

WILLIAMS COMPANIES INC

Form 8-K

November 22, 2006

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): November 16, 2006
The Williams Companies, Inc.
(Exact name of registrant as specified in its charter)

| | | |
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| Delaware (State or other jurisdiction of incorporation) | 1-04174 (Commission File Number) | 73-0569878 (IRS Employer Identification No.) |
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|--|----------------------------|
| One Williams Center Tulsa, Oklahoma (Address of principal executive offices) | 74172 (Zip Code) |
|--|----------------------------|

Registrant's telephone number, including area code: **(918) 573-2000**

NOT APPLICABLE

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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TABLE OF CONTENTS

Item 1.01 Entry into a Material Definitive Agreement

Item 9.01 Financial Statements and Exhibits

SIGNATURES

EXHIBIT INDEX

Table of Contents**Item 1.01 Entry into a Material Definitive Agreement.**

On November 16, 2006, Williams Partners L.P. (the Partnership) entered into a Purchase and Sale Agreement (the Purchase Agreement) with Williams Energy Services, LLC (WES), Williams Field Services Group, LLC (WFSG), Williams Field Services Company, LLC (WFSC), Williams Partners GP LLC, the general partner of the Partnership (the General Partner and together with WES, WFSG and WFSC, the Seller Parties), and Williams Partners Operating LLC, the operating subsidiary of the Partnership (Williams OLLC and together with the Partnership, the Buyer Parties), pursuant to which the Seller Parties have agreed to contribute to the Buyer Parties a 74.9% membership interest (the Four Corners Interest) in Williams Four Corners LLC (Four Corners) for aggregate consideration of \$1.223 billion, subject to possible adjustment in favor of the Buyer Parties.

Four Corners owns natural gas gathering, processing and treating assets in the San Juan Basin in Colorado and New Mexico. In June 2006, the Buyer Parties acquired a 25.1% membership interest in Four Corners from the Seller Parties in exchange for aggregate consideration of \$360.0 million.

Upon the closing of the transactions contemplated by the Purchase Agreement, the following, among other things, will occur: (i) the Seller Parties and the Buyer Parties will enter into a Contribution, Conveyance and Assumption Agreement (the Contribution Agreement) pursuant to which the Four Corners Interest will be contributed from the Seller Parties to the Buyer Parties; (ii) the General Partner will enter into Amendment No. 3 to the Partnership's agreement of limited partnership (the Amendment) in order to establish the terms of the Class B Units discussed above; and (iii) the Seller Parties will terminate the \$20.0 million loan agreement between Williams and Four Corners.

The closing of the Purchase Agreement is subject to the satisfaction of a number of conditions, including the Buyer Parties' ability to obtain financing and the receipt of all necessary consents, including antitrust clearance from the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The Partnership expects closing to occur in the fourth quarter of 2006.

The consideration to be paid by the Buyer Parties will consist of cash and up to \$325.0 million of Class B units representing limited partner interests in the Partnership (Class B Units) issued to the General Partner or its designee(s). Any issuance of Class B Units pursuant to the Purchase Agreement as partial consideration for the Four Corners Interest will be made in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended (the Securities Act), afforded by Section 4(2) of the Securities Act.

Any Class B Units that may be issued pursuant to the Purchase Agreement would represent a separate class of the Partnership's limited partner interests. Any Class B Units issued as part of the consideration for the Four Corners Interest would be (i) issued at an assumed price equal to the price per common unit to investors (before underwriting discounts and commissions, placement fees or other expenses) in an underwritten public offering of common units by the Partnership undertaken to finance a portion of the cash consideration, and (ii) convert into common units on a one-for-one basis upon the approval of unitholders as required by the NYSE, except for units held by The Williams Companies, Inc. (Williams) and its affiliates. The Partnership would be required to seek such approval as promptly as practicable after issuance of the Class B Units in connection with the consummation of the acquisition of the Four Corners Interest. If the requisite unitholder approval is not obtained, the Partnership would be obligated to resubmit the conversion proposal to unitholders, but not more frequently than once every six months.

Any Class B Units issued as part of the consideration for the Four Corners Interest would have the same voting rights as if they were outstanding common units and will be entitled to vote as a separate class on any matters that adversely affects the rights or preferences of the Class B Units in relation to other classes of partnership interests or as required by law. The Class B Units would not be entitled to vote on the approval of the conversion of the Class B Units into common units.

Any Class B Units issued as part of the consideration for the Four Corners Interest would be subordinated to common units and senior to subordinated units with respect to the payment of the minimum quarterly distribution, including any arrearages with respect to minimum quarterly distributions from prior periods. Such Class B Units would also be subordinated to common units and senior to subordinated units with respect to the right to receive distributions upon liquidation of the Partnership.

If the Partnership has not obtained the requisite unitholder approval of the conversion of the Class B Units within six months of the closing date of the acquisition of the Four Corners Interest, the Class B Units will be entitled to

receive 115% of the quarterly distribution and distributions on liquidation payable on each common unit, subject to the subordination provisions described above.

Any Class B Units issued as part of the consideration for the Four Corners Interest and the common units issuable upon conversion thereof would have the general registration rights in favor of the General Partner and its affiliates as provided by the Partnership's agreement of limited partnership.

Table of Contents

Pursuant to the Purchase Agreement, the Seller Parties agreed to indemnify the Buyer Parties, their subsidiaries and their respective securityholders, officers, directors and employees (the Buyer Indemnified Parties) against certain losses resulting from any breach of the Seller Parties' representations, warranties, covenants or agreements or any breach or violation of any environmental laws (as defined in the Purchase Agreement) by Four Corners or relating to its assets, operations or businesses that occurs prior to closing. The Buyer Parties agreed to indemnify the Seller Parties, their affiliates (other than Four Corners or the Buyer Indemnified Parties) and their respective securityholders, officers, directors and employees against certain losses resulting from any breach of the Buyer Parties' representations, warranties, covenants or agreements or any breach or violation of any environmental laws by Four Corners or relating to its assets, operations or businesses that occurs after closing. Certain of the parties' indemnification obligations are subject to an aggregate deductible of \$5.0 million. All of the parties' indemnification obligations are subject to a cap equal to \$150.0 million, except that the Seller Parties' indemnification obligation with respect to a breach of their representation of title to the Four Corners Interest may not exceed the \$1.223 billion purchase price. In addition, the parties' reciprocal indemnification obligations for certain tax liabilities and losses are not subject to the deductible and cap.

The description of the Purchase Agreement in this report is qualified in its entirety by reference to the copy of the Purchase Agreement, including the form of each of the Contribution Agreement and the Amendment attached as exhibits thereto, filed as Exhibit 2.1 to this report, which is incorporated by reference into this report in its entirety.

The General Partner serves as the general partner of the Partnership, holding a 2% general partner interest and incentive distribution rights in the Partnership. Williams currently directly or indirectly owns (i) 100% of the General Partner, which allows it to control the Partnership and own the 2% general partner interest and incentive distribution rights in the Partnership, (ii) 100% of WES, WFSG and WFSC, (iii) 74.9% of Four Corners and (iv) an approximate 37.4% limited partner interest in the Partnership.

Further, certain officers and directors of the General Partner serve as officers and/or directors of Williams, WES, WFSG, WFSC and Four Corners. The Partnership is a party to an omnibus agreement with Williams and its affiliates that governs the Partnership's relationship with them regarding reimbursement and indemnification for certain matters, including certain general and administrative expenses and certain environmental liabilities, and a license for the use of certain software and intellectual property. The Partnership is also party to a \$20.0 million working capital loan agreement where Williams is the lender and the Partnership is the borrower. Further, the Partnership and Williams are both party to a \$1.5 billion credit agreement with certain lenders whereby the Partnership is permitted to borrow up to \$75.0 million for general partnership purposes, including acquisitions.

WFSC and Williams OLLC are party to the amended and restated limited liability company agreement of Four Corners that currently governs the management of Four Corners, which will be amended at the closing of the transactions contemplated by the Purchase Agreement so that WFSC will no longer be a party thereto. Four Corners is a party to a \$20.0 million loan agreement where Williams is the lender and Four Corners is the borrower, which will be terminated at the closing of the transactions contemplated by the Purchase Agreement. In addition, the Partnership and its affiliates and Williams and its affiliates are counterparties to various commercial agreements entered into in the ordinary course of business.

Certain matters discussed in this current report on Form 8-K, excluding historical information, might contain forward-looking statements—statements that do not directly or exclusively relate to historical facts. You typically can identify forward-looking statements by the use of forward-looking words, such as anticipate, believe, could, continue, estimate, expect, forecast, may, plan, potential, project, schedule, will, and other similar words. These statements are based on Williams' intentions, beliefs, and assumptions about future events and are subject to risks, uncertainties, and other factors. Actual results could differ materially from those contemplated by the forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with such statements, other factors could cause Williams' actual results to differ materially from the results expressed or implied in any forward-looking statements. Those factors include, among others: changes in general economic conditions and changes in the industries in which Williams conducts business; changes in federal or state laws and regulations to which Williams is subject, including tax, environmental and employment laws and regulations; the cost and outcomes of legal and administrative claims proceedings, investigations, or inquiries; the results of financing efforts, including Williams

ability to obtain financing on favorable terms, which can be affected by various factors, including its credit ratings and general economic conditions; the level of creditworthiness of counterparties to Williams transactions; the amount of collateral required to be posted from time to time in Williams transactions; the effect of changes in accounting policies; the ability to control costs; the ability of each business unit to successfully implement key systems, such as order entry systems and service delivery systems; the impact of future federal and state regulations of business activities, including allowed rates of return, the pace of deregulation in retail natural gas and electricity markets, and the resolution of other regulatory matters; changes in environmental and other laws and regulations to which Williams and its subsidiaries are subject or other external factors over which we have no control; changes in foreign economies, currencies, laws and regulations, and political climates, especially in Canada, Argentina, Brazil, and Venezuela, where Williams has direct investments; the timing and extent of changes in commodity prices, interest rates, and foreign currency exchange rates; the weather and other natural phenomena; the ability of Williams to develop or access expanded markets and product offerings as well as their ability to maintain existing markets; the ability of Williams and its subsidiaries to obtain governmental and regulatory approval of various expansion projects; future utilization of pipeline capacity, which can depend on energy prices, competition from other pipelines and alternative fuels,

Table of Contents

the general level of natural gas and petroleum product demand, decisions by customers not to renew expiring natural gas transportation contracts; the accuracy of estimated hydrocarbon reserves and seismic data; and global and domestic economic repercussions from terrorist activities and the government's response to such terrorist activities. In light of these risks, uncertainties, and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than Williams has described. Williams undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors are urged to closely consider the disclosures and risk factors in Williams' annual report on Form 10-K filed with the Securities and Exchange Commission on March 9, 2006, and its quarterly reports on Form 10-Q available from its offices or from its website at www.williams.com.

Item 9.01 Financial Statements and Exhibits.

(d) **Exhibits.**

| Exhibit Number | Description |
|-----------------------|---|
| Exhibit 2.1 # | Purchase and Sale Agreement, dated November 16, 2006, by and among Williams Energy Services, LLC, Williams Field Services Group, LLC, Williams Field Services Company, LLC, Williams Partners GP LLC, Williams Partners L.P. and Williams Partners Operating LLC (incorporated by reference to Exhibit 2.1 to Williams Partners L.P.'s current report on Form 8-K (File No. 1-32599) filed on November 21, 2006). |
| # | Pursuant to Item 601(b)(2) of Regulation S-K, the registrant agrees to furnish supplementally a copy of any omitted exhibit or schedule to the SEC upon request. |

Table of Contents

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.

THE WILLIAMS COMPANIES, INC.

Date: November 22, 2006

/s/ Brian K. Shore
Brian K. Shore
Corporate Secretary

Table of Contents

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| # | Pursuant to Item 601(b)(2) of Regulation S-K, the registrant agrees to furnish supplementally a copy of any omitted exhibit or schedule to the SEC upon request. |