

WILLIAMS COMPANIES INC
Form 11-K
June 09, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-4174

A. Full title of the plan:

The Williams Investment Plus Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172

THE WILLIAMS INVESTMENT PLUS PLAN

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Report of Independent Registered Public Accounting Firm
The Administrative Committee
The Williams Investment Plus Plan

We have audited the accompanying statements of net assets available for benefits of The Williams Investment Plus Plan as of December 31, 2016 and 2015, and the related statement of changes in net assets available for benefits for the year ended December 31, 2016. These financial statements are the responsibility of the Plan's Administrative Committee. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Plan's Administrative Committee, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of The Williams Investment Plus Plan at December 31, 2016 and 2015, and the changes in its net assets available for benefits for the year ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2016, has been subjected to audit procedures performed in conjunction with the audit of The Williams Investment Plus Plan's financial statements. The information in the supplemental schedule is the responsibility of the Plan's Administrative Committee. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Ernst & Young LLP
Tulsa, Oklahoma
June 8, 2017

THE WILLIAMS INVESTMENT PLUS PLAN
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 December 31, 2016 and 2015

	2016	2015
Assets:		
Investments (at fair value)	\$1,201,355,403	\$1,167,811,786
Notes receivable from participants	22,950,039	23,277,897
Non-interest bearing cash	3,906,095	—
Receivables	2,384,976	27,075
Due from Fidelity Management Trust Company	204,989	283,061
Total assets (at fair value)	1,230,801,502	1,191,399,819
Liabilities:		
Accrued liabilities	(683,390)	(119,975)
Total liabilities	(683,390)	(119,975)
Net assets available for benefits	\$1,230,118,112	\$1,191,279,844

See accompanying notes.

THE WILLIAMS INVESTMENT PLUS PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year Ended December 31, 2016

Additions to net assets:

Contributions:	
Participant	\$53,974,481
Employer	34,481,871
Rollovers	6,620,620
Total contributions	95,076,972

Net investment income:	
Net increase in fair value of investments	58,755,684
Dividends	25,162,679
Interest	30,271
Total net investment income	83,948,634

Interest income on notes receivable from participants	1,007,933
Revenue sharing credits, net of administrative and investment expenses	221,452

Total additions to net assets	180,254,991
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Deductions from net assets:

Withdrawals	(141,326,208)
Dividend distributions	(90,515)

Total deductions from net assets	(141,416,723)
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Net increase during the year	38,838,268
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Net assets available for benefits at beginning of year	1,191,279,844
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Net assets available for benefits at end of year	\$1,230,118,112
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See accompanying notes.

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Note 1--Description of plan

The information included below regarding The Williams Investment Plus Plan (the “Plan”) provides only a general description of the Plan. Participants should refer to the Plan document, as amended and restated, and Summary Plan Description for a more complete description of the Plan’s provisions.

General

The Plan is a defined contribution plan maintained for the benefit of substantially all employees of The Williams Companies, Inc., and its participating subsidiaries (collectively, “Williams” or “Employer”), excluding employees represented by certain collective bargaining agreements and certain other employees, as provided in the Plan. A small amount of the Plan is an employee stock ownership plan (“ESOP”) and includes shares of Williams common stock held in the Transtock and Williams Companies Employee Stock Ownership Plan (“WESOP”) Accounts, as defined in the Plan.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). The Plan is intended to constitute a plan described in Section 404(c) of ERISA and Title 29 of the Code of Federal Regulations Section 2550.404c-1, and the fiduciaries of the Plan may be relieved of liability for any losses that are the direct and necessary result of investment instructions given by a participant or beneficiary.

Administration

The Administrative Committee is the Plan administrator. The Investment Committee has the responsibility to monitor the performance of the trustee, investment funds and investment managers, and select, remove, and replace the trustee, any investment fund and any investment manager. The Benefits Committee has the authority and responsibility with respect to overriding the terms of the Plan which require the availability of common stock issued by The Williams Companies, Inc. The Benefits Committee, in its settlor capacity, may amend the Plan, provided it is a nonmaterial amendment as detailed in the Plan. Fidelity Management Trust Company (“FMTC”) is the trustee and record keeper. Additionally, Fidelity Investments Institutional Operations Company, Inc., provides certain other record keeping services for the Plan.

Contributions

Each eligible participant has employee contribution accounts consisting primarily of, as applicable, a Pre-Tax Account, as well as various after-tax contribution accounts, Roth accounts, catchup accounts, rollover contribution accounts, and employer contribution accounts. Certain participants may also have additional contribution accounts, as applicable.

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The Pre-Tax Account is made up of amounts contributed from the participant's pre-tax compensation. Each eligible employee participant may contribute from 1 percent to a maximum of 50 percent of their eligible compensation per pay period. The maximum percentage Highly Compensated Employees may contribute is generally a lower percentage as approved by the Administrative Committee. The maximum pre-tax contribution percentage is subject to periodic adjustment in order to meet discrimination testing requirements and certain annual maximum statutory limits imposed by the Internal Revenue Service ("IRS"). The Employer will contribute an amount equal to 100 percent of each participant's contribution per pay period up to a maximum of 6 percent of their eligible compensation. In addition, the Plan allows for discretionary Employer contributions. No such discretionary Employer contributions were made in 2016.

Additionally, the Plan includes an automatic enrollment feature. Eligible participants who do not make an affirmative election to contribute or an affirmative election not to contribute within 60 days of hire are automatically enrolled in the Plan. If automatically enrolled, 3 percent of the participant's eligible compensation is withheld on a pre-tax basis and invested in the default investment option designated by the Investment Committee. The participant has the right to change the contribution percentage, elect to discontinue contributions to the Plan, or make investment changes at any time.

Participants may elect to invest in various investment options provided they allocate their contribution in multiples of 1 percent and subject to certain other restrictions. Investment options include common/collective trusts, common stocks including common stocks held within separately managed accounts, mutual funds, and a self-directed brokerage fund. A participant may change their investment election at any time. Participants may also exchange or rebalance any investment in their Plan account in accordance with the Plan's investment provisions.

The Plan does not allow participants' contributions, including employer and employee contributions, loan payments, and rollovers to be made or invested in shares of Williams common stock. A small amount of Williams common stock continues to be held in the Transtock and WESOP Accounts within the Plan's Legacy WMB Stock Fund. Dividend payments on Williams common stock not passed through to the participant continue to be reinvested in additional shares of Williams common stock until the participant elects to receive such dividends in cash. Additionally, funds comprised of common stock of Chesapeake Energy Company and Seventy Seven Energy Inc., which transferred to the Plan from the Access Midstream Partners GP, LLC 401(k) Savings Plan, are closed to new investments, including contributions and exchanges. Seventy Seven Energy Inc. filed and emerged from Chapter 11 bankruptcy during 2016. Prior to the bankruptcy, any dividend payments received in relation to Seventy Seven Energy Inc. common stock were reinvested in additional shares of common stock. Additionally, dividend payments on the Chesapeake Energy Company common stock, if applicable, are reinvested in additional shares of common stock.

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Vesting

Participants have a nonforfeitable vested interest in the current fair value of the assets purchased with their contributions. Eligible participants become 20 percent vested in the employer contributions made on their behalf after one year of service as defined by the Plan. Such vesting increases an additional 20 percent for each year of service, and participants become 100 percent vested upon five years of service. In addition, a participant may become totally vested in their account by reason of their death, total and permanent disability, attainment of age 65, eligibility to receive early retirement benefits under a pension plan of Williams, reduction in work force, complete discontinuance of employer contributions, or termination or partial termination of the Plan. Upon certain sales of assets or companies, participants that have an involuntary termination of employment as a result of such sale are also 100 percent vested.

Generally, the payment of benefits under the Plan shall be made in cash. However, with respect to amounts held in the Plan's common stock funds, the participant may request payment of benefits under the Plan in the common stock of such funds.

Employer contributions that are not vested at the time a participant withdraws from the Plan by reason of termination of employment, other than permanent job elimination or permanent reduction in work force, are used for certain items as specified in the Plan document, including the reduction of future employer contributions and payment of Plan expenses.

Distributions and in-service withdrawals

Participants are entitled to receive the vested portion of their account when they cease to be an employee of Williams for any reason including retirement. Upon termination of service, a participant has distribution options available as outlined in the Plan.

Eligible employee participants may request a partial withdrawal from the Plan of their rollover contribution accounts and a portion, as defined in the Plan document, of their Prior Plans After-Tax Account. Eligible employee participants may make two such withdrawals during any Plan year and are not suspended from participation in the Plan following such a withdrawal. Outstanding loans will reduce the amount available for partial withdrawals.

Eligible participants who have completed two years of service and who are employees may request an additional in-service withdrawal from the Plan. The amount available for this withdrawal is calculated as defined in the Plan, but in no event shall it exceed the vested portion of the participant's Employer Matching Contribution Account, Employer Cash Contribution Account, and the balance of the After-Tax Account. Outstanding loans will reduce the amount available for additional in-service withdrawals. Upon electing an additional in-service withdrawal, a participant is suspended from participation in the Plan for three months. Only one such withdrawal may be made every 12 months.

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A participant who is at least age 59½ may request a post-59½ withdrawal from the Plan. The withdrawal can include the vested portion of certain of the participant's employer and employee contribution accounts. Outstanding loans will reduce the amount available for post-59½ withdrawals. Such withdrawal may be requested at any time and does not cause the participant to be suspended from the Plan.

An eligible employee participant who has a balance in a WESOP Account or Transtock Account may withdraw such balance at any time. Such withdrawal does not cause the participant to be suspended from the Plan.

Withdrawals from an eligible employee participant's Pre-Tax Account and Roth Account before age 59½ may be made if the participant is totally and permanently disabled or has suffered a financial hardship condition. Upon electing a financial hardship withdrawal, a participant is suspended from participation in the Plan for six months.

Participant loans

The Plan permits eligible employee participants to obtain up to two loans from their account balances within specified limitations. Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 reduced by the aggregate of the highest outstanding balances of such loans during the immediately preceding 12-month period, or 50 percent of their vested balance. Loan terms may not exceed 58 months unless the loan is for the purchase of a primary residence, in which case the loan term may not exceed 25 years. Periodic principal and interest payments are reinvested according to the participant's current investment election on file. The interest rate is equal to the prime rate of interest plus one percentage point or such other rate as the Administrative Committee shall specify. Principal and interest is paid ratably through payroll deductions. If the participant's employment is terminated, the participant may continue to make principal and interest payments subject to certain limitations. Participants may make additional partial payments of the loan at any time and in such form as required by the record keeper.

Other

Each participant has their own individual account. Contributions and investment earnings are recorded to individual participant accounts. Plan investments are valued daily. The fair value per share of each fund is multiplied by the number of shares of the fund held in the participant's account to arrive at their account balance.

Net investment income, including the net change in fair value of investments, on assets held in allocated accounts is applied to the individual participant accounts based on each participant's account balances.

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The ESOP allows for the election of dividend pass-through, which are cash dividends paid directly to participants, for the dividends received on the shares of Williams common stock held within the Plan's ESOP.

While the Compensation Committee of the Williams Board of Directors has not expressed any intent to terminate the Plan, it may do so, in its settlor capacity, at any time. In the event of any Plan termination, assets of the Plan will be distributed in accordance with the Plan document.

Note 2--Summary of significant accounting policies

Basis of accounting

The accompanying financial statements of the Plan are prepared on the accrual basis of accounting, except as indicated within this Note. Benefit payments are recorded when paid.

Notes receivable from participants

Notes receivable from participants are measured at their unpaid principal balance plus any estimated accrued and unpaid interest. No allowance for credit losses has been recorded as of December 31, 2016 or 2015. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced, and a withdrawal is recorded.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan's Administrative Committee to make estimates that affect the amounts reported in the financial statements, accompanying notes, and supplemental schedule. Actual results could differ from those estimates.

Risks and uncertainties

The Plan provides for various investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Net Assets Available for Benefits and participants' account balances.

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Investment valuation and income recognition

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A discussion of fair value measurements is included in Note 3.

Purchases and sales of securities are recorded on a trade-date basis, which may result in amounts due to or from brokers related to unsettled trades. Dividend income is recorded on the ex-dividend date. Net increase in fair value of investments includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Contributions

Participant contributions are recorded when Williams makes payroll deductions from eligible Plan participants. Employer contributions are accrued in the period in which they become obligations of Williams.

Administrative expenses

Certain administrative expenses, including audit and legal fees, of the Plan are paid by Williams.

Note 3--Fair value measurements

The fair value hierarchy prioritizes the inputs used to measure fair value, giving the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Fair value balances are classified based on the observability of those inputs. The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Plan's Level 1 investments primarily consist of mutual funds, common stocks, and money market funds that are traded on U.S. exchanges. The Plan's Level 2 investments primarily consist of corporate bonds. The Plan has no Level 3 investments.

The fair values of common stocks, including exchange-traded funds within the self-directed brokerage fund, are derived from quoted market prices as of the close of business on the last business day of the Plan year. Shares of money market funds and mutual funds are valued at fair value based on published market prices as of the close of business on the last business day of the Plan year, which represent the net asset values of the shares held by the Plan. The units of the common/collective trusts are valued at fair value using the NAV practical expedient as determined by the issuer based on the current fair values of the underlying assets of the fund (see Note 4).

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There have been no significant changes in the preceding valuation methodologies used at December 31, 2016 and 2015. Additionally, there were no significant transfers or reclassifications of investments between Level 1 and Level 2 during 2016. If transfers between levels had occurred, the transfers would have been recognized as of the end of the period.

The valuation methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan's Administrative Committee believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the fair value hierarchy, the Plan's assets that are measured at fair value as of December 31, 2016 and 2015, with the exception of the common/collective trusts measured at fair value using the NAV practical expedient. The fair value for the common/collective trusts are provided below to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Net Assets Available for Benefits.

	Level 1	Level 2	Level 3	Total
2016:				
Mutual funds	\$ 143,486,703	\$—	\$	—\$ 143,486,703
Self-directed brokerage fund	73,039,673	526,653	—	73,566,326
Common stocks	360,929,192	—	—	360,929,192
	\$ 577,455,568	\$ 526,653	\$	—\$ 577,982,221
Common/collective trusts				623,373,182
Total investments at fair value				\$ 1,201,355,403
2015:				
Mutual funds	\$ 990,886,592	\$—	\$	—\$ 990,886,592
Self-directed brokerage fund	63,947,531	391,000	—	64,338,531
Common stocks	13,843,157	—	—	13,843,157
	\$ 1,068,677,280	\$ 391,000	\$	—\$ 1,069,068,280
Common/collective trusts				98,743,506
Total investments at fair value				\$ 1,167,811,786

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Note 4--Common/collective trusts

The Plan holds investments in several common/collective trusts that invest primarily in mutual funds, fixed income securities, and international equity securities. These common/collective trusts have no unfunded commitments. Generally, participant-directed redemptions occur daily. In some cases, FMTC may require up to ten days to settle these redemptions. However, FMTC may require additional notice for redemptions directed by a plan sponsor.

Additionally, the Plan holds an investment in the Fidelity Managed Income Portfolio II Fund ("MIP II Fund"), a common/collective trust, which is managed by FMTC as trustee ("MIP II Fund Trustee"). Participant-directed withdrawals of MIP II Fund units may be made on any business day. Participant-directed exchanges to another investment option may be made on any business day as long as the exchange is not directed into a competing fund (money market funds or certain other types of fixed income funds). Transferred amounts must be held in a noncompeting investment option for 90 days before subsequent transfers to a competing fund may occur. Withdrawals directed by a plan sponsor must be preceded by 12-months written notice to the MIP II Fund Trustee. The MIP II Fund Trustee may in its discretion complete any such plan-level withdrawals before the expiration of such 12-month period. Additionally, the MIP II Fund Trustee may defer completing a withdrawal directed by a participant or plan sponsor where doing so might adversely affect the MIP II Fund portfolio. The MIP II Fund Trustee shall make the payments available as quickly as cash flows and prudent portfolio management permit.

Note 5--Transactions with parties-in-interest

Certain investments held by the Plan are managed by the trustee. Additionally, certain investments held within the Plan are in Williams common stock. Therefore, these transactions qualify as party-in-interest transactions. These transactions are exempt from the prohibited transaction rules.

During 2016, the Plan received revenue sharing credits from FMTC. Revenue sharing credits are refunds of a portion of the revenue Fidelity and other fund managers have received and are generally based on the funds participants have chosen. Certain record keeping fees and other Plan fees are paid through the revenue sharing credit program and offset against the revenue sharing credits. These credits and fees are allocated to eligible participants throughout the year. The revenue sharing credits are reflected net of administrative and investment fees on the Statement of Changes in Net Assets Available for Benefits.

Note 6--Tax status and federal income taxes

The Plan has received a determination letter from the IRS dated July 24, 2015, stating that the Plan, as amended, is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan has been further amended. Once qualified, the Plan is required to operate in conformity

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with the Code to maintain its qualified status. The Plan administrator has indicated it will take the necessary steps, if any, to maintain the Plan's compliance with the Code.

Plan management is required by generally accepted accounting principles to evaluate uncertain tax positions taken by the Plan. The financial statement impact of a tax position must be recognized when the position is more likely than not, based on its technical merits, to be sustained upon examination by the IRS. As of December 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken.

Note 7--Differences between financial statements and Form 5500

The following is a reconciliation of Net Assets Available for Benefits per the financial statements to the Form 5500 at December 31:

	2016	2015
Net assets available for benefits per the financial statements	\$1,230,118,112	\$1,191,279,844
Amounts allocated to withdrawing participants	(46,639)	(27,075)
Net assets available for benefits per the Form 5500	\$1,230,071,473	\$1,191,252,769

The following is a reconciliation of Net increase during the year per the Statement of Changes in Net Assets Available for Benefits to net income per the Form 5500 for the year ended December 31, 2016:

Net increase during the year	\$38,838,268
Less: Amounts allocated to withdrawing participants at December 31, 2016	(46,639)
Add: Amounts allocated to withdrawing participants at December 31, 2015	27,075
Net income per Form 5500	\$38,818,704

Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit payments that have been processed and approved for payment prior to December 31, 2016, but not yet paid as of that date.

SUPPLEMENTAL SCHEDULE

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THE WILLIAMS INVESTMENT PLUS PLAN

EIN: 73 0569878 PLAN: 008

Schedule H, line 4i - Schedule of Assets (held at end of year)

December 31, 2016

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost**	(e) Current value
	Common/Collective Trusts			
*	Fidelity	Fidelity Managed Income Portfolio II – 98,482,516 shares		\$98,482,516
*	Fidelity	Fidelity Diversified International Commingled Pool – 6,049,692 shares		62,251,328
	Prudential	Prudential Core Plus Bond Fund Class 5 – 403,713 shares		61,069,610
	Vanguard	Vanguard Target Retirement 2015 Trust II – 222,780 shares		6,478,453
	Vanguard	Vanguard Target Retirement Income Trust		17,350,977

	II – 554,699 shares	
	Vanguard Target Retirement 2020 Trust II – 3,623,240 shares	104,458,013
Vanguard	Vanguard Target Retirement 2025 Trust II – 1,380,379 shares	39,147,541
Vanguard	Vanguard Target Retirement 2030 Trust II – 3,504,038 shares	97,342,174
Vanguard	Vanguard Target Retirement 2035 Trust II – 650,645 shares	18,113,961
Vanguard	Vanguard Target Retirement 2040 Trust II – 2,219,425 shares	62,920,693
Vanguard	Vanguard Target Retirement 2045 Trust II – 531,882 shares	15,084,181
Vanguard	Vanguard Target Retirement 2050 Trust II – 1,151,603 shares	32,809,173
Vanguard	Vanguard Target Retirement 2055 Trust II – 150,115 shares	5,728,403
Vanguard		2,136,159

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	Vanguard Target Retirement 2060 Trust II – 71,016 shares	623,373,182
	Registered Investment Companies	
	PIMCO Real Return Fund Institutional Class – 389,182 shares	4,249,870
*	Fidelity U.S. Bond Index Fund Institutional Class – 821,567 shares	9,439,801
	Vanguard Extended Market Index Fund Institutional Shares – 157,893 shares	11,481,972
	Vanguard Institutional Index Fund Institutional Shares – 540,784 shares	110,228,067
	Vanguard Total International Stock Index Fund Institutional Shares – 82,101 shares	8,086,993
		143,486,703
	Common Stock, including Warrants Chesapeake Energy Common Co. stock – 621,239	4,361,098

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	Seventy Seven Energy	shares Common stock – 44,420 shares	—			
	Seventy Seven Energy NEWSERIES B Warrants	Stock warrants – 2,225 shares	—			
	Seventy Seven Energy NEWSERIES C Warrants	Stock warrants – 2,472 shares	—			
*	The Williams Companies, Inc.	Common stock – 403,185 shares	12,557,997			
	Common Stock held in separately managed accounts Delaware U.S. Large Cap Value Equity Portfolio:					
	ABBOTT LABORATORIES	Common stock – 62,600 shares	Amortization of discount on debenture	(1,023,738)	-	(1,39
	Imputed interest expense	(5,845)	(829)	(32,741)		
	Interest income	25,924	242	29,966		
	Recovery of deposit from a supplier previously written off	-	356,094	-		
	Gain on disposal of fixed assets	-	14,757	-		
	Change in fair value of warrants	(15,044,528)	-	(17,045,225)		
	Total Other (Expense) Income, net	(16,611,621)	357,751	(19,208,438)		
	NET (LOSS) INCOME BEFORE TAXES AND MINORITY INTERESTS	(9,555,934)	2,129,563	(6,683,601)		
	Income tax expense	(1,865,268)	(718,918)	(3,304,537)		
	Minority interests	(641,415)	(157,078)	(1,162,891)		
	NET (LOSS) INCOME	(12,062,617)	1,253,567	(11,151,029)		

OTHER
COMPREHENSIVE
INCOME

Foreign currency translation gain	930,422	127,509	1,867,981
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COMPREHENSIVE
(LOSS) INCOME

\$	(11,132,195)	\$	1,381,076	\$(9,283,048)	\$
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Net (loss) income per
share

- basic	\$	(0.63)	\$	0.04	\$(0.58)	\$
- diluted	\$	(0.63)	\$	0.04	\$(0.58)	\$

Weighted average
number of shares
outstanding during
the period

- basic	19,224,080	29,004,300	19,224,080
- diluted	19,224,080	29,004,300	19,224,080

The accompanying notes are an integral part of these condensed consolidated financial statements

CHINA NORTH EAST PETROLEUM HOLDINGS LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
For the six months ended June 30, 2008 and 2007 (Unaudited)

	2008 (Restated)	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$(11,151,029)	\$1,540,930
Adjusted to reconcile net (loss) income to cash provided by operating activities:		
Depreciation, depletion and amortization of oil properties	4,380,994	1,239,829
Depreciation of fixed assets	110,485	74,984
Amortization of land use rights	5,768	5,277
Amortization of deferred financing costs	300,651	-
Amortization of discount on debenture	1,394,984	-
Amortization of stock option compensation	20,240	-
Change in fair value of warrants	17,045,225	-
Warrants issued for services	35,653	-
Minority interests	1,162,891	200,877
Stocks issued for services	27,125	54,250
Imputed interest expenses	32,741	132,675
Gain on disposal of fixed assets	-	(14,757)
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(3,362,131)	(1,085,112)
Prepaid expenses and other current assets	(2,099,397)	(45,705)
Due from related parties	-	(291,899)
Value added tax recoverable	111,227	234,501
Increase (decrease) in:		
Accounts payable	(9,735,812)	742,756
Other payables and accrued liabilities	139,683	88,642
Income tax and other taxes payable	2,687,453	849,949
Deferred tax liabilities	(247,727)	475,948