(b) Section 21 of the Rights Agreement is hereby amended to replace the following paragraph:

"Any successor Rights Agent, where appointed by the Company or by such a court, shall be a corporation organized and doing business under the laws of the United States or of the State of New York (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of New York), in good standing, which is authorized under such laws to exercise stock transfer or corporate trust powers and is subject to supervision or examination by federal or state authority and which, at the time of its appointment as Rights Agent, has, or is an affiliate of a corporation which has, a combined capital and surplus of at least \$100,000,000."

with this amended paragraph:

"Any successor Rights Agent, where appointed by the Company or by such a court, shall be a corporation or a national association organized and doing business under the laws of the United States or of the State of New York (or of any other state of the United States so long as such corporation or national association is authorized to do business as a banking institution in the State of New York), in good standing, which is authorized under such laws to exercise stock transfer or corporate trust powers and is subject to supervision or examination by federal or state authority and which, at the time of its appointment as Rights Agent, has, or is an affiliate of a corporation or national association which has, a combined capital and surplus of at least \$100,000,000."

4. References. The term "Agreement" as used in the Rights Agreement is deemed to refer to the Rights Agreement as amended hereby.

5. No Other Amendments. It is expressly understood and agreed that, except as specifically provided herein, the terms, conditions, and provisions contained in the Rights Agreement will remain in full force and effect without further change or modification.

6. Capitalized Terms. Capitalized terms used herein but not defined have the meaning set forth in the Agreement.

7. Governing Law. This Amendment is governed by the laws of the State of Delaware.

8. Effective Time. This Amendment is effective as of 12:01 am on February 1, 2007.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

**The Williams Companies, Inc.**

/s/ James J. Bender

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By: James J. Bender

Title: Sr. VP and General Counsel

**UMB Bank, n.a.**

/s/ Nancy L. Hoffman

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By: Nancy L. Hoffman

Title: Senior Vice President

**Computershare Trust Company, N.A.**

/s/ Dennis V. Moccia

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By: Dennis V. Moccia

Title: Managing Director

**ASSET PURCHASE AGREEMENT  
BY AND BETWEEN  
WILLIAMS POWER COMPANY, INC.**

**AND  
BEAR ENERGY LP**

**May 20, 2007  
TABLE OF CONTENTS**

Page

ARTICLE 1

DEFINITIONS

ARTICLE 2

PURCHASE AND SALE

- 2.1 Purchase and Sale; Assignment and Assumption
- 2.2 Payment of the Initial Purchase Price at Closing; Post-Closing Adjustment.
- 2.3 No Assumption of Retained Liabilities
- 2.4 Retained Assets
- 2.5 Amounts Held in Trust

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF THE SELLER

- 3.1 Organization
- 3.2 Authorization
- 3.3 Non-Contravention
- 3.4 Requirements of Law
- 3.5 Governmental Permits
- 3.6 Intellectual Property
- 3.7 Title to Purchased Assets
- 3.8 Assumed Contracts.
- 3.9 Litigation
- 3.10 [INTENTIONALLY DELETED.] .
- 3.11 Tax Representations.
- 3.12 Certain Invoices

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE BUYER

- 4.1 Organization
- 4.2 Authorization
- 4.3 Non-Contravention
- 4.4 [INTENTIONALLY DELETED.]
- 4.5 Litigation
- 4.6 Buyer's Financial Capacity
- 4.7 Buyer's Knowledge
- 4.8 Tax Representations.

ARTICLE 5

PRE-CLOSING ACTIVITIES



- 5.1 Conduct of Business.
- 5.2 Required Private Consents.
- 5.3 Business Guaranties
- 5.4 Required Governmental Consents.
- 5.5 Non-solicitation

5.6 Preparation for Transition Services Agreement; Buyer Access to Seller's Facilities.

5.7 Knowledge of Breaches

## ARTICLE 6

### CONDITIONS PRECEDENT

6.1 Buyer's Conditions to Closing

6.2 Seller's Conditions to Closing

## ARTICLE 7

### CLOSING

- 7.1 Closing
- 7.2 Seller's Deliveries
- 7.3 Buyer's Deliveries

## ARTICLE 8

### INDEMNIFICATION

- 8.1 Limitation on and Survival of Representations and Warranties
- 8.2 Indemnification by the Seller.
- 8.3 Indemnification by the Buyer.
- 8.4 Limitation of Liability
- 8.5 Sole and Exclusive Remedy

## ARTICLE 9

### TERMINATION

9.1 Termination

9.2 Effect of Termination

## ARTICLE 10

### TAXES AND FURTHER ASSURANCES

- 10.1 Transfer Taxes
- 10.2 Allocation of Purchase Price
- 10.3 Further Assurances

## ARTICLE 11

### MISCELLANEOUS

11.1	Entire Agreement; Amendment
11.2	Expenses
11.3	Governing Law; Jurisdiction
11.4	Assignment
11.5	Notices
11.6	Counterparts; Headings
11.7	Interpretation
11.8	Schedules and Exhibits
11.9	Supplement to Schedules.
11.10	Closing Over Breaches or Unsatisfied Conditions
11.11	Occasional and Bulk Sales Law
11.12	Disclaimers.
11.13	Severability
11.14	No Reliance
11.15	Agreement for the Parties' Benefit
11.16	Non-Waiver
11.17	Public Announcements
11.18	Confidentiality.
11.19	WAIVER OF JURY TRIAL
11.20	Post Closing Obligations.
11.21	Survival

### List of Schedules

---

Schedule A	Assumed Contracts
Schedule B	Seller Intellectual Property
Schedule C	Key Governmental Approvals
Schedule D	Dormant Master Agreements
Schedule E	Knowledge of the Buyer
Schedule F	Knowledge of the Seller
Schedule G	[Reserved]
Schedule H	[Reserved]
Schedule I	Permitted Encumbrances
Schedule J	Purchased Assets
Schedule 3.4	Requirements of Law
Schedule 3.5	Governmental Permits
Schedule 3.6	Intellectual Property
Schedule 3.8(b) Breaches and Defaults Under Material Assumed Contracts	
Schedule 3.9	Litigation
Schedule 3.12	AES 4000 Agreement Invoices
Schedule 5.2(c) Permitted TRS Counterparties	
Schedule 5.2(d) Third Party Software Licenses	
Schedule 5.3	Business Guaranties (Including Williams Guaranties)
Schedule 5.5	Available Personnel

### List of Exhibits

---

Exhibit A	Form of Assignment and Assumption Agreement
Exhibit B	Form of Bill of Sale
Exhibit C	Form of Intellectual Property License and Assignment Agreement
Exhibit D	Form of Novation Agreement
Exhibit E	Form of Transition Services Agreement
Exhibit F	Form of TRS Agreement
Exhibit G	Form of Facility License Agreement
Exhibit 6.1(g)	Form of Seller's Secretary's Certificate
Exhibit 6.2(g)	Form of Buyer's Secretary's Certificate

### **ASSET PURCHASE AGREEMENT**

This **ASSET PURCHASE AGREEMENT** (this "Agreement"), dated May 20, 2007, is by and between **BEAR ENERGY LP**, a Delaware limited partnership (the "Buyer"), and **WILLIAMS POWER COMPANY, INC.**, a Delaware corporation (the "Seller").

### **RECITALS**

The Seller owns and manages a portfolio of (i) tolling agreements, (ii) power purchase agreements, (iii) energy management agreements and (iv) physical and financial electric power and natural gas marketing and trading agreements and transactions.

The Buyer and the Seller each desire that the Buyer acquire substantially all such agreements and transactions and certain intellectual property rights, books and records, data and other assets of the Seller on the terms and conditions set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the recitals and of the premises, mutual covenants, representations, warranties, conditions and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed that:

## ARTICLE 1

### DEFINITIONS

“Action” means any complaint, suit, proceeding, claim, arbitration, demand, assertion or other similar action.

“Adjustment Statement” has the meaning set forth in Section 2.2(c).

“AES 4000 Agreement” means the Material Assumed Contract identified as such in Schedule A hereto.

“Affiliate” means, as to any Person, any other Person or entity that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person, whether by contract, voting power or otherwise.

“Agreement” means this Asset Purchase Agreement, together with the Schedules and Exhibits attached hereto, as the same may be amended from time to time in accordance with the terms hereof.

“Ancillary Agreements” means the BSC Guaranty, the Transition Services Agreement, each Assignment and Assumption Agreement, each Novation Agreement, the Bill of Sale, the Intellectual Property License and Assignment Agreement, and each other document, instrument or agreement delivered in connection herewith or therewith according to the terms hereof or thereof.

“Assignment and Assumption Agreement” means each Assignment and Assumption Agreement substantially in the form of Exhibit A attached hereto executed and delivered pursuant to Section 5.2(a).

“Assumed Contracts” means the Contracts listed on Schedule A hereto.

“Assumed Liabilities” has the meaning set forth in Section 2.1.

“Bill of Sale” means the Bill of Sale for the Purchased Assets, other than the Assumed Contracts and the Seller Intellectual Property, dated as of the Closing Date, executed by the Seller in favor of the Buyer in the form of Exhibit B attached hereto.

“Books and Records” means, in respect of any of the Purchased Assets, (a) the Operational Data, whether hard copy or digital, (b) copies of all Assumed Contracts and correspondence amending, modifying or waiving any provision or condition in any Assumed Contract, or otherwise relating to Seller’s or a counterparty’s actual or alleged nonperformance thereunder, but specifically excluding routine matters resolved in the settlement process, (c) copies of all software licenses and related documentation (including specifications, technical manuals, user manuals, programming manuals, flow diagrams and file descriptions), whether owned or licensed, and (d) all other records with respect to the foregoing in Seller’s or any of its Affiliate’s possession (including such records located in off-site storage or held by any Person performing services for Seller or any of its Affiliates) to the extent Seller or any of its Affiliates has rights thereto, whether in the form of paper, electronic (including electronic mail) or voice recording media, including accounts receivable records, invoice and billing records, records of payment history, credit support and posting records, databases, correspondence and miscellaneous records; but in all cases excluding (x) records that are subject to the attorney-work-product doctrine or records that are subject to attorney-client or other privilege, the disclosure or delivery of which to the Buyer could result in the loss of privilege and (y) personnel records and other records that the Seller as a matter of Requirement of Law is required to retain in its possession.

“BSC Guaranty” means a guaranty to be provided by The Bear Stearns Companies Inc. in accordance with the terms of this Agreement.

“Business” means the Seller’s and the Seller’s subsidiaries’ business of engaging in physical and financial natural gas and electricity marketing and trading transactions, including, without limitation, entering into and performing the Assumed Contracts, but excluding the Gas Business and the Equity Generation Business.

“Business Day” means a day other than Saturday, Sunday or a day on which banks are authorized to be closed for business in the State of New York, the State of Oklahoma or the State of Texas.

“Business Guaranty” and “Business Guaranties” have the meanings set forth in Section 5.3.

“Buyer” has the meaning set forth in the recitals to this Agreement.

“Buyer Claim” has the meaning set forth in Section 8.2(a).

“Buyer Claim Notice” has the meaning set forth in Section 8.2(b).

“Buyer Indemnified Parties” has the meaning set forth in Section 8.2(a).

“Buyer’s Statement” has the meaning set forth in Section 2.2(c).

“Cash Consideration” means an amount equal to Five Hundred and Twelve Million Dollars (\$512,000,000).

“Closing” means the closing of the transactions contemplated hereby on the Closing Date.

“Closing Date” means the date upon which the Closing occurs, which shall be on the first day of the month that is at least five (5) Business Days after the satisfaction or waiver of each of the conditions set forth in ARTICLE 6 (other than such conditions that by their nature are to be satisfied at Closing).

“Closing Date NACF” has the meaning set forth in Section 2.2(c).

“Contracts” means any contracts, agreements, instruments, license agreements, physical and financial electric power marketing and trading transactions, confirmations, cover sheets, commitments, credit support documents, and invoices, schedules and annexes related thereto, in each case whether oral or written.

“Counterparty” or “Counterparties” means any of those parties to the Assumed Contracts other than the Seller or a subsidiary of the Seller.

“Deductible” has the meaning set forth in Section 8.4.

“Dormant Master Agreement” means any of the Contracts that is a master purchase and sale or financial transaction agreement as set forth in Schedule D.

“Equity Generation Business” means the business related to the electric generating facilities owned by Seller’s Affiliates, Williams Flexible Generation, LLC and Williams Generation Company – Hazleton.

“Estimated Closing Date NACF” has the meaning set forth in Section 2.2(b).

“Facility License Agreement” means the Facility License Agreement substantially in the form attached hereto as Exhibit G.

“FERC” means the Federal Energy Regulatory Commission.

“FERC Approval” means the issuance by the FERC of one or more final orders as required to authorize the transactions contemplated under this Agreement.

“FERC Filing” has the meaning set forth in Section 5.4.

“Gas Business” means the purchase, sale, or transport of natural gas by the Seller other than pursuant to any Assumed Contract, including without limitation related to or in support of any of the businesses of the Seller’s Affiliates, including without limitation, the transport, storage, processing, or marketing of natural gas produced by the Seller’s Affiliates and the purchase of fuel and shrink for gathering and processing Affiliates of the Seller.

“Governmental Action” means all consents, approvals, permits, waivers, exceptions, variances, orders, proceedings, exemptions, publications, filings, notices to or declarations of or with any Governmental Body.

“Governmental Body” means any court, government (federal, state, local or foreign), department, political subdivision, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority, including but not limited to the FERC, the Federal Trade Commission, the Securities and Exchange Commission, any state public service or public utility or similar commission, any other governmental, quasi-governmental or non-governmental body administering, regulating or having general oversight over natural gas, electricity, power or other markets or transmission systems (but excluding, for the avoidance of doubt, any counterparty to an Assumed Contract in its capacity as such).

“Governmental Permits” means all licenses, franchises, permits, privileges, variances, immunities, consents, rulings, exemptions, orders, judgments, decrees, approvals or other authorizations of any kind issued by any Governmental Body.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“HSR Act Termination” means the expiration or earlier termination of the notification waiting period provided for in the HSR Act.

“Initial Purchase Price” means an amount equal to the sum of (a) the Cash Consideration, and (b) the Estimated Closing Date NACF.

“Intellectual Property” means any or all of the following, and all rights arising out of or associated therewith: (a) all United States, international and foreign patents and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof; (b) all confidential and trade secret information, including all confidential inventions (whether patentable or not), proprietary software, invention disclosures, improvements, trade secrets, proprietary information, know-how, technology, technical data and customer lists, and all documentation relating to any of the foregoing throughout the world; and (c) all copyrights, copyright registrations and applications therefor, and all other rights corresponding thereto throughout the world.

“Intellectual Property License and Assignment Agreement” means that certain Intellectual Property License and Assignment Agreement by and between the Parties, substantially in the form of Exhibit C.

“Interim Adjustment Statement” has the meaning set forth in Section 2.2(c).

“Interim Closing Adjustment” has the meaning set forth in Section 2.2(c).

“Key Governmental Approvals” means the FERC Approval, the HSR Act Termination and the Required Governmental Consents identified on Schedule C.

“Key Required Private Consents” means the Required Private Consents applicable to each of the Material Assumed Contracts.

“Knowledge of the Buyer” means the actual knowledge of the individuals listed on Schedule E.

“Knowledge of the Seller” means the actual knowledge of the individuals listed on Schedule F.

“Law” means any law, statute, rule, regulation, ordinance order or other pronouncements, actions or requirements of any Governmental Body.

“Lien” means any lien, mortgage, security interest, tax lien, attachment, levy, charge, claim, restriction, imposition, pledge, encumbrance, conditional sale or title retention arrangement, or any other interest in property or assets (or the income or profits therefrom), whether consensual or nonconsensual and whether arising by agreement or under any Requirement of Law, or otherwise.

“Losses” has the meaning set forth in Section 8.2(a).

“Material Adverse Effect” means any casualty loss, Governmental Action, litigation or other event or circumstance that adversely affects (i) the Purchased Assets or (ii) the Counterparty to, or the generating assets (if any) that are the subject of, any Assumed Contract that is a tolling agreement, energy management agreement, or power purchase agreement, and in either case (i) or (ii), that materially impairs the value of the Purchased Assets taken as a whole; *provided, however*, that any adverse change or effect (or changes and/or effects taken together) attributable to any of the following, in each case shall not constitute a Material Adverse Effect: (a) any adoption, implementation, promulgation, repeal, modification, reinterpretation or proposal of any rule, regulation, ordinance, order, protocol or any other Law of or by any Governmental Body, (b) changes or developments in international, national, regional, state or local wholesale or retail markets for electricity or natural gas or other energy commodities, including, without limitation, changes in commodity prices, prices of related products (including, without limitation, financial derivatives), market design, industry standards, or availability or costs of transportation, (c) system-wide changes or developments in national, regional or state electric transmission or distribution systems, (d) changes or developments in financial or securities markets or the economy in general, (e) the status or condition of the Buyer (including the Buyer’s creditworthiness or credit rating), (f) the accounting treatment for Buyer of the Purchased Assets, this Agreement or the transactions contemplated hereby, (g) the announcement, pendency or consummation of the transactions contemplated by this Agreement (including any decrease in customer demand, any reduction in revenues, any disruption in supplier, partner or similar relationships, or any loss of employees); or (h) changes in generally accepted accounting principles; *provided* that any loss, claim, occurrence, change or effect that is cured (including by the payment of money) prior to the Closing Date shall not be considered a Material Adverse Effect.

“Material Assumed Contracts” means those Assumed Contracts identified as such in Schedule A hereto.

“Material Trading Counterparties” means those eight Counterparties identified as such on Schedule A hereto.

“Maximum Indemnity Amount” has the meaning set forth in Section 8.4.

“Net Accumulated Cash Flow” means, for the period from (and including) April 1, 2007 to (but not including) the Closing Date, an amount (whether positive or negative) equal to (a) all of the Seller’s payments made to the Counterparties in the ordinary course of the Seller’s Business pursuant to the terms of the Assumed Contracts during such period (excluding any such payments constituting postings of collateral or performance security or that relate to periods prior to April 1, 2007) and all of Seller’s payments made to third Persons (including Counterparties) in the ordinary course of the Seller’s Business pursuant to any physical or financial natural gas or electricity marketing or trading transactions which relate to the Assumed Contracts minus (b) all of the payments made to the Seller by the Counterparties in the ordinary course of the Seller’s Business pursuant to the terms of the Assumed Contracts during such period (excluding any such payments constituting postings of collateral or performance assurance or that relate to periods prior to April 1, 2007) and all payments made to the Seller by third Persons (including Counterparties) in the ordinary course of the Seller’s Business pursuant to any physical or financial natural gas or electricity marketing or trading transactions which relate to the Assumed Contracts, plus

(c) whichever of the following is applicable: \$2,500,000 if the Closing occurs during the period of September 7, 2007 through October 6, 2007; \$6,000,000 if the Closing occurs during the period of October 7, 2007 through November 6, 2007; \$10,500,000 if the Closing occurs during the period of November 7, 2007 through December 6, 2007; or \$15,500,000 if the Closing occurs during the period of December 7, 2007 through December 31, 2007.

“Neutral Accounting Arbitrator” has the meaning set forth in Section 2.2(c).

“Novation Agreement” means each Novation Agreement substantially in the form of Exhibit D attached hereto and executed and delivered pursuant to Section 5.2(a).

“Operational Data” means all computer, digital, electronic, analog, telecommunications (including voice recording), metering, and billing data relating to the Purchased Assets and the operations associated therewith and held by the Seller or any of its Affiliates (to the extent Seller or any of its Affiliates has rights thereto).

“Party” means the Buyer or the Seller.

“Permitted Encumbrances” means (a) the terms and conditions of this Agreement and the Purchased Assets, (b) those Liens and other matters listed on Schedule I, and (c) all rights reserved to or vested in any Governmental Body controlling or regulating or having jurisdiction over any of the Purchased Assets in any manner, and in all applicable Laws.

“Permitted TRS Counterparty” means any Counterparty listed on Schedule 5.2.

“Person” means any individual, corporation, partnership, joint venture, limited liability company, association (whether incorporated or unincorporated), joint-stock company, trust, Governmental Body, unincorporated organization or other entity.

“Preliminary Statement” has the meaning set forth in Section 2.2(b).

“Purchased Assets” means the Assumed Contracts, the Dormant Master Agreements, the Books and Records, Seller Hardware and the Seller Intellectual Property assets identified on Schedule J.

“Purchase Price” has the meaning set forth in Section 2.2(c).

“Required Consents” means all Required Governmental Consents and Required Private Consents.

“Required Governmental Consents” means all of the Governmental Actions required by or under any Requirements of Law in connection with the sale or assignment of the Purchased Assets to the Buyer and the consummation of the transactions contemplated hereby (including, without limitation, (i) the Buyer’s assumption, enforcement and performance of the Assumed Contracts in accordance with the terms thereof, and (ii) the Buyer’s ownership, use and operation of the Purchased Assets).

“Required Private Consents” means all of the consents, authorizations and approvals (other than a Required Governmental Consent) required from any Person by or under any Assumed Contract in connection with the Seller’s sale, assignment, or novation (as applicable) of the Purchased Assets to the Buyer and consummation of the transactions contemplated hereby (including, without limitation, (i) the Buyer’s assumption, enforcement and performance of the Assumed Contracts in accordance with the terms thereof, (ii) the replacement of any Business Guaranties with a BSC Guaranty as provided in Section 5.3, (iii) the release of Seller with respect to the Assumed Liabilities and (iv) the Buyer’s ownership, use and operation of the Purchased Assets).

“Requirements of Law” means any requirements of any Law, including but not limited to the requirements of any applicable Governmental Permits or Governmental Actions.

“Resolution Periods” has the meaning set forth in Section 2.2(c).

“Restricted Information” has the meaning set forth in Section 11.18(b).

“Retained Assets” has the meaning set forth in Section 2.4.

“Retained Liabilities” means all liabilities and obligations of the Seller and any of its Affiliates, other than the Assumed Liabilities.

“Seller” has the meaning set forth in the recitals to this Agreement.

“Seller Claim” has the meaning set forth in Section 8.3(a).

“Seller Claim Notice” has the meaning set forth in Section 8.3(b).

“Seller Hardware” means the Seller-owned servers used to host the applications listed on Schedule B and Schedule 5.2(d)(A) as of the date of this Agreement. Seller Hardware does not include proprietary software, third party software, data, operating systems, non-attached storage, or confidential or proprietary information.

“Seller Indemnified Parties” has the meaning set forth in Section 8.3(a).

“Seller Intellectual Property” means all Intellectual Property identified on Schedule B.

“Tax” or “Taxes” means any present or future federal, state, county, local or foreign taxes, charges, levies, imposts, duties, other assessments or similar charges or withholding of any kind whatsoever, including interest, penalties and additions imposed thereon or with respect thereto, imposed by a Governmental Body.

“Tax Returns” means any reports, returns, information returns or other information required to be supplied to a taxing authority in connection with Taxes, including any return of an affiliated or combined unitary group.

“Third Party Software Licenses” means all of the Assumed Contracts identified as such on Schedule A.

“Transition Services Agreement” means that certain Transition Services Agreement by and between the Parties, substantially in the form attached hereto as Exhibit E.

“TRS Agreement” means the TRS Agreement by and between the Parties, substantially in the form of Exhibit F, executed and delivered (if applicable) pursuant to Section 5.2(c).

“Williams Guaranties” means the guaranties provided by The Williams Companies, Inc., or Williams Holdings of Delaware, Inc., to various of the Counterparties or other Persons in connection with the Purchased Assets and identified on Schedule 5.3.

## ARTICLE 2

### PURCHASE AND SALE

**2.1 Purchase and Sale; Assignment and Assumption** As of the Closing, and subject to all of the terms and conditions of this Agreement (including, without limitation, Section 5.2(c)), the Seller shall sell, transfer, convey, assign and deliver, and the Buyer shall purchase, all of the Seller’s right, title and interest in and to the Purchased Assets, and the Buyer shall assume, pay, discharge and perform, each on a timely basis, all of liabilities and obligations under contract or at Law as to any Assumed Contract or any other Purchased Asset that are incurred or accrue or otherwise relate to the period from and after the Closing Date (the “Assumed Liabilities”).

### **2.2 Payment of the Initial Purchase Price at Closing; Post-Closing Adjustment**

(a) At the Closing, and subject to all of the terms and conditions of this Agreement (including, without limitation, Section 5.2(c)), in consideration of the Seller’s sale, transfer, assignment, conveyance and delivery of the Purchased Assets, including the Assumed Contracts, the Buyer shall assume the Assumed Liabilities and pay to the Seller an amount equal to the Initial Purchase Price, by wire transfer to an account or accounts designated by the Seller in writing prior to the Closing Date of immediately available funds.

(b) At least five (5) Business Days prior to the anticipated Closing Date, the Seller shall prepare and deliver to the Buyer a statement (the “Preliminary Statement”) that sets forth the Seller’s good faith estimate of the Net Accumulated Cash Flow (the “Estimated Closing Date NACF”).

(c) The Initial Purchase Price shall be subject to the adjustment specified in this ~~Section 2.2(c)~~ (the Initial Purchase Price as so adjusted is herein referred to as the “Purchase Price”). Except as provided in this Section 2.2(c) (and except that any payments made by the Seller under ARTICLE 8 shall be treated for Tax purposes as adjustments to the Purchase Price), the Initial Purchase Price shall not be subject to any adjustments.

(i) Within ninety (90) calendar days after the Closing Date, the Seller shall prepare and deliver to the Buyer a statement (the “Adjustment Statement”) that sets forth (A) its calculation of the Net Accumulated Cash Flow (the “Closing Date NACF”) and (B) a calculation of an amount (whether resulting in a positive or negative number, the “Closing Adjustment”) equal to (1) the Closing Date NACF *minus* (2) the Estimated Closing Date NACF. The Seller shall provide the Buyer and its accountants with access to the relevant books and records of the Seller and the Seller’s employees to the extent required in connection with their review of and any dispute with respect to the Adjustment Statement and shall furnish the Buyer with any other information that might be relevant to the calculation of Closing Date NACF. If, at any time prior to the final resolution of all disputed items on the Adjustment Statement, additional information shall become known to the Buyer or the Seller that would change the amount of the Closing Date NACF shown on the calculation set forth in the Adjustment Statement, then the Buyer shall amend the Adjustment Statement to reflect such additional information. The Buyer and the Seller shall promptly notify each other upon it becoming aware of any additional information prior to the end of the Resolution Period (as defined below).

(ii) After receipt of the Adjustment Statement, the Buyer will have thirty (30) calendar days from receipt to review the Adjustment Statement together with the workpapers used in their preparation. Unless the Buyer delivers to the Seller a written notice setting forth in reasonable detail the specific items disputed by the Buyer and a written statement setting forth the Buyer’s calculation of each line item shown on the Adjustment Statement so disputed and the amount in dispute (the “Buyer’s Statement”) on or prior to the thirtieth (30th) day after receipt of the Adjustment Statement, the Buyer will be deemed to have accepted and agreed to the Adjustment Statement and the Closing Adjustment calculated therein and such agreement will be final, binding and conclusive. Any items on the Adjustment Statement as to which the Buyer has not given notice of its objection and provided an

alternative calculation on the Buyer's Statement will be deemed to have been agreed upon by the Parties, subject to the penultimate sentence of Section 2.2(c)(ii). If the Buyer so notifies the Seller of its objection to the Adjustment Statement and provides the Seller with the Buyer's Statement in a timely manner, the Buyer and the Seller will, within thirty (30) calendar days following such notice (the "Resolution Period"), attempt to resolve their differences. Any resolution by the Buyer and the Seller during the Resolution Period as to any disputed amounts will be final, binding and conclusive.

(iii) If the Buyer and the Seller do not resolve all disputed items by the end of the Resolution Period, then all items remaining in dispute will be submitted within ten (10) days after the expiration of the Resolution Period to a national independent accounting firm mutually acceptable to the Buyer and the Seller (the "Neutral Accounting Arbitrator"); it being understood that no member of the Neutral Accounting Arbitrator's engagement team shall have an existing professional relationship with the Buyer or Seller or any of their Affiliates. The Neutral Accounting Arbitrator shall act as an arbitrator to determine only those items in dispute. All fees and expenses relating to the work, if any, to be performed by the Neutral Accounting Arbitrator will be paid fifty percent (50%) by the Buyer and fifty percent (50%) by the Seller, *provided* that the Neutral Accounting Arbitrator may, upon determination that a Party did not raise its objections in respect of the matters in dispute in good faith, determine the fees and expenses to be paid by such Party up to and including all of such fees and expenses. The Neutral Accounting Arbitrator will deliver to the Buyer and the Seller a written determination (such determination to include a work sheet setting forth all material calculations used in arriving at such determination and to be based solely on information provided to the Neutral Accounting Arbitrator by the Seller and the Buyer) of the disputed items within thirty (30) days of receipt of the disputed items (or as soon as practicable thereafter), which determination will be final, binding and conclusive as to such disputed items. The final Adjustment Statement containing those items which either are agreed upon by the Buyer and the Seller or are delivered by the Neutral Accounting Arbitrator in accordance with this Section will be the "Interim Adjustment Statement". In the event that either the Buyer or the Seller fails to submit its statement regarding any items remaining in dispute within the time determined by the Neutral Accounting Arbitrator, then the Neutral Accounting Arbitrator shall render a decision based solely on the evidence timely submitted to the Neutral Accounting Arbitrator by the Buyer and/or the Seller.

(iv) If the Closing Adjustment as shown on the Interim Adjustment Statement (the "Interim Closing Adjustment") is a negative number, then the Initial Purchase Price will be reduced by the amount of the Interim Closing Adjustment and the Buyer shall be entitled to payment of such amount from the Seller by wire transfer of immediately available funds to an account or accounts designated by the Buyer. If the Interim Closing Adjustment is a positive number, then the Initial Purchase Price will be increased by the amount of the Interim Closing Adjustment and the Buyer shall pay such amount to the Seller by wire transfer of immediately available funds, to be paid to an account or accounts designated in writing by the Seller prior to the date when such payment is due. All payments to be made pursuant to this Section 2.2(c)(iv) will be made on the fifth Business Day following the date on which the Buyer and the Seller agree to, or the Neutral Accounting Arbitrator delivers, the Interim Statement and the Interim Adjustment Statement.

(v) On or prior to the one year anniversary of the Closing Date, either Buyer or Seller may notify the other Party of its desire to update the Interim Adjustment Statement to reflect additional items (i.e., items not taken into account in the Interim Closing Adjustment) that would change the Interim Closing Adjustment. Promptly after such notice is given, the Parties shall provide to each other a description and the amount of any such additional items. Any amounts paid in accordance with the terms of Section 2.5 shall not constitute or be included as additional items. Buyer shall prepare a statement that reflects the proposed changes to the Interim Closing Adjustment (which is also referenced to herein as the "Adjusted Statement") and provide the same to Seller. If the Parties do not reach an agreement on the Adjustment Statement within 30 days after Seller's receipt of the same, then the provisions of clause (iii) above shall apply. The Initial Purchase Price shall be adjusted to reflect any such adjustment agreed upon by the Parties or determined by the Neutral Accounting Arbitrator (as applicable) and the resulting payment due from Seller or Buyer shall be paid to the other Party by wire transfer of immediately available funds no later than the fifth Business Day following the date on which such agreement is reached or determination is made.

(vi) The Parties acknowledge and agree that neither the Net Accumulated Cash Flow nor any of the items comprising the calculation thereof include any charges for overhead or labor costs of Seller or its Affiliates.

**2.3 No Assumption of Retained Liabilities.** The Buyer does not and will not assume any of the Retained Liabilities, which shall remain the sole responsibility of and shall be retained, paid, performed and discharged solely by the Seller, or as applicable, the Seller's Affiliates.

**2.4 Retained Assets.** Notwithstanding anything to the contrary contained in Section 2.1 or elsewhere in this Agreement, any right, interest or claim of the Seller relating to the Assumed Contracts and the other Purchased Assets that arises or accrues during, or otherwise relates to, the period prior to the Closing Date, including without limitation the right to the return of cash collateral or any Business Guaranties posted or credited to Counterparties as of the Closing Date (the "Retained Assets"), is excluded from the Assumed Contacts and the other Purchased Assets and will remain the property of the Seller after the Closing.

**2.5 Amounts Held in Trust.** Any amounts received by the Buyer after the Closing with respect to any Excluded Asset shall be held by the Buyer in trust for the benefit of the Seller, shall be segregated from other property and funds of the



Buyer and shall forthwith be paid or delivered to the Seller in the same form as so received (with any necessary endorsement or assignment). Likewise, any amounts received by the Seller after the Closing with respect to any Purchased Asset shall be held by the Seller in trust for the benefit of the Buyer, shall be segregated from other property and funds of the Seller and shall be forthwith paid or delivered to the Buyer in the same form as so received (with any necessary endorsement or assignment).

### ARTICLE 3

#### REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller represents and warrants to the Buyer as of the date hereof and, if the Closing occurs, as of the Closing, that:

**3.1 Organization.** The Seller is a corporation duly organized and validly existing under the laws of the State of Delaware, is duly qualified to transact business as a foreign corporation in the State of Oklahoma and is in good standing in the States of Oklahoma and Delaware. The Seller has delivered or otherwise made available to the Buyer true and complete copies of the Seller's Articles of Incorporation and By-laws, as in effect on the date hereof.

**3.2 Authorization.** Seller has all requisite power and authority to execute this Agreement and the Ancillary Agreements to which it will be a party and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Ancillary Agreements to which it is or will be a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized and approved by all requisite action by the Seller. This Agreement constitutes, and upon execution, the Ancillary Agreements to which it is a party will constitute, the valid and binding obligations of the Seller enforceable against the Seller in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar Laws relating to or affecting generally the enforcement of creditors' rights and (b) the availability of equitable remedies (whether in a proceeding in equity or at Law).

**3.3 Non-Contravention.** Neither the execution or delivery of this Agreement nor the Ancillary Agreements to which it will be a party by the Seller nor the consummation of the transactions contemplated hereby or thereby, including but not limited to the assignment of the Assumed Contracts to the Buyer and retention of the Retained Liabilities, will (a) conflict with or result in the breach of any term or provision of, or constitute a default under, the Articles of Incorporation, By-laws or other governing documents of the Seller or any of its Affiliates; (b) result in a default, or give rise to any right of termination, cancellation or acceleration, impose any additional obligation under any provision of any contract or agreement of the Seller or any of its Affiliates, including, without limitation, any Assumed Contract, any loan agreements, promissory notes, indentures or instruments to which the Seller or any of its Affiliates is a party or by which the Seller or any of its Affiliates is bound; (c) result in the creation or imposition of any Lien on any of the Purchased Assets, other than Permitted Encumbrances; (d) violate any Requirements of Law applicable to the Seller; or (e) other than the Required Private Consents and the Required Governmental Consents, require on the part of the Seller the approval, consent, waiver, authorization or act of, or the making by the Seller of any declaration, filing or registration with, any Person.

**3.4 Requirements of Law.** To the Knowledge of the Seller, except as may be indicated on Schedule 3.4, all of the Purchased Assets and their uses in the Business as presently conducted by the Seller conform to all Requirements of Law.

**3.5 Governmental Permits.** Seller has obtained the Governmental Permits identified on Schedule 3.5, which are the only Governmental Permits necessary for it to own, use and manage the Purchased Assets and to carry on and conduct the Business as currently conducted by the Seller, such Governmental Permits are in full force and effect and the Seller is in compliance with all such Governmental Permits.

**3.6 Intellectual Property.** Except as set forth on Schedule 3.6, the Seller Intellectual Property is owned by the Seller. To the Knowledge of the Seller, the conduct of the Business as currently conducted by the Seller does not infringe, or constitute an infringement or misappropriation of any Intellectual Property of any Person. To the Knowledge of the Seller, no Person is infringing or misappropriating the Seller Intellectual Property. Except as set forth on Schedule 3.6, or otherwise evidenced under the terms of the Seller Intellectual Property no current or former partner, director, officer, or employee of the Seller or any third party will, after giving effect to each of the transactions contemplated herein, own or retain any rights in or to any of the Seller Intellectual Property, including the right to use, license, sublicense, or receive royalties or other compensation with respect to such Seller Intellectual Property.

**3.7 Title to Purchased Assets.** The Seller has good and valid title to all of the Purchased Assets free and clear of all Liens, other than Permitted Encumbrances.

**3.8 Assumed Contracts.**

(a) Schedule A hereto sets forth a true and complete list of the Assumed Contracts as of April 1, 2007. The information set forth on Schedule A is accurate in all material respects as of such date. For the purposes of this subsection (a), "material" shall mean discrepancies in Schedule A in the aggregate exceeding Three Million Dollars (\$3,000,000.00).

(b) Except as set forth on Schedule 3.8(b), neither the Seller nor, to the Knowledge of the Seller, any Counterparty to any Material Assumed Contract is, as of the date hereof, in breach thereof or default thereunder, and there does not

exist under any provision thereof, to the Knowledge of the Seller, as of the date hereof, any event that, with the giving of notice or the lapse of time or both, would constitute such a breach or default of any Material Assumed Contract, except for such breaches, defaults and events as to which requisite waivers or consents have been or will, on or prior to the Closing Date, be cured or obtained or which, collectively or individually, do not have, or would not reasonably be expected to have, a Material Adverse Effect.

(c) Each of the Material Assumed Contracts is in full force and effect in all material respects and constitutes a legal, valid and binding obligation of the Seller and, to the Knowledge of the Seller, of the Counterparty thereto, except for such failures that, collectively or individually, do not have, or would not reasonably be expected to have, a Material Adverse Effect.

(d) Except (i) as set forth on Schedule A, (ii) otherwise permitted pursuant to Section 5.1 or (iii) with respect to the Material Assumed Contracts with the Material Trading Counterparties, no Material Assumed Contract has been amended, supplemented or modified in any material respect. True and complete copies of all Assumed Contracts (including all amendments, supplements and modifications thereto) will be provided to the Buyer no later than Five (5) Business Days from the date of this Agreement.

**3.9 Litigation.** Except as set forth on Schedule 3.9, there is no Governmental Action or other suit or proceeding initiated by any Person pending or, to the Knowledge of the Seller, threatened (a) under or in respect of any of the Purchased Assets (including, but not limited to, any claim related to environmental contamination, exposure, releases or other environmental matters) except such as would not have or would not reasonably be expected to have a Material Adverse Effect or (b) which questions the legality or propriety of the transactions contemplated by this Agreement.

### **3.10 [INTENTIONALLY DELETED.]**

### **3.11 Tax Representations.**

(a) The Seller is not required by any applicable Law, as modified by the practice of any relevant Governmental Body, to make any deduction or withholding for or on account of any Tax from any payment to be made by it to the Buyer under this Agreement or any Ancillary Agreement.

(b) The Seller is classified as a domestic corporation for U.S. federal income tax purposes.

**3.12 Certain Invoices.** Attached as Schedule 3.12 are true and correct copies of the monthly summary invoices as issued by the Counterparty to the Seller under the AES 4000 Agreement with respect to the following periods: January – December, 2005; January – December, 2006; and January – March, 2007.

## **ARTICLE 4**

### **REPRESENTATIONS AND WARRANTIES OF THE BUYER**

The Buyer represents and warrants to the Seller as of the date hereof and, if the Closing occurs, as of the Closing, that:

**4.1 Organization.** The Buyer is a limited partnership duly formed and validly existing and in good standing under the laws of the State of Delaware. The Buyer has full corporate power and authority to own or lease and to operate and use its assets and carry on its business as now conducted and as it will be conducted with the Purchased Assets.

**4.2 Authorization.** Buyer has all requisite power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it will be a party and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Ancillary Agreements to which it is or will be a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized and approved by all requisite action by the Buyer. This Agreement constitutes, and upon execution, the Ancillary Agreements to which it is a party will constitute, the valid and binding obligations of the Buyer enforceable against the Buyer in accordance with their respective terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar Laws relating to or affecting generally the enforcement of creditors' rights and (b) the availability of equitable remedies (whether in a proceeding in equity or at Law).

**4.3 Non-Contravention.** Neither the execution or delivery of this Agreement and the Ancillary Agreements to which it will be a party by the Buyer nor the consummation of the transactions contemplated hereby and thereby, including but not limited to the assumption of the Assumed Contracts and Assumed Liabilities, will (a) conflict with or result in the breach of any term or provision of, or constitute a default under, the Articles of Incorporation, By-laws or other governing documents of the Buyer or any of its Affiliates; (b) result in a default, or give rise to any right of termination, cancellation or acceleration of any material contract or agreement of the Buyer or any of its Affiliates, including, without limitation, any loan agreements, promissory notes, indentures or instruments to which the Buyer or any of its Affiliates is a party or by which the Buyer or any of its Affiliates is bound; (c) violate any Requirements of Law applicable to the Buyer; or (d) require on the part of the Buyer the approval, consent, waiver, authorization or act of, or the making by the Buyer of any declaration, filing or registration with, any Person, except for the necessary filings and approvals under the HSR Act and from the FERC; and except as would not prevent or delay in any material respect the consummation of the transactions contemplated under this Agreement.

#### **4.4 [INTENTIONALLY DELETED.]**

**4.5 Litigation.** There is no Governmental Action, suit or proceeding initiated by any Person pending or, to the Knowledge of the Buyer, threatened which questions the legality or propriety of the transactions contemplated by this Agreement.

**4.6 Buyer's Financial Capacity.** The Buyer has the present financial capacity and resources to satisfy its obligations to discharge and satisfy the Assumed Liabilities and to pay the Purchase Price to the Seller, as and when due.

**4.7 Buyer's Knowledge.** To the Knowledge of the Buyer, as of the date of this Agreement, the Seller is not in breach of any of the representation or warranties in ARTICLE 3.

#### **4.8 Tax Representations.**

(a) The Buyer is not required by any applicable Law, as modified by the practice of any relevant Governmental Body, to make any deduction or withholding for or on account of any Tax from any payment to be made by it to the Seller under this Agreement or any Ancillary Agreement.

(b) The Buyer is classified as a domestic limited partnership for U.S. federal income tax purposes.

### **ARTICLE 5**

#### **PRE-CLOSING ACTIVITIES**

The applicable Party hereto, as set forth below, covenants and agrees that, from and after the execution and delivery of this Agreement until the Closing or the termination of this Agreement:

#### **5.1 Conduct of Business.**

(a) The Seller shall, except as the Buyer may otherwise consent in writing in the Buyer's reasonable discretion, perform the Assumed Contracts, protect and preserve the Purchased Assets, and conduct the Business as it relates to the Assumed Contracts in the ordinary and usual course of business and in accordance with past practices, except as set forth below. Without limiting the generality of the foregoing, except as set forth below, the Seller shall (i) duly comply in all material respects with all applicable Requirements of Law, perform in all material respects its obligations under all of the Assumed Contracts, maintain the Books and Records relating to the Assumed Contracts (in a manner consistent with generally accepted accounting principles as determined by Seller's independent auditor) and otherwise preserve intact and protect the Purchased Assets in an ordinary course of business consistent with past practices, (ii) maintain appropriate staff and management personnel and make requisite expenditures sufficient to perform the Assumed Contracts, and (iii) use commercially reasonable efforts to continue and preserve all business relationships with each party to the Assumed Contracts and any other Person having business or other dealings relating to the Purchased Assets and the Business as it related to the Assumed Contracts, including all Governmental Bodies. In addition to the foregoing, the Seller shall (A) not sell, assign, convey, lease or otherwise dispose of, or amend, modify or terminate, any of the Assumed Contracts or other Purchased Assets, except that the Seller shall be permitted to amend, modify or terminate any of the Assumed Contracts if such action (1) is done in the ordinary course of business, (2) is permitted under the Seller's trading and risk management policies in effect on the date of this Agreement to be done by an individual trader without approval of any other Person within the Seller's organization (without regard to any additional delegation of authority not evidenced in Seller's trading and risk management policies), and (3) does not involve any extension of the term of any Assumed Contract by more than one year; (B) not place a Lien on any of the Assumed Contracts or other Purchased Assets; (C) not enter into new Contracts or new transactions in respect of the Assumed Contracts existing on the date hereof, except that the Seller shall be permitted to enter into new Contracts or new transactions in respect of the Assumed Contracts if such action (1) is done in the ordinary course of business, (2) is permitted under the Seller's trading and risk management policies in effect on the date of this Agreement to be done by an individual trader without approval of any other Person within the Seller's organization (without regard to any additional delegation of authority not evidenced in Seller's trading and risk management policies), (3) does not involve entering into a Contract having a term beyond December 31, 2008; and (D) hedge fixed price power purchases or sales with natural gas. Notwithstanding the foregoing, Seller shall be permitted to enter into new Contracts pursuant to mandatory or "must offer" programs or auctions affecting the Assumed Contracts on the terms of such programs or auctions, including without limitation, the PJM RPM capacity market auction for years 2008, 2009 and 2010.

(b) The Seller shall provide to a representative of the Buyer as designated by the Buyer (and whom the Buyer shall ensure is not responsible for execution of the commercial activity of the Buyer) on a weekly basis a summary of the trading activity, changes in collateral postings and holdings and payments received and made, associated with the Assumed Contracts.

#### **5.2 Required Private Consents.**

(a) The Parties agree to use commercially reasonable efforts, and to cooperate and provide each other with reasonable assistance, to do all things necessary or appropriate to cause or permit the novation or assignment of the Assumed Contracts to the Buyer (including, in the case of Buyer, entering into new master or enabling agreements if necessary) and to obtain any Required Private Consents (and, if needed, the consent of any Person providing credit support on behalf of the applicable Counterparty) so that all right, title and interest of the Seller with respect to the

applicable Assumed Contract shall be novated or assigned to the Buyer effective as of the Closing. In furtherance of the foregoing, the Buyer shall provide to each Counterparty to an Assumed Contract within a reasonable period of time following the date hereof, a form of Novation Agreement or a form of Assignment and Assumption Agreement, with such modifications, if any, thereto that have been mutually agreed to by the Seller and the Buyer acting reasonably. Notwithstanding the foregoing, the Parties agree that the Required Private Consents for the Third Party Software Licenses and the Dormant Master Agreements shall not be due upon Closing.

(b) Except as set forth in Schedule 5.2(d), each Party shall bear its own costs in connection with obtaining all Required Private Consents. Neither Party shall have any obligation to make any economic concession to a third party as a condition to obtaining a Required Consent.

(c) Nothing in this Agreement shall be deemed to be an agreement to assign the Seller's rights under any Assumed Contract or any other Purchased Asset to be assigned to the Buyer in the absence of a Required Consent if such an attempted assignment would constitute a breach thereof or be unlawful. If any Required Consent in respect of any Assumed Contract other than a Material Assumed Contract is not obtained, or if an attempted assignment or assumption of any Assumed Contract other than a Material Assumed Contract would be ineffective or would adversely affect the rights or increase the obligations of any Party to this Agreement or any of its Affiliates with respect to any Assumed Contract, so that the Buyer would not, in fact, receive the rights, or assume the obligations with respect thereto as the same exist prior to such attempted assignment or assumption, then, at the Closing the Parties will enter into the TRS Agreement in respect of any such Assumed Contracts, if the Counterparty to such Assumed Contract is a Permitted TRS Counterparty. The establishment of the TRS shall be deemed, for purposes of Section 6.1(b), the equivalent of obtaining the subject Required Consents for the Assumed Contracts covered by the TRS.

(d) The Parties agree to use commercially reasonable efforts in assuming the obligations set forth in Schedule 5.2(d) to cause the assignment of the Third Party Software Licenses identified on Schedule 5.2(d) and the Dormant Master Agreements identified on Schedule D to the Buyer.

**5.3 Business Guaranties.** The Buyer shall use commercially reasonable efforts, (a) to replace, effective as of the Closing, each of the Williams Guaranties and each of the guaranties, letters of credit, letters of comfort and performance bonds set forth in Schedule 5.3 hereto (each, a "Business Guaranty", collectively the "Business Guaranties") with a BSC Guaranty or a replacement letter of credit, and (b) to assist Seller in obtaining release effective as of the Closing of all obligations of the Seller or any Affiliate of Seller under the Business Guaranties, but only to the extent relating to the Assumed Liabilities under the applicable Assumed Contracts. If the Buyer is unable to so replace any Business Guaranty, or Seller or any Affiliate of Seller is not so released, at the Closing after using its commercially reasonable efforts to do so, or assist Seller in doing so, the Buyer shall provide to the Seller and maintain in full force and effect in respect of each such Business Guaranty, a BSC Guaranty in form and substance substantially similar to such Business Guaranty, with respect to the obligations covered by each Business Guaranty for which the Buyer does not effect at the Closing such replacement or for which a release of Seller is not obtained, but only to the extent such Business Guaranties relate to the Assumed Liabilities under the applicable Assumed Contracts.

#### **5.4 Required Governmental Consents.**

(a) The Buyer and the Seller agree that as soon as practicable, but in no event later than fifteen (15) days after the date of this Agreement, (i) each will complete and file the "Antitrust Improvements Act Notification and Report Form for Certain Mergers and Acquisitions", if and as required by the HSR Act, and will promptly complete and file responses to all requests for additional data and information which may be made under such Act, and (ii) they will jointly file the FERC application (the "FERC Filing"). The Buyer shall prepare the FERC Filing in consultation with the Seller. The Buyer shall pay all costs for preparation of the FERC Filing (other than the Seller's costs) and all HSR Act filing fees relating to the transactions contemplated hereby, irrespective of whether the transactions contemplated by this Agreement are consummated.

(b) Each Party shall, and shall cause their respective Affiliates to, use their commercially reasonable efforts, at their own costs, to (i) cause the expiration of the notice periods under any Laws with respect to the transactions contemplated by this Agreement as promptly as is reasonably practicable before the Closing Date and (ii) resolve on commercially reasonable terms such objections, if any, as may be asserted by any Governmental Body with respect to the transactions contemplated by this Agreement. In connection therewith, if any administrative or judicial action or proceeding is instituted (or threatened to be instituted) challenging the transaction contemplated by this Agreement as violative of any Law, each of the Parties shall, and shall cause their respective Affiliates to, cooperate and use their commercially reasonable efforts to contest and resist, except insofar as the Seller and the Buyer may otherwise agree, any such action or proceeding, including any action or proceeding that seeks a temporary restraining order or preliminary injunction that would prohibit, prevent or restrict consummation of the transactions contemplated by this Agreement.

(c) Each Party shall, and shall cause their respective Affiliates, at their own cost, to furnish to the other all information necessary with respect to any application or other filing to be made in connection with the transactions contemplated by this Agreement, including in connection with any filings, conferences or other submissions related to resolving any investigation or other inquiry by any such Governmental Body with respect to the transactions contemplated by this Agreement. Each of the Seller and the Buyer shall promptly inform the other of any communication with, and any proposed understanding, undertaking or agreement with, any Governmental Body in respect of any such filings, investigation or other inquiry. If a Party intends to independently participate in any meeting

with any Governmental Body in respect of any such filings, investigation or other inquiry, then such Party shall give the other Party reasonable prior notice of such meeting such that the other Party has reasonable opportunity to attend and participate at such a meeting. The Parties shall consult and cooperate with one another in connection with any analyses, appearances, presentations, memoranda, briefs, arguments and opinions made or submitted by or on behalf of any Party in connection with all meetings, actions and proceedings under or relating to any such application or filing.

**5.5 Non-solicitation.** Other than with respect to those individuals listed on Schedule 5.5 (whom Buyer may solicit but not employ or otherwise engage as an employee, independent contractor or otherwise prior to the termination of Phase I of the Transition Services Agreement), until the date that is one year after the Closing Date, neither the Buyer nor any of its Affiliates shall, directly or indirectly, (a) induce any employee of the Seller or any of its Affiliates to leave the employ of the Seller or its Affiliates or (b) employ or otherwise engage as an employee, independent contractor or otherwise any such employee, except that the Buyer and its Affiliates shall not be precluded from hiring any such employee who (i) initiates discussions regarding such employment without any direct or indirect solicitation by the Buyer or its Affiliates or (ii) responds to any public advertisement placed by the Buyer or its Affiliates.

#### **5.6 Preparation for Transition Services Agreement; Buyer Access to Seller's Facilities**

(a) Seller shall use its commercially reasonable efforts to obtain any consents, waivers, permits or sublicenses necessary in order for Seller to provide services under the Transition Services Agreement.

(b) From the date of this Agreement through Closing, upon request of Buyer, Seller shall provide Buyer with reasonable access to Seller's employees and facilities during normal business hours in order to facilitate transition planning and post-Closing implementation of the transactions contemplated herein, including pursuant to the Transition Services Agreement.

**5.7 Knowledge of Breaches.** If after the date of this Agreement and prior to the Closing, either Party becomes aware of any breach by the Seller or Buyer of any representation and warranty under this Agreement, it will promptly notify the other Party thereof.

## **ARTICLE 6**

### **CONDITIONS PRECEDENT**

**6.1 Buyer's Conditions to Closing.** The obligations of the Buyer under this Agreement with respect to the purchase and sale of the Purchased Assets and the assumption of the Assumed Liabilities shall be subject to the fulfillment on or prior to the Closing of each of the following conditions, any of which may be waived by the Buyer, in the Buyer's sole discretion.

(a) All of the representations and warranties of the Seller contained in this Agreement and all other Ancillary Agreements will be, if qualified by materiality, true and correct in all respects, and if not so qualified, shall be true and correct in all material respects, except with respect to the representations and warranties contained in Section 3.2 and Section 3.7, to which no materiality qualifier shall apply, as of the Closing Date as though made on and as of the Closing Date (except to the extent such representations and warranties speak as of an earlier date and except for the representations and warranties contained in Section 3.8(a), which shall be deemed made as of the date most recent to the Closing Date that Schedule A is supplemented and amended pursuant to Section 11.9(b)). The Seller shall have complied with, performed and satisfied in all material respects all of the agreements, covenants, and conditions contained in this Agreement to be performed or complied with by it on or prior to the Closing.

(b) The Buyer shall have received (i) each of the Key Governmental Approvals in the form prescribed hereunder or in a form otherwise reasonably satisfactory to the Buyer, (ii) each of the Key Required Private Consents in the form prescribed hereunder or in a form otherwise reasonably satisfactory to the Buyer, and (iii) the assignment or novation of each Assumed Contract, or the TRS Agreement or such other arrangement reasonably satisfactory to Buyer with respect to such Assumed Contract as provided in Section 5.2, effective as of the Closing. Notwithstanding the foregoing, the Parties agree that neither the assignment nor receipt of Required Private Consents with respect to either the Third Party Software Licenses or the Dormant Master Agreements shall be conditions to Closing.

(c) There shall be no Action, pending or threatened by any third party (including any Governmental Body) and no judgment shall have been entered and not vacated by any Governmental Body of competent jurisdiction in any Governmental Action or other Action, arising therefrom, which seeks to enjoin, restrain, make illegal, or prohibit consummation of the transactions contemplated by this Agreement or that seeks to prohibit or limit the Buyer's ownership or performance of any portion of the Purchased Assets.

(d) Except for (i) matters that are the subject of the Seller's representations and warranties in ARTICLE 3 (which representations and warranties constitute the Buyer's exclusive assurance with respect to the subject matters thereof), (ii) facts or circumstances of which the Buyer has Knowledge on the date hereof not required to be corrected or remediated on or before the Closing Date and (iii) matters resulting from acts or omissions of the Buyer or any of its Affiliates or representatives, since the date of this Agreement, no event or circumstance has occurred and is continuing that has had or reasonably would be expected to have a Material Adverse Effect.

(e) A duly authorized officer of the Seller shall have certified the satisfaction of the conditions in paragraph (a) of this Section 6.1.

(f) The Seller shall have made or stand willing and able to make all of the deliveries to the Buyer set forth in Section 7.2.

(g) The Secretary of the Seller shall have executed a certificate substantially in the form attached hereto as Exhibit 6.1(g).

**6.2 Seller's Conditions to Closing.** The obligations of the Seller under this Agreement with respect to the purchase and sale of the Purchased Assets and the assumption of the Assumed Liabilities by the Buyer shall be subject to the fulfillment on or prior to the Closing of each of the following conditions, any of which may be waived by the Seller in the Seller's sole discretion:

(a) All of the representations and warranties of the Buyer contained in this Agreement and all other Ancillary Agreements will be, if qualified by materiality, true and correct in all respects, and if not so qualified, shall be true and correct in all material respects, as of the Closing Date as though made on and as of the Closing Date (except to the extent such representations and warranties speak as of an earlier date). The Buyer shall have complied with, performed and satisfied in all material respects all of the agreements, covenants, and conditions contained in this Agreement to be performed or complied with by it on or prior to the Closing.

(b) The Seller shall have received (i) each of the Key Governmental Approvals in the form prescribed hereunder or in a form otherwise reasonably satisfactory to the Seller, (ii) each of the Key Required Private Consents in the form prescribed hereunder or in a form otherwise reasonably satisfactory to the Seller, and (iii) the assignment or novation of each Assumed Contract, or the TRS Agreement or such other arrangement reasonably satisfactory to Seller with respect to such Assumed Contract as provided in Section 5.2, effective as of the Closing. Notwithstanding the foregoing, the Parties agree that neither the assignment nor receipt of Required Private Consents with respect to either the Third Party Software Licenses or the Dormant Master Agreements shall be conditions to Closing.

(c) The Williams Companies, Inc. and Williams Holdings of Delaware, Inc. shall have been unconditionally released, subject only to Closing, from all Williams Guaranties and other Business Guaranties (but only to the extent the Business Guaranties relate to the Assumed Liabilities).

(d) There shall be no Action, pending or threatened by any third party (including any Governmental Body) and no judgment shall have been entered and not vacated by any Governmental Body of competent jurisdiction in any Governmental Action or other Action, arising therefrom, which seeks to (i) enjoin, restrain, make illegal, or prohibit consummation of the transaction contemplated by this Agreement or (ii) prohibit or limit the Buyer's ownership or performance of any portion of the Purchased Assets.

(e) The Buyer shall have made or stand willing and able to make all of the deliveries to the Seller set forth in Section 7.3.

(f) A duly authorized officer of the Buyer shall have certified the satisfaction of the paragraph (a) of this Section 6.2.

(g) The Secretary of the Buyer shall have executed a certificate substantially in the form attached hereto as Exhibit 6.2(g).

## ARTICLE 7

### CLOSING

**7.1 Closing.** The Closing shall take place on the Closing Date at the Buyer's offices in Houston, Texas, or at such other location as may be designated by the Parties.

**7.2 Seller's Deliveries.** On the Closing Date, the Seller shall deliver or cause to be delivered to the Buyer the following:

(a) A certificate of good standing from the Secretaries of State of the States of Delaware and Oklahoma stating that the Seller is a validly existing corporation in good standing and qualified to do business as a foreign corporation, as applicable;

(b) A duly executed Bill of Sale;

(c) Duly executed Novation Agreements or Assignment and Assumption Agreements for each Assumed Contract to be conveyed at Closing;

(d) Duly executed Transition Services Agreement and Facility License Agreement;

(e) The certificates described in Section 6.1(d) and Section 6.1(f);

(f) To the extent not previously delivered, originals or true and correct copies of all Assumed Contracts and originals or true and correct copies of all Books and Records;

(g) A duly executed Intellectual Property License and Assignment Agreement;

(h) A duly executed TRS Agreement (if any shall be required pursuant to Section 5.2(c)); and

(i) The Preliminary Statement (if not already delivered) and such other documents and instruments as shall be reasonably necessary to effect the intent of this Agreement and consummation of the transaction contemplated hereby.

**7.3 Buyer's Deliveries.** On the Closing Date, the Buyer shall deliver or cause to be delivered to the Seller the following:

(a) The Initial Purchase Price payable by wire transfer of immediately available funds to such bank account pursuant to written instructions of the Seller delivered to the Buyer prior to the Closing Date;

(b) A certificate of good standing from the Secretaries of State of Delaware stating that the Buyer is a validly existing limited partnership in good standing;

(c) A duly executed Bill of Sale;

(d) Duly executed Novation Agreements or Assignment and Assumption Agreements for each Assumed Contract to be conveyed at Closing;

(e) Duly executed Transition Services Agreement and Facility License Agreement;

(f) The certificates described in Section 6.2(f) and Section 6.2(g);

(g) A duly executed Intellectual Property License and Assignment Agreement;

(h) A duly executed TRS Agreement (if any shall be required pursuant to Section 5.2(c)); and

(i) Such other documents and instruments as shall be reasonably necessary to effect the intent of this Agreement and consummation of the transactions contemplated hereby.

## ARTICLE 8

### INDEMNIFICATION

**8.1 Limitation on and Survival of Representations and Warranties** All representations and warranties contained in this Agreement, or in any agreements or instruments executed in connection herewith or delivered pursuant hereto, shall survive the Closing for a period of fifteen (15) months beginning on the Closing Date, but not longer, except that the representations and warranties set forth in (a) Sections 3.2 and 3.7 shall survive and (b) Section 3.11 shall survive until the thirtieth (30th) day after the expiration of the applicable statute of limitations relating thereto. Such representations and warranties shall only be effective with respect to any breach or claim when notice of such breach or claim shall have been given in writing to the other Party in breach or against whom indemnification is sought within such period. Any claim for indemnification for which written notice has been given within the prescribed period may be prosecuted to conclusion notwithstanding the subsequent expiration of such period.

#### **8.2 Indemnification by the Seller.**

(a) Subject to the limitations set forth in this ARTICLE 8, the Seller hereby agrees to indemnify and hold the Buyer and its directors, officers, employees and Affiliates (collectively, the "Buyer Indemnified Parties") harmless from and against any and all claims, demands, suits, proceedings, judgments, losses, liabilities, damages, costs and expenses (including, but not limited to, reasonable attorneys' fees) (collectively, "Losses") imposed upon or incurred by the Buyer Indemnified Parties (any claims for such Losses by a Buyer Indemnified Party, a "Buyer Claim") as a result of or in connection with any of the following:

(i) any inaccuracy or breach of a representation or warranty made by the Seller in this Agreement or in any agreement or instrument executed in connection herewith or pursuant hereto (and for purposes of determining the accuracy of any such representation and warranty and the Losses attributable thereto, all materiality and Material Adverse Effect qualifiers set forth therein shall be disregarded);

(ii) the breach of, or default in the performance by the Seller of, any covenant, agreement or obligation to be performed by the Seller pursuant to this Agreement or any agreement or instrument delivered pursuant to Section 7.2(b), Section 7.2(c), or Section 7.2(g); and

(iii) any Retained Liabilities.

(b) Promptly after receipt by a Buyer Indemnified Party of notice of an Action or other event giving rise to a Buyer Claim with respect to which the Buyer Indemnified Party is entitled to indemnification under this Section 8.2, the Buyer Indemnified Party receiving such notice shall notify (the "Buyer Claim Notice") the Seller in writing of the commencement of such Action or the assertion of such Buyer Claim; *provided, however*, that failure to give such notice shall not affect the right to indemnification hereunder except to the extent of actual prejudice to the Seller. The Seller shall have the option, and shall notify the Buyer Indemnified Party in writing within thirty (30) Business Days after the date of the Buyer Claim Notice of its election, either: (i) to participate (at the expense of the Seller) in the defense of such Action or Buyer Claim (in which case the defense of such Action or Buyer Claim shall be controlled by the Buyer)

or (ii) to take charge of and control the defense of such Action or Buyer Claim (at the expense of the Seller). If the Seller elects to control the defense, it will not compromise or settle the Action or Buyer Claim absent each Buyer Indemnified Party's written consent, which may be granted or denied in such Party's reasonable discretion, if (A) the amount to be paid in settlement exceeds the Maximum Indemnity Amount or (B) the settlement does not include a provision reasonably satisfactory to the Buyer Indemnified Party releasing the Buyer Indemnified Party from all liabilities with respect thereto. If the Seller fails to notify the Buyer Indemnified Party of its election within the applicable response period, then the Seller shall be deemed to have elected not to control the defense of such Action or Buyer Claim. If the Seller elects to control the defense of any Action or Buyer Claim, the Buyer Indemnified Party shall have the right to employ separate counsel and participate in the defense of such Action or Buyer Claim, but the fees and expenses of such counsel shall be at the expense of the Buyer Indemnified Party unless: (1) the named parties in such Action or Buyer Claim (including any impleaded parties) include both the Buyer Indemnified Party and the Seller and the Buyer Indemnified Party shall have been advised by such counsel that there may be one or more legal defenses available to it that are different from or additional to those available to the Seller, or (2) the Buyer Indemnified Party has reasonably determined that Losses that may be incurred may exceed either individually, or when aggregated with other Buyer Claims, the Maximum Indemnity Amount (in which case, the Seller shall not have the right to control the defense of such Action or Buyer Claim on behalf of the Buyer Indemnified Party, it being understood, however, that the Seller shall not, in connection with such Action or Buyer Claim, be liable for the fees and expenses of more than one (1) separate firm of attorneys (in addition to any local counsel) and that all such fees and expenses shall be reimbursed as they are incurred).

(c) If the Seller does not control the defense of any Action or Buyer Claim, then the Buyer Indemnified Party may settle such Action or Buyer Claim with the written consent of the Seller (not to be unreasonably withheld).

### **8.3 Indemnification by the Buyer.**

(a) Subject to the limitations set forth in this ARTICLE 8, the Buyer hereby agrees to indemnify and hold the Seller and its directors, officers, employees, and Affiliates (collectively, the "Seller Indemnified Parties") harmless from and against any and all Losses imposed upon or incurred by the Seller Indemnified Parties (any claim for such Losses by a Seller Indemnified Party, a "Seller Claim") as a result of or in connection with any of the following:

(i) any inaccuracy or breach of a representation or warranty made by the Buyer in this Agreement or in any agreement or instrument executed in connection herewith or pursuant hereto;

(ii) the breach of or default in the performance by the Buyer of any covenant, agreement or obligation to be performed by the Buyer pursuant to this Agreement or any agreement or instrument delivered pursuant to Section 7.3(c), Section 7.3(d), or Section 7.3(g); and

(iii) any Assumed Liabilities or a breach or default in the performance by the Buyer of its obligations under Section 5.3.

(b) Promptly after receipt by a Seller Indemnified Party of notice of an Action or other event giving rise to a Seller Claim with respect to which the Seller Indemnified Party is entitled to indemnification under this Section 8.3, the Seller Indemnified Party receiving such notice shall notify (the "Seller Claim Notice") the Buyer in writing of the commencement of such Action or the assertion of such Seller Claim; *provided, however*, that failure to give such notice shall not affect the right to indemnification hereunder except to the extent of actual prejudice to the Buyer. The Buyer shall have the option, and shall notify each Seller Indemnified Party in writing within thirty (30) Business Days after the date of the Seller Claim Notice of its election, either: (i) to participate (at the expense of the Buyer) in the defense of the Action or Seller Claim (in which case the defense of such Action or Seller Claim shall be controlled by the Seller) or (ii) to take charge of and control defense of such Action or Seller Claim (at the expense of the Buyer). If the Buyer fails to notify the Seller Indemnified Party of its election within the applicable response period, then the Buyer shall be deemed to have elected not to control the defense of such Action or Seller Claim. If the Buyer elects to control the defense of any Action or Seller Claim, the Seller Indemnified Party shall have the right to employ separate counsel and participate in the defense of any such Action or Seller Claim, but the fees and expenses of such counsel shall be at the expense of the Seller Indemnified Party unless the named parties in such Action or Seller Claim (including any impleaded parties) include both the Seller Indemnified Party and the Buyer and the Seller Indemnified Party shall have been advised by such counsel that there may be one or more legal defenses available to it that are different from or additional to those available to the Buyer (in which case, the Buyer shall not have the right to control the defense of such Action or Seller Claim on behalf of the Seller Indemnified Party, it being understood, however, that the Buyer shall not, in connection with such Action or Seller Claim be liable for the fees and expenses of more than one (1) separate firm of attorneys (in addition to any local counsel) and that such fees and expenses shall be reimbursed as they are incurred).

(c) If the Buyer does not control the defense of any Action or Seller Claim, then the Seller Indemnified Party may settle such Action or Seller Claim with the written consent of the Buyer (not to be unreasonably withheld).

**8.4 Limitation of Liability.** Notwithstanding the foregoing, the Seller shall not be obligated to indemnify the Buyer Indemnified Parties pursuant to Section 8.2(a)(i) or Section 8.2(a)(ii) except to the extent the amount of all Losses incurred by the Buyer Indemnified Parties thereunder exceeds Five Million Dollars (\$5,000,000.00) in the aggregate (the "Deductible"), in which event the Buyer may recover all Losses incurred in excess of the Deductible and (net of insurance proceeds or other compensatory reimbursement from third parties actually received less expenses incurred in connection



therewith) the Seller's maximum liability for Losses under Section 8.2(a)(i) or Section 8.2(a)(ii) shall be Two Hundred Fifty Six Million Dollars (\$256,000,000.00) (the "Maximum Indemnity Amount"); *provided, however*, that for Losses incurred by the Buyer Indemnified Parties for breaches of the representations and warranties in Sections 3.2 and 3.7, the Seller's maximum liability shall be the Purchase Price.

**8.5 Sole and Exclusive Remedy.** If the Closing occurs, the indemnification provisions of this ARTICLE 8 shall be the sole and exclusive remedy of each Party (including the Seller Indemnified Parties and the Buyer Indemnified Parties) (a) for any breach of the other Party's representations, warranties, covenants, or agreements contained in this Agreement or (b) otherwise with respect to this Agreement, the agreements and instruments executed in connection herewith, the Purchased Assets, or the transactions contemplated hereby.

## ARTICLE 9

### TERMINATION

**9.1 Termination.** This Agreement may be terminated, and the transactions contemplated hereby may be abandoned, as follows:

(a) at any time before the Closing, by either Party, by written notice from one Party to the other Party, if any Law or final order restrains, enjoins or otherwise prohibits or makes illegal the transactions contemplated pursuant to this Agreement;

(b) at any time before the Closing, by either Party, by written notice from one Party to the other, if such other Party has materially breached its representations or warranties or its obligations hereunder and such breach (other than a breach of the Buyer's obligation to pay the Purchase Price in accordance with the terms of ARTICLE 2, which for purposes of clarification shall have no cure period, and other than with respect to Sections 3.2 and 3.7 to which no materiality qualifier shall apply) has not been cured within thirty (30) days following written notification thereof;

(c) on and after December 31, 2007, by either Party, by written notice from one Party to the other, if the Closing has not occurred by such date, unless the Parties mutually agree in writing (i) to extend the period in which such Closing must occur or (ii) to waive or amend the provisions of this Section 9.1(c); *provided* that the failure of the Closing to occur by such date is not the result of a breach of this Agreement by the Party seeking to terminate; or

(d) by mutual written consent of the Parties.

**9.2 Effect of Termination.** If this Agreement is validly terminated pursuant to Section 9.1(a) or 9.2(c), notwithstanding anything in this Agreement to the contrary, there will be no liability or obligation on the part of the Seller or the Buyer (or any of their respective Representatives or Affiliates), *provided* that (a) Sections 11.1, 11.2, 11.3, 11.5 through 11.8, inclusive, and 11.12 through 11.19, inclusive, will survive any such termination and (b) each Party shall continue to be liable for any breach of this Agreement by it occurring prior to such termination.

## ARTICLE 10

### TAXES AND FURTHER ASSURANCES

**10.1 Transfer Taxes.** The Buyer shall pay all transfer, sales, recording and similar Taxes arising in connection with the transactions contemplated hereunder, whether such Taxes are imposed on the Seller or the Buyer. The Parties shall cooperate to comply with all requirements for such Taxes and shall provide such documentation and take such other actions as may be necessary to minimize the amount of any such Taxes.

**10.2 Allocation of Purchase Price.** The Parties will use their commercially reasonable efforts to agree upon the allocation of the Purchase Price for Tax purposes. In the event the Parties are unable to so agree, each Party shall be free to make its own allocation of the Purchase Price.

**10.3 Further Assurances.** At any time and from time to time at or after the Closing, at any Party's request and without further consideration, the Parties agree to cooperate with each other, to execute and deliver such other documents, instruments of transfer or assignment, files, books and records and do all such further acts and things as may be reasonably required to carry out the transactions contemplated hereby.

## ARTICLE 11

### MISCELLANEOUS

**11.1 Entire Agreement; Amendment.** This Agreement and the documents referred to herein to be delivered pursuant hereto constitute the entire agreement between the Parties pertaining to the subject matter hereof, and supersede all prior and contemporaneous agreements, understandings, negotiations and discussions of the Parties, whether oral or written, and there are no warranties, representations or other agreements between the Parties in connection with the subject matter hereof, except as specifically set forth herein or therein. No amendment, supplement, modification or termination of this Agreement shall be binding unless executed in writing by the Party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision of this Agreement, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

**11.2 Expenses.** Except as specifically set forth herein, each of the Parties shall pay the fees and expenses of their respective counsel, accountants and other experts and the other expenses incident to the negotiation and preparation of this Agreement and consummation of the transactions contemplated hereby.

**11.3 Governing Law; Jurisdiction.** This Agreement shall be construed and interpreted according to the laws of the State of New York, without regard to the conflicts of law rules thereof.

**11.4 Assignment.** This Agreement and each Party's respective rights hereunder may not be assigned, by operation of Law, change of control, or otherwise, without the prior written consent of the other Party, which consent may be withheld in the discretion of such other Party. Notwithstanding the foregoing, the Buyer shall have the right to designate one or more Affiliates to take title to and/or assume any or all of the Purchased Assets at Closing, but the Buyer shall remain liable to the Seller hereunder notwithstanding any such delegation.

**11.5 Notices.** All communications, notices and disclosures required or permitted by this Agreement shall be in writing and shall be deemed to have been given at the earlier of the date (a) when delivered personally or by messenger or by overnight delivery service by a recognized commercial carrier, (b) five (5) days after being mailed by registered or certified United States mail, postage prepaid, return receipt requested, or (c) when received via telecopy, telex, facsimile or other electronic transmission, in all cases addressed to the Person for whom it is intended at his address set forth below or to such other address as a Party shall have designated by notice in writing to the other Party in the manner provided by this Section 11.5:

If to the Buyer:	Bear Energy LP 700 Louisiana Street, Suite 1000 Houston, TX 77002 Phone: 713.236.3000 Fax: 713.236.5000 Attention: President
With a copy to:	Bear Energy LP 700 Louisiana Street, Suite 1000 Houston, TX 77002 Phone: 713.236.3000 Fax: 713.236.5000 Attention: Legal Department
If to the Seller:	Williams Power Company, Inc. One Williams Center, WRC 2 Tulsa, OK 74172 Phone: 918.573.2000 Fax: 918.573.1717 Attention: Chief Financial Officer
With a copy to:	The Williams Companies, Inc. One Williams Center, Suite 4900 Tulsa, OK 74172 Phone: 918.573.2000 Fax: 918.573.5942 Attention: General Counsel

**11.6 Counterparts; Headings.** This Agreement may be executed in several counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same agreement. The headings in this Agreement are inserted for convenience of reference only and shall not constitute a part, or impact the interpretation, hereof.

**11.7 Interpretation.** Unless the context requires otherwise, all words used in this Agreement in the singular number shall extend to and include the plural, all words in the plural number shall extend to and include the singular and all words in any gender shall extend to and include all genders. All references to contracts, agreements, leases or other understandings or arrangements shall refer to oral as well as written matters. This Agreement has been negotiated between the Parties and shall not be read in a light more favorable to one Party relative to the other.

**11.8 Schedules and Exhibits.** Disclosure of any fact or item in any Schedule or Exhibit hereto referenced by a particular paragraph or Section in this Agreement shall, should the existence of the fact or item or its contents be relevant to any other paragraph or Section, be deemed to be disclosed with respect to that other paragraph or Section whether or not an explicit cross-reference appears.

**11.9 Supplement to Schedules.**

(a) The Seller may, from time to time prior to the Closing by written notice to the Buyer, supplement or amend the Schedules to this Agreement, provided that, for purposes of determining whether Buyer's condition set forth in Section 6.1 has been fulfilled, the Schedules (except Schedule A and Schedule 5.3, each of which shall be amended and supplemented only as provided in Section 11.9(b)) shall be deemed to include only that information contained therein on the date of this Agreement and shall be deemed to exclude all information contained in any supplement or

amendment thereto. .

(b) Not earlier than ten (10) Business Days and no later than three (3) Business Days prior to the Closing, the Seller shall, by written notice to the Buyer, supplement or amend Schedule A and Schedule 5.3 to reflect all activity since April 1, 2007 related to the Assumed Contracts.

(c) If the Closing shall occur, then any matters disclosed to Buyer pursuant to any supplement or amendment at or prior to the Closing shall be deemed to be waived by Buyer and Buyer shall not be entitled to make a claim thereon under this Agreement.

**11.10 Closing Over Breaches or Unsatisfied Conditions** Notwithstanding anything to the contrary contained in this Agreement, if the Seller or the Buyer elects to proceed with the Closing, and any failure of any condition in its favor to be satisfied or the breach of any representation, warranty or covenant by the other Party is within the Knowledge of the Buyer or the Knowledge of the Seller, as applicable, the condition that is unsatisfied, or the representation, warranty or covenant that is breached, at the Closing Date will be deemed waived by such Party, and such Party will be deemed to fully release and forever discharge the other Party on account of any and all claims, demands or charges, known or unknown, with respect to the same.

**11.11 Occasional and Bulk Sales Law.** The Buyer and the Seller each agree to waive compliance by the other with the provisions of the Bulk Sales Law of any jurisdiction.

**11.12 Disclaimers.**

(a) **Buyer's Review.** The Buyer has reviewed and has access to all documents, records and information which it has desired to review in connection with its decision to enter into this Agreement, and to consummate the transactions contemplated hereby. The Buyer has not relied upon any representation, warranty, statement, advice, document, projection, or other information of any type provided by the Seller, its Affiliates, or any of their representatives, except for those expressly set forth in this Agreement. In deciding to enter into this Agreement, and to consummate the transactions contemplated hereby, the Buyer has relied solely upon its own knowledge, investigation, and analysis (and that of its representatives) of the Purchased Assets and the Business and not on any disclosure or representation made by, or any duty to disclose on the part of, the Seller, its Affiliates, or any of their representatives, other than the representations and warranties of the Seller expressly set forth herein.

(b) **Information.** Except as provided in ARTICLE 3, the Seller makes no representation or warranty, express, implied, at common law, statutory or otherwise, with respect to the accuracy or completeness of the information, records, and data now, heretofore, or hereafter made available to the Buyer in connection with this Agreement (including any description of the Business or the Purchased Assets, revenue, price and expense assumptions, price forecasts, or any other information furnished to the Buyer by the Seller or any Affiliate of the Seller or any director, officer, employee, counsel, agent, or advisor thereof).

(c) **Purchased Assets.** Notwithstanding anything contained to the contrary in any other provision of this Agreement, it is the explicit intent of each Party that the Seller and its Affiliates are not making any representation or warranty whatsoever, express, implied, at common law, statutory or otherwise, except for the representations or warranties given in this Agreement, and it is understood that the Buyer, with such exceptions, takes the Purchased Assets "as is" and "where is". Without limiting the generality of the immediately preceding sentence, except as provided in this Agreement, the Seller hereby expressly disclaims and negates any representation or warranty, express or implied, at common law, statutory, or otherwise, relating to (i) the condition of the Purchased Assets (including any implied or express warranty of merchantability or fitness for a particular purpose, or of conformity to models or samples of materials), or (ii) any infringement by the Seller, or any of its Affiliates of any patent or proprietary right of any third party. The Buyer has agreed not to rely on any representation made by the Seller with respect to the condition, quality, or state of the Purchased Assets except for those in this Agreement, but rather, as a significant portion of the consideration given to the Seller for this purchase and sale, has agreed to rely solely and exclusively upon its own evaluation of the Purchased Assets, except as provided herein. The provisions contained in this Agreement are the result of extensive negotiations between the Buyer and the Seller and not other assurances, representations or warranties about the quality, condition, or state of the Purchased Assets were made by the Seller in the inducement thereof, except as provided herein.

(d) **Waiver of Damages.** Notwithstanding anything contained to the contrary in this Agreement, the Seller and the Buyer agree that the recovery by either Party of any damages suffered or incurred by it as a result of any breach by the other Party of any of its obligations under this Agreement shall be limited to the actual damages suffered or incurred by the non-breaching Party as a result of the breach by the breaching Party of its obligations hereunder and in no event shall the breaching Party be liable to the non-breaching Party for any indirect, consequential, special, exemplary, or punitive damages (including any damages on account of lost profits or opportunities or lost or delayed generation) suffered or incurred by the non-breaching Party as a result of the breach by the breaching Party of any of its obligations hereunder; *provided, however*, that the foregoing shall not be considered a waiver of cover damages.

**11.13 Severability.** If any provision, clause or part of this Agreement, or the application thereof under certain circumstances, is held invalid, the remainder of this Agreement, or the application of such provision, clause or part under other circumstances, shall not be affected thereby.

**11.14 No Reliance.** No third party is entitled to rely on any of the representations, warranties and agreements contained in this Agreement. The Buyer and the Seller assume no liability to any third party because of any reliance on the representations, warranties and agreements of the Buyer or the Seller contained in this Agreement.

**11.15 Agreement for the Parties' Benefit.** Except for the provisions of Section 5.3 which is also intended to benefit and to be enforceable by any Affiliate of the Seller that is obligated under one or more of the Business Guaranties, and the provisions of ARTICLE 8, which are also intended to benefit and to be enforceable by any of the Buyer Indemnified Parties and the Seller Indemnified Parties, this Agreement is not intended to confer upon any Person not a Party any rights or remedies hereunder, and no Person other than the Parties or such Persons described above is entitled to rely on any representation, warranty or covenant contained herein.

**11.16 Non-Waiver.** No waiver by either Party hereto of any one or more defaults by the other in performance of any of the provisions of this Agreement shall be construed as a waiver of any other default or defaults, whether of a like kind or different nature.

**11.17 Public Announcements.** Except pursuant to a Requirement of Law or the rules of a national securities exchange applicable to the Buyer, the Seller or their respective Affiliates, neither Party hereto may make any public announcements regarding this Agreement or the subject matter hereof without the prior written consent of the other Party. Notwithstanding the foregoing, following the execution of this Agreement, the Parties shall cooperate in issuing public announcements regarding the transactions described herein, including the Purchase Price, with such announcement to be released within five (5) Business Days or on an earlier date agreed to by the Parties.

**11.18 Confidentiality.**

(a) This Agreement is confidential and, except pursuant to a Requirement of Law or the rules of a national securities exchange applicable to the Buyer, the Seller or their respective Affiliates, neither the fact that the Parties have entered into this Agreement, nor any of the terms and conditions herein, may be disclosed to a third party without the other Party's prior written consent, except that either Party may disclose this Agreement and its contents to its financial, accounting, engineering and legal advisors who have a need to know such information and who agree to maintain its confidentiality.

(b) From and after the Closing, the Seller shall, and shall cause their respective Affiliates to, keep confidential and not disclose all information relating to the Purchased Assets (the "Restricted Information"), and shall not directly or indirectly use such Restricted Information for any purpose, except as and to the extent permitted by the terms of this Agreement or the Ancillary Agreements. The confidentiality obligation set forth in this Section shall not apply to any information that (i) is in the public domain, (ii) is published or otherwise becomes part of the public domain through no fault of the Seller or any of its Affiliates or (iii) becomes available to the Seller or any of its Affiliates on a non-confidential basis from a source that did not acquire such information (directly or indirectly) from the Seller or the Buyer or any of their respective Affiliates on a confidential basis. Notwithstanding the foregoing, the Seller may make disclosures required by Law and in connection with disputes hereunder; *provided, however*, that the Seller, to the extent practicable, shall provide the Buyer with prompt notice thereof so that the Buyer may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Section 11.18. In the event that such protective order or other remedy is not obtained or the Buyer waives compliance with the provisions of this Section 11.18, the Seller shall or shall cause the Person required to disclose such Restricted Information to furnish only that portion of the information that such Person is legally required, and, to the extent practicable, the Seller shall exercise commercially reasonable efforts to obtain reliable assurance that confidential treatment is accorded the Restricted Information so furnished. The Seller's confidentiality obligations under this Section shall continue for (5) years from the date hereof; *provided that*, with respect to Restricted Information relating to any Assumed Contract, such obligation shall terminate on a date that is the later of (A) the end of such five (5) year period and (B) the date of termination of such Assumed Contract.

(c) From and after the Closing, any restrictions contained herein or in the Confidentiality Agreement dated December 22, 2006 among the Buyer, the Seller and The Williams Companies, Inc., as amended, relating to the Buyer's use or disclosure of any Restricted Information shall be null and void.

**11.19 WAIVER OF JURY TRIAL.** THE SELLER AND THE BUYER EACH HEREBY IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY ANCILLARY AGREEMENT.

**11.20 Post Closing Obligations.**

(a) At any time or from time to time after the Closing, each Party will, upon the reasonable request of the other Party, execute and deliver any further instruments or documents, and exercise commercially reasonable efforts to take such further actions as may reasonably be required, to fulfill and implement the terms of this Agreement or realize the benefits intended to be afforded hereby. In addition, at any time or from time to time after the Closing, each Party will cooperate reasonably with the other Party (and the other Party's counsel, as applicable) and make available their personnel, and provide such testimony and access to their books and records as shall be reasonably requested, (i) in connection with the contest or defense against any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand in connection with (A) any transaction contemplated under this Agreement or (B) any fact, situation, circumstances, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction

relating to the Purchased Assets (including during such period prior to Closing) or (ii) otherwise at the other Party's reasonable request in connection with any other matter arising and relating to the Purchased Assets, all at the reasonable out-of-pocket expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor hereunder).

(b) For a period of seven (7) years after the Closing Date, neither Party will dispose of any books, records, documents or information reasonably relating to the Purchased Assets without first giving notice to the other Party thereof and permitting the other Party to retain or copy such books and records as it may select. During such period, each Party will permit the other Party to examine and make copies, at the other Party's expense, of such books, records, documents and information for any reasonable purpose, including any litigation now pending or hereafter commenced against the Party or its Affiliates, or the preparation of income or other tax returns; *provided, however*, that all such examinations by the other Party shall occur and all such access shall be provided to a Party at times and places reasonably set by the other Party.

**11.21 Survival.** Subject to limitations in respect of representations and warranties set forth in Section 8.1, all representations, warranties, covenants and obligations in this Agreement, the Ancillary Agreements and any other certificate or document delivered pursuant to this Agreement shall survive the Closing and the consummation of the transactions contemplated hereby.

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, each Party hereto has caused this Agreement to be executed in its name by a duly authorized officer as of the day and year first above written.

**BEAR ENERGY LP**

By: /s/ Paul J. Posoli

Name: Paul J. Posoli  
Title: President

**WILLIAMS POWER COMPANY, INC.**

By: /s/ Andrew D. Sunderman

Name: Andrew D. Sunderman  
Title: Vice President

NewsRelease

(Williams Logo)

NYSE: WMB

Date: May 21, 2007

**Williams Reaches Agreement to Sell Substantially All of Power Assets***Company Expects Significant Improvement in Credit Profile, Reduced Capital Costs**Transaction Would Eliminate Up to \$2.4 Billion in Imputed Debt, Related Interest*

TULSA, Okla. – Williams (NYSE:WMB) today announced it has entered into a definitive agreement to sell substantially all of its power assets to Bear Energy LP, a unit of The Bear Stearns Companies Inc. (NYSE:BSC). The agreement encompasses Williams' 7,500-megawatt portfolio of power contracts and certain other assets. Closing of the transaction is expected within the next six months.

Williams will continue to market natural gas as well as manage relevant transportation and storage in direct support of its Exploration & Production and Midstream businesses.

The base purchase price in the transaction announced today is \$512 million. Under the agreement, this amount will be reduced by expected net portfolio cash flows from the April 1 valuation date through the transaction closing date. Williams expects the transaction proceeds will be largely offset by income taxes, resolution of retained liabilities, costs associated with the transaction and near-term cash-collateral postings.

The company expects to divest its remaining power assets this year as part of its exit from the power business. Williams' current valuation of those assets is approximately \$50 million.

This significant step toward exiting the power business is consistent with Williams' ongoing strategy to focus its investment capital and growth efforts on its core natural gas businesses – Exploration & Production, Midstream and Gas Pipeline. Williams' business strategy for Power has been centered around reducing business risk.

"Our exit from the power business is a natural step forward in Williams' strategy to further increase shareholder value by focusing on and growing our core natural gas businesses," said Steve Malcolm, chairman, president and chief executive officer. "We expect one of the chief benefits this sale will produce for Williams is lower-cost capital. That, in turn, drives our market valuation and continued ability to pursue value-creating opportunities.

"We are proud of all the employees who have worked so hard to serve customers and maximize the value of these assets even during periods of incredibly difficult market conditions," Malcolm said.

The key contributors to the favorable capital environment Williams expects as a result of its exit from power include:

- **Reduced business and financial risk.**
- **Reduced complexity.** In 2006, Power's total segment revenues of more than \$7 billion yielded a \$211 million segment loss, which translated into \$85 million in segment profit after eliminating the effects of mark-to-market accounting.
- **Greater focus of all resources on the company's core businesses.** In 2006, Williams' natural gas businesses produced \$1.7 billion of segment profit on approximately \$7 billion of total segment revenue before intercompany eliminations.
- **Greater clarity and simplification** in the company's financial reporting because the mark-to-market accounting associated with the power portfolio will be eliminated.
- **Sharply reduced volatility** in mark-to-market results.
- **Reduced future liquidity needs**, primarily as a result of the elimination of cash-collateral and letters of credit used by Williams' power-trading activities and also because of the company's better credit profile.
- **Significantly improved credit profile** for Williams since sale of the long-term power contracts will eliminate approximately \$2.4 billion of imputed debt and related interest associated with approximately \$400 million in annual demand obligations.
- **Reduced cost of capital** – both for debt (for Williams and Williams Partners L.P.) and equity.

Williams expects the absence of Power's results to reduce its recurring earnings adjusted to eliminate mark-to-market effects, somewhat offsetting the benefits of its exit from the business.

The company expects the overall gain or loss associated with its exit from the power business to be nominal, based on portfolio values on April 1. Non-cash mark-to-market gains or losses through the closing date may affect the overall gain or loss, but the economic results will be unaffected.

The transaction with Bear Energy LP is subject to the completion of standard closing conditions and certain governmental approvals. Williams will provide certain transition services through year-end.

Williams expects later this year to report the power business covered by the exit plan as discontinued operations. Also, consistent with accounting standards, Williams prospectively ceased application of hedge accounting earlier this month for certain derivative contracts associated with its power assets.

Merrill Lynch & Co. is acting as financial adviser to Williams in the sale of its power assets. Lehman Brothers and Citibank also have acted as advisers to the company.

**About Williams (NYSE:WMB)**

Williams, through its subsidiaries, primarily finds, produces, gathers, processes and transports natural gas. Williams' operations are concentrated in the Pacific Northwest, Rocky Mountains, Gulf Coast, Southern California and Eastern Seaboard. More information is at [www.williams.com](http://www.williams.com).

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*Portions of this document may constitute "forward-looking statements" as defined by federal law. Although the company believes any such statements are based on reasonable assumptions, there is no assurance that actual outcomes will not be materially different. Any such statements are made in reliance on the "safe harbor" protections provided under the Private Securities Reform Act of 1995. Additional information about issues that could lead to material changes in performance is contained in the company's annual reports filed with the Securities and Exchange Commission.*