

Valley Gas, Inc.

401 First Street, Irvington, Kentucky 40146

270-547-2455

April 25, 2013

Jeff Derouen
Executive Director
Public Service Commission
PO Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

APR 26 2013

PUBLIC SERVICE
COMMISSION

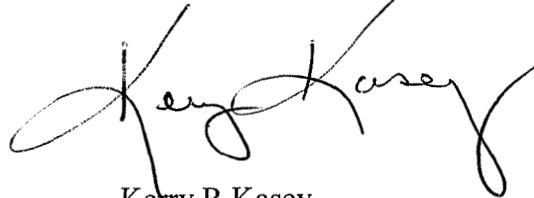
Dear Mr. Derouen:

Enclosed please find six copies of our tax returns to be attached to our rate filing application for revised rates in accordance Valley's application in Case No. 2013-00150.

Your assistance is appreciated.

Yours truly,

VALLEY GAS, INC.

A handwritten signature in black ink, appearing to read "Kerry R. Kasey". The signature is fluid and cursive, with a large initial "K" and a long, sweeping tail.

Kerry R Kasey
Secretary

RECEIVED

APR 26 2013

PUBLIC SERVICE
COMMISSION

Valley Gas, Inc.
Form 1120S
For Year Ended June 30, 2012

Ebelhar Whitehead, PLLC
100 West Third Street, Suite 200
Owensboro, KY 42303

Valley Gas, Inc.
P. O. BOX 218
Irvington, KY 40146

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P. O. BOX 218
Irvington, KY 40146

Department of the Treasury
Internal Revenue Service Center
Cincinnati, OH 45999-0013

Valley Gas, Inc.
P. O. BOX 218
Irvington, KY 40146

Kentucky Department of Revenue
Frankfort, KY 40620

Comparison Schedule of 2011 to 2010 (Form 1120S, Page 1)

Name as shown on return		Employer Identification Number	
VALLEY GAS, INC.		[REDACTED]	
Description	2011	2010	Difference
Income			
Gross receipts or sales	242,029.	318,263.	-76,234.
Less returns and allowances		619.	-619.
Net receipts or sales	242,029.	317,644.	-75,615.
Cost of goods sold	179,142.	202,318.	-23,176.
Gross profit	62,887.	115,326.	-52,439.
Net gain or (loss) from Form 4797			
Other income	101,177.	9,544.	91,633.
Total income	164,064.	124,870.	39,194.
Deductions			
Compensation of officers	60,000.	67,000.	-7,000.
Salaries and wages			
Repairs and maintenance	4,150.	742.	3,408.
Bad debts	3,981.	2,369.	1,612.
Rents	6,225.	12,225.	-6,000.
Taxes and licenses	8,041.	10,945.	-2,904.
Interest			
Depreciation not claimed elsewhere	23,228.	24,631.	-1,403.
Depletion (Do not deduct oil and gas depletion)			
Advertising	160.	1,007.	-847.
Pension, profit-sharing, etc. plans			
Employee benefit programs			
Other deductions	70,071.	107,176.	-37,105.
Total deductions	175,856.	226,095.	-50,239.
Ordinary income (loss) from trade or business activities	-11,792.	-101,225.	89,433.
Tax:			
Excessive net passive income tax			
LIFO recapture tax			
Tax from Schedule D			
Other taxes			
Total taxes			
Payments: Current year estimated tax payments and amount applied from prior year return			
Tax deposited with Form 7004			
Credit for Federal tax paid on fuels			
Credit for Federal telephone excise tax paid			
Total payments and credits			
Estimated tax penalty			
Tax due			
Overpayment			
Overpayment credited to next year estimated tax			
Overpayment refunded			



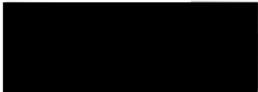
Comparison Schedule of 2011 to 2010 (1120S, Schedule K)

Name as shown on return		Employer Identification number	
VALLEY GAS, INC.		[REDACTED]	
Description	2011	2010	Difference
Income (Loss)			
Ordinary business income (loss)	-11,792.	-101,225.	89,433.
Net rental real estate income (loss)			
Other gross rental income (loss)			
Expenses from other rental activities			
Other net rental income (loss)			
Interest income	8.	201.	-193.
Ordinary dividends			
Qualified dividends			
Royalties			
Net short-term capital gain (loss)			
Net long-term capital gain (loss)			
Collectibles (28%) gain (loss)			
Unrecaptured section 1250 gain			
Net section 1231 gain (loss)			
Other income (loss)			
Other Deductions			
Section 179 deduction			
Contributions	200.	250.	-50.
Investment interest expense			
Section 59(e)(2) expenditures			
Other deductions			
Credits & Credit Recapture			
Low-income housing credit (section 42(j)(5))			
Low-income housing credit (other)			
Qualified rehabilitation expenditures (rental real estate)			
Other rental real estate credit			
Other rental credits			
Credit for alcohol used as a fuel			
Other credits and credit recapture			



Comparison Schedule of 2011 to 2010 (Form 1120S, Schedule K) (Cont.)

Name as shown on return		Employer Identification number	
VALLEY GAS, INC.		[REDACTED]	
Description	2011	2010	Difference
Foreign Transactions			
Gross income from all sources			
Gross income sourced at shareholder level			
Foreign gross income sourced at corporate level:			
Passive			
Listed categories			
General limitation			
Deductions allocated and apportioned at shareholder level:			
Interest expense			
Other			
Deductions allocated and apportioned at corporate level to foreign source income:			
Passive			
Listed categories			
General limitation			
Foreign taxes paid			
Foreign taxes accrued			
Reduction in taxes available for credit			
Alternative Minimum Tax (AMT) Items			
Post-1986 depreciation adjustment	-151.	-244.	93.
Adjusted gain or loss			
Depletion (other than oil and gas)			
Oil, gas, and geothermal properties-gross income			
Oil, gas, and geothermal properties-deductions			
Other AMT items			
Items Affecting Shareholder Basis			
Tax-exempt interest income			
Other tax-exempt income			
Nondeductible expenses			
Property distributions			
Repayment of loans from shareholders			
Other Information			
Investment income	8.	201.	-193.
Investment expenses			
Dividend distributions from accumulated earnings and profits			
Other items and amounts			
Income loss reconciliation	-11,984.	-101,274.	89,290.



Ebelhar Whitehead PLLC

CPAs & Advisors
100 West Third Street, Suite 200
P.O. Box 1824
Owensboro, KY 42302-1824
Telephone: 270-926-2922

Valley Gas, Inc.
P. O. BOX 218
Irvington, KY 40146

Enclosed are the original and one copy of the following corporate returns prepared on behalf of Valley Gas, Inc. for the year ended June 30, 2012.

2011 1120S U.S. Income Tax Return for an S Corporation
2011 Kentucky S Corporation Income Tax Return

The original of each of the above mentioned returns should be dated and signed by an authorized officer of the corporation in accordance with the filing instructions included with the copy of the return. This copy is for your use and should be retained for your files.

The enclosed return(s) were prepared primarily from data and information which you submitted. You should review the return(s) to ensure that there are no omissions or misstatements.

We sincerely appreciate this opportunity to serve you. Please contact us if you have any questions or if we may be of further assistance.

Sincerely,

Jeffrey T. Ebelhar, CPA
Ebelhar Whitehead, PLLC

Enclosure(s)

Ebelhar Whitehead PLLC

CPAs & Advisors
100 West Third Street, Suite 200
P.O. Box 1824
Owensboro, KY 42302-1824
Telephone: 270-926-2922

* * * * *

Valley Gas, Inc.
Instructions for Filing
Form 1120S
1120S U.S. Income Tax Return for an S Corporation
for the year ended June 30, 2012

* * * * *

Signature . . .

The original return should be signed (using full name and title) and dated on page one by an authorized officer of the corporation.

Filing . . .

The signed return should be filed on or before September 17, 2012 with:

Department of the Treasury
Internal Revenue Service Center
Cincinnati, OH 45999-0013

To document the timely filing of your tax return(s), we suggest that you obtain and retain proof of mailing. Proof of mailing can be accomplished by sending the tax return(s) by registered or certified mail (metered by the U.S. Postal Service) or through the use of an IRS approved delivery method provided by an IRS designated private delivery service.

Payment of tax . . .

No payment of tax is required.

CARRYOVERS TO NEXT YEAR
=====

	REGULAR TAX	ALTERNATIVE MINIMUM TAX
SEC. 179 EXPENSE	----- NONE	-----



U.S. Income Tax Return for an S Corporation

2011

Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.

See separate instructions.

Department of the Treasury Internal Revenue Service

For calendar year 2011 or tax year beginning 07/01/2011, ending 06/30/2012

Header section containing: A S election effective date (07/01/1979), B Business activity code, C Check if Sch. M-3 attached, Name (VALLEY GAS, INC.), D Employer identification number (05/13/1962), E Total assets (\$182,044), F Total assets (\$182,044), City or town, state, and ZIP code (IRVINGTON, KY 40146).

G Is the corporation electing to be an S corporation beginning with this tax year? Yes No (checked)
H Check if: (1) Final return (2) Name change (3) Address change (4) Amended return (5) S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year 1
Caution. Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Table with 2 columns: Description and Amount. Rows include: 1a Merchant card and third-party payments, 1b Gross receipts or sales not reported on line 1a (242,029), 1c Total (242,029), 1d Returns and allowances, 1e Subtract line 1d from line 1c (242,029), 2 Cost of goods sold (179,142), 3 Gross profit (62,887), 4 Net gain (loss) from Form 4797, Part II, line 17, 5 Other income (loss) (SEE STATEMENT 1, 101,177), 6 Total income (loss) (164,064), 7 Compensation of officers (60,000), 8 Salaries and wages, 9 Repairs and maintenance, 10 Bad debts, 11 Rents, 12 Taxes and licenses (SEE STATEMENT 2, 8,041), 13 Interest, 14 Depreciation not claimed, 15 Depletion, 16 Advertising (160), 17 Pension, profit-sharing, etc., plans, 18 Employee benefit programs, 19 Other deductions (SEE STATEMENT 2, 70,071), 20 Total deductions (175,856), 21 Ordinary business income (loss) (-11,792).

Table with 2 columns: Description and Amount. Rows include: 22a Excess net passive income or LIFO recapture tax, 22b Tax from Schedule D (Form 1120S), 22c Add lines 22a and 22b, 23a 2011 estimated tax payments and 2010 overpayment credited to 2011, 23b Tax deposited with Form 7004, 23c Credit for federal tax paid on fuels, 23d Add lines 23a through 23c, 24 Estimated tax penalty, 25 Amount owed, 26 Overpayment, 27 Enter amount from line 26 Credited to 2012 estimated tax (Refunded).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Sign Here: Signature of officer, Date, Title. May the IRS discuss this return with the preparer shown below (see instructions)? Yes (checked) No

Paid Preparer Use Only section: Print/Type preparer's name (JEFFREY T. EBELHAR, CPA), Preparer's signature, Date, Check if self-employed, PTIN, Firm's name (EBELHAR WHITEHEAD, PLLC), Firm's EIN, Firm's address (100 WEST THIRD STREET, SUITE 200 OWENSBORO, KY 42303), Phone no (270-926-2922).



Schedule B Other Information (see instructions)		Yes	No
1	Check accounting method: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶ _____		
2	See the instructions and enter the: a Business activity ▶ <u>SERVICE</u> b Product or service ▶ <u>NATURAL GAS</u>		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a qualified subchapter S subsidiary election made?		X
4	Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		X
5	Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
6	If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years (see instructions) ▶ \$ _____		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year. \$ _____		
8	Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L and M-1.		X
9	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If "Yes," see instructions		X
10a	Did the corporation make any payments in 2011 that would require it to file Form(s) 1099 (see instructions)?	X	
b	If "Yes," did the corporation file or will it file all required Forms 1099?	X	

Schedule K Shareholders' Pro Rata Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 21)	1	-11,792.
	2 Net rental real estate income (loss) (attach Form 8825)	2	
	3a Other gross rental income (loss)	3a	
	b Expenses from other rental activities (attach statement)	3b	
	c Other net rental income (loss). Subtract line 3b from line 3a.	3c	
	4 Interest income STMT. 3	4	8.
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends	5b	
	6 Royalties	6	
	7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S)).	7	
8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S)).	8a		
b Collectibles (28%) gain (loss)	8b		
c Unrecaptured section 1250 gain (attach statement)	8c		
9 Net section 1231 gain (loss) (attach Form 4797)	9		
10 Other income (loss) (see instructions) Type ▶	10		





		Shareholders' Pro Rata Share Items (continued)	Total amount	
Deductions	11	Section 179 deduction (attach Form 4562)	11	
	12a	Contributions STMT 4	12a	200.
	b	Investment interest expense	12b	
	c	Section 59(e)(2) expenditures (1) Type (2) Amount	12c(2)	
	d	Other deductions (see instructions) Type	12d	
Credits	13a	Low-income housing credit (section 42(j)(5))	13a	
	b	Low-income housing credit (other)	13b	
	c	Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)	13c	
	d	Other rental real estate credits (see instructions) Type	13d	
	e	Other rental credits (see instructions) Type	13e	
	f	Alcohol and cellulosic biofuel fuels credit (attach Form 6478)	13f	
	g	Other credits (see instructions) Type	13g	
Foreign Transactions	14a	Name of country or U.S. possession	14a	
	b	Gross income from all sources	14b	
	c	Gross income sourced at shareholder level <i>Foreign gross income sourced at corporate level</i>	14c	
	d	Passive category	14d	
	e	General category	14e	
	f	Other (attach statement) <i>Deductions allocated and apportioned at shareholder level</i>	14f	
	g	Interest expense	14g	
	h	Other <i>Deductions allocated and apportioned at corporate level to foreign source income</i>	14h	
	i	Passive category	14i	
	j	General category	14j	
	k	Other (attach statement) <i>Other information</i>	14k	
	l	Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	14l	
	m	Reduction in taxes available for credit (attach statement)	14m	
n	Other foreign tax information (attach statement)			
Alternative Minimum Tax (AMT) Items	15a	Post-1986 depreciation adjustment	15a	-151.
	b	Adjusted gain or loss	15b	
	c	Depletion (other than oil and gas)	15c	
	d	Oil, gas, and geothermal properties - gross income	15d	
	e	Oil, gas, and geothermal properties - deductions	15e	
	f	Other AMT items (attach statement)	15f	
Items Affecting Shareholder Basis	16a	Tax-exempt interest income	16a	
	b	Other tax-exempt income	16b	
	c	Nondeductible expenses	16c	
	d	Distributions (attach statement if required) (see instructions)	16d	
	e	Repayment of loans from shareholders	16e	
Other Information	17a	Investment income	17a	8.
	b	Investment expenses	17b	
	c	Dividend distributions paid from accumulated earnings and profits	17c	
	d	Other items and amounts (attach statement)	17d	
Reconciliation	18	Income/loss reconciliation. Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and 14l	18	-11,984.





Schedule L Balance Sheets per Books	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		43,291.		17,294.
2a Trade notes and accounts receivable	7,571.		6,053.	
b Less allowance for bad debts	()	7,571.	()	6,053.
3 Inventories		95,478.		92,715.
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach statement)				
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach statement)				
10a Buildings and other depreciable assets	373,823.		417,120.	
b Less accumulated depreciation	(327,937.)	45,886.	(352,232.)	64,888.
11a Depletable assets				
b Less accumulated depletion	()		()	
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization	()		()	
14 Other assets (attach statement)	STMT 5	1,094.		1,094.
15 Total assets		193,320.		182,044.
Liabilities and Shareholders' Equity				
16 Accounts payable		67,044.		
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach statement)	STMT 5	16,564.		14,621.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more				
21 Other liabilities (attach statement)				
22 Capital stock		86,875.		86,875.
23 Additional paid-in capital		497,696.		552,696.
24 Retained earnings		-474,859.		-472,148.
25 Adjustments to shareholders' equity (attach statement)				
26 Less cost of treasury stock		()		()
27 Total liabilities and shareholders' equity		193,320.		182,044.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more - see instructions

1 Net income (loss) per books	2,709.	5 Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
2 Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		a Tax-exempt interest \$	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14I (itemize):		6 Deductions included on Schedule K, lines 1 through 12 and 14I, not charged against book income this year (itemize):	
a Depreciation \$		a Depreciation \$	14,693.
b Travel and entertainment \$		7 Add lines 5 and 6	14,693.
4 Add lines 1 through 3	2,709.	8 Income (loss) (Schedule K, line 18). Line 4 less line 7	-11,984.

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1 Balance at beginning of tax year	-580,126.		-17,653.
2 Ordinary income from page 1, line 21			
3 Other additions SEE, STATEMENT. 6.	8.		
4 Loss from page 1, line 21	(11,792.)		
5 Other reductions SEE, STATEMENT. 6.	(200.)		
6 Combine lines 1 through 5	-592,110.		-17,653.
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-592,110.		-17,653.



Cost of Goods Sold

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1120, 1120-C, 1120-F, 1120S, 1065, and 1065-B.

Name VALLEY GAS, INC.		Employer identification number [REDACTED]
1	Inventory at beginning of year	1 93,478.
2	Purchases	2 176,379.
3	Cost of labor	3
4	Additional section 263A costs (attach schedule)	4
5	Other costs (attach schedule)	5
6	Total. Add lines 1 through 5	6 271,857.
7	Inventory at end of year	7 92,715.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return (see instructions)	8 179,142.

9a Check all methods used for valuing closing inventory:

(i) Cost
(ii) Lower of cost or market
(iii) Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO. **9d**

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? Yes No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Future Developments. The IRS has created a page on IRS.gov for information about Form 1125-A and its instructions at www.irs.gov/form1125a. Information about any future developments affecting Form 1125-A (such as legislation enacted after we release it) will be posted on that page.

Purpose of Form

Use Form 1125-A to calculate and deduct cost of goods sold for certain entities.

Who Must File

Filers of Form 1120, 1120-C, 1120-F, 1120S, 1065, or 1065-B, must complete and attach Form 1125-A if the applicable entity reports a deduction for cost of goods sold.

Inventories

Generally, inventories are required at the beginning and end of each tax year if the production, purchase, or sale of merchandise is an income-producing factor. See Regulations section 1.471-1. If inventories are required, you generally must use an accrual method of accounting for sales and purchases of inventory items.

Exception for certain taxpayers. If you are a qualifying taxpayer or a qualifying small business taxpayer (defined below),

you can adopt or change your accounting method to account for inventoriable items in the same manner as materials and supplies that are not incidental.

Under this accounting method inventory costs for raw materials purchased for use in producing finished goods and merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (but not before the year you paid for the raw materials or merchandise, if you are also using the cash method). For additional guidance on this method of accounting, see Pub. 538, Accounting Periods and Methods. For guidance on adopting or changing to this method of accounting, see Form 3115, Application for Change in Accounting Method, and its instructions.

If you account for inventoriable items in the same manner as materials and supplies that are not incidental, you can currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs.

Qualifying taxpayer. A qualifying taxpayer is a taxpayer that, (a) for each prior tax year ending after December 16, 1998, has average annual gross receipts of \$1 million or less for the 3 prior tax years and (b) its business is not a tax shelter (as defined in section 448(d)(3)). See Rev. Proc. 2001-10, 2001-2 I.R.B. 272.

Qualifying small business taxpayer. A qualifying small business taxpayer is a taxpayer that, (a) for each prior tax year

ending on or after December 31, 2000, has average annual gross receipts of \$1 million or less for the 3 prior tax years, (b) whose principal business activity is not an ineligible activity, and (c) whose business is not a tax shelter (as defined in section 448(d)(3)). See Rev. Proc. 2002-28, 2002-18, I.R.B. 815.

Uniform capitalization rules. The uniform capitalization rules of section 263A generally require you to capitalize, or include in inventory, certain costs incurred in connection with the following.

- The production of real property and tangible personal property held in inventory or held for sale in the ordinary course of business.
- Real property or personal property (tangible and intangible) acquired for resale.
- The production of real property and tangible personal property by a corporation for use in its trade or business or in an activity engaged in for property.

See the discussion on section 263A uniform capitalization rules in the instructions for your tax return before completing Form 1125-A. Also see Regulations sections 1.263A-1 through 1.263A-3. See Regulations section 1.263A-4 for rules for property produced in a farming business.



Depreciation and Amortization
(Including Information on Listed Property)

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions. ▶ Attach to your tax return.

2011

Attachment
Sequence No. **179**

Name(s) shown on return

VALLEY GAS, INC.

Business or activity to which this form relates

GENERAL DEPRECIATION AND AMORTIZATION

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	500,000.
2	Total cost of section 179 property placed in service (see instructions)	2	19,578.
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	500,000.
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
	METERS	19,578.	NONE
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	NONE
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	NONE
10	Carryover of disallowed deduction from line 13 of your 2010 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	NONE
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2012. Add lines 9 and 10, less line 12	13	NONE

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	19,578.
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2011	17	800.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

Section B - Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	

Section C - Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21	2,850.
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions	22	23,228.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	



Part V Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed?		Yes	No	24b If "Yes," is the evidence written?		Yes	No	
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)							25	
26 Property used more than 50% in a qualified business use:								
HONDA CRV	08/21/2009	100 %	23,719.	12,759.	5.0	200 DB-HY	2,850.	
		%						
		%						
27 Property used 50% or less in a qualified business use:								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28	2,850.
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1							29	

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year (see instructions):					
43 Amortization of costs that began before your 2011 tax year				43	
44 Total. Add amounts in column (f). See the instructions for where to report				44	





FORM 1120S, PAGE 1 DETAIL

=====

LINE 5 - OTHER INCOME

REFUND OF MANAGEMENT FEES	77,044.
OTHER INCOME	17,095.
INSURANCE REIMBURSEMENT	7,038.

TOTAL	101,177.
	=====





FORM 1120S, PAGE 1 DETAIL

LINE 12 - TAXES

TAXES AND LICENSES EXCLUDING INCOME TAXES

PAYROLL TAXES	4,854.
OTHER TAXES & LICENSES	3,187.
TOTAL	8,041.

LINE 19 - OTHER DEDUCTIONS

COMPUTER BILLING	7,650.
DUES & SUBSCRIPTIONS	523.
INSURANCE	18,091.
LABOR	9,480.
LEGAL AND ACCOUNTING FEES	3,631.
MANAGEMENT FEES	20,000.
MISCELLANEOUS	394.
POSTAGE	2,308.
PRINTING	1,728.
UTILITIES & TELEPHONE	3,480.
TRAINING	1,491.
CREDIT CARD EXPENSE	1,295.
TOTAL	70,071.





FORM 1120S, PAGE 2 DETAIL

=====

SCH K, LINE 4 - INTEREST INCOME

SCH K: OTHER INTEREST INCOME

8.

TOTAL

8.

=====





FORM 1120S, PAGE 3 DETAIL

=====

SCH K, LINE 12A - CONTRIBUTIONS

CONTRIBUTIONS SUBJECT TO 50% LIMITATION

VARIOUS CHARITABLE DONATIONS

200.

SUBTOTAL

200.

TOTAL

200.
=====





FORM 1120S, PAGE 4 DETAIL - SCH L

=====

	BEGINNING	ENDING
	-----	-----
LINE 14 - OTHER ASSETS		

EASEMENTS	1,094.	1,094.
	-----	-----
TOTAL	1,094.	1,094.
	=====	=====

LINE 18 - OTHER CURRENT LIABILITIES		

CUSTOMER DEPOSITS	16,564.	14,621.
	-----	-----
TOTAL	16,564.	14,621.
	=====	=====





FORM 1120S, PAGE 4 DETAIL

=====

SCH M-2, LINE 3 - OTHER ADDITIONS - AAA

INTEREST INCOME

8.

TOTAL

8.

=====

SCH M-2, LINE 5 - OTHER REDUCTIONS - AAA

CHARITABLE CONTRIBUTIONS

200.

TOTAL

200.

=====





RECONCILIATION OF SCH M-2 ACCOUNTS TO SCH L RETAINED EARNINGS

=====

	AAA	OAA	SUTIPT
M-2 ENDING BALANCES	-592,110.		-17,653.
TOTAL SCHEDULE M-2 ENDING BALANCES			-609,763.
C-CORPORATION RETAINED EARNINGS			78,887.
BOOK TAX DEPRECIATON DIFFERENCE			58,728.
TOTAL RECONCILED ENDING M-2 BALANCES			-472,148.
SCHEDULE L ENDING RETAINED EARNINGS			-472,148.



VALLEY GAS, INC.



SHAREHOLDER SUMMARY

=====

SH. #	SHAREHOLDER NAME	BEGINNING SHARES	OWNERSHIP PERCENTAGE
1	L. KENNETH KASEY		100.000000



**Schedule K-1
(Form 1120S)**

Department of the Treasury
Internal Revenue Service

2011

For calendar year 2011, or tax
year beginning 07/01/2011
ending 06/30/2012

Final K-1 Amended K-1 OMB [REDACTED]

Shareholder's Share of Income, Deductions, Credits, etc.
▶ See back of form and separate instructions.

Part I Information About the Corporation	
A Corporation's employer identification number [REDACTED]	
Corporation's name, address, city, state, and ZIP code VALLEY GAS, INC. P. O. BOX 218 IRVINGTON, KY 40146	
C IRS Center where corporation filed return CINCINNATI	
Part II Information About the Shareholder	
D Shareholder's identifying number 4 [REDACTED]	
Shareholder's name, address, city, state, and ZIP code L. KENNETH KASEY P. O. BOX 218 IRVINGTON, KY 40146	
F Shareholder's percentage of stock ownership for tax year 100.000000 %	
For IRS Use Only	

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items			
1	Ordinary business income (loss)	13	Credits
	-11,792.		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
	8.		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
		A	-151.
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
	A 200.		
		17	Other information
		A	8.
* See attached statement for additional information.			



This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

	<i>Code</i>	<i>Report on</i>
1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:		
Passive loss	<i>Report on</i>	
Passive income	See the Shareholder's Instructions	
Nonpassive loss	Schedule E, line 28, column (g)	
Nonpassive income	Schedule E, line 28, column (h)	
Net rental real estate income (loss)	Schedule E, line 28, column (i)	
Net loss	Schedule E, line 28, column (j)	
2. Net rental real estate income (loss)	See the Shareholder's Instructions	
3. Other net rental income (loss)		
Net income	Schedule E, line 28, column (g)	
Net loss	See the Shareholder's Instructions	
4. Interest income	Form 1040, line 8a	
5a. Ordinary dividends	Form 1040, line 9a	
5b. Qualified dividends	Form 1040, line 9b	
6. Royalties	Schedule E, line 3b	
7. Net short-term capital gain (loss)	Schedule D, line 5	
8a. Net long-term capital gain (loss)	Schedule D, line 12	
8b. Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)	
8c. Unrecaptured section 1250 gain	See the Shareholder's Instructions	
9. Net section 1231 gain (loss)	See the Shareholder's Instructions	
10. Other income (loss)		
<i>Code</i>		
A Other portfolio income (loss)	See the Shareholder's Instructions	
B Involuntary conversions	See the Shareholder's Instructions	
C Sec. 1256 contracts & straddles	Form 6781, line 1	
D Mining exploration costs recapture	See Pub. 535	
E Other income (loss)	See the Shareholder's Instructions	
11. Section 179 deduction	See the Shareholder's Instructions	
12. Other deductions		
A Cash contributions (50%)	} See the Shareholder's Instructions	
B Cash contributions (30%)		
C Noncash contributions (50%)		
D Noncash contributions (30%)		
E Capital gain property to a 50% organization (30%)		
F Capital gain property (20%)		
G Contributions (100%)		
H Investment interest expense	Form 4952, line 1	
I Deductions - royalty income	Schedule E, line 19	
J Section 59(e)(2) expenditures	See the Shareholder's Instructions	
K Deductions - portfolio (2% floor)	Schedule A, line 23	
L Deductions - portfolio (other)	Schedule A, line 28	
M Preproductive period expenses	See the Shareholder's Instructions	
N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions	
O Reforestation expense deduction	See the Shareholder's Instructions	
P Domestic production activities information	See Form 8903 instructions	
Q Qualified production activities income	Form 8903, line 7b	
R Employer's Form W-2 wages	Form 8903, line 17	
S Other deductions	See the Shareholder's Instructions	
13. Credits		
A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	} See the Shareholder's Instructions	
B Low-income housing credit (other) from pre-2008 buildings		
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings		
D Low-income housing credit (other) from post-2007 buildings		
E Qualified rehabilitation expenditures (rental real estate)		
F Other rental real estate credits		
G Other rental credits		
H Undistributed capital gains credit	Form 1040, line 71, box a	
I Alcohol and cellulosic biofuel fuels credit	} See the Shareholder's Instructions	
J Work opportunity credit		
K Disabled access credit		
L Empowerment zone and renewal community employment credit		
M Section 455(a)(3) information		
N Section 453A(c) information		
O Section 1260(b) information		
P Interest allocable to production expenditures		
Q CCF nonqualified withdrawals		
R Depletion information - oil and gas		
S Amortization of reforestation costs		
T Section 108(i) information		
U Other information		
M Credit for increasing research activities		See the Shareholder's Instructions
N Credit for employer social security and Medicare taxes		See the Shareholder's Instructions
O Backup withholding		Form 1040, line 62
P Other credits		See the Shareholder's Instructions
14. Foreign transactions		
A Name of country or U.S. possession	} Form 1116, Part I	
B Gross income from all sources		
C Gross income sourced at shareholder level	} Form 1116, Part I	
<i>Foreign gross income sourced at corporate level</i>		
D Passive category	} Form 1116, Part I	
E General category		
F Other		
<i>Deductions allocated and apportioned at shareholder level</i>		
G Interest expense	Form 1116, Part I	
H Other	Form 1116, Part I	
<i>Deductions allocated and apportioned at corporate level to foreign source income</i>		
I Passive category	} Form 1116, Part I	
J General category		
K Other		
<i>Other information</i>		
L Total foreign taxes paid	Form 1116, Part II	
M Total foreign taxes accrued	Form 1116, Part II	
N Reduction in taxes available for credit	Form 1116, line 12	
O Foreign trading gross receipts	Form 8873	
P Extraterritorial income exclusion	Form 8873	
Q Other foreign transactions	See the Shareholder's Instructions	
15. Alternative minimum tax (AMT) items		
A Post-1986 depreciation adjustment	} See the Shareholder's Instructions and the Instructions for Form 6251	
B Adjusted gain or loss		
C Depletion (other than oil & gas)		
D Oil, gas, & geothermal - gross income		
E Oil, gas, & geothermal - deductions		
F Other AMT items		
16. Items affecting shareholder basis		
A Tax-exempt interest income	Form 1040, line 8b	
B Other tax-exempt income	} See the Shareholder's Instructions	
C Nondeductible expenses		
D Distributions		
E Repayment of loans from shareholders		
F Other information		
A Investment income	Form 4952, line 4a	
B Investment expenses	Form 4952, line 5	
C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions	
D Basis of energy property	See the Shareholder's Instructions	
E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8	
F Recapture of low-income housing credit (other)	Form 8611, line 8	
G Recapture of investment credit	See Form 4255	
H Recapture of other credits	See the Shareholder's Instructions	
I Look-back interest - completed long-term contracts	See Form 8697	
J Look-back interest - income forecast method	See Form 8866	
K Dispositions of property with section 179 deductions	} See the Shareholder's Instructions	
L Recapture of section 179 deduction		
M Section 453(l)(3) information		
N Section 453A(c) information		
O Section 1260(b) information		
P Interest allocable to production expenditures		
Q CCF nonqualified withdrawals		
R Depletion information - oil and gas		
S Amortization of reforestation costs		
T Section 108(i) information		
U Other information		



Shareholder Basis Schedule

For calendar year 2011 or tax year beginning 07/01/2011 and ending 06/30/2012

Shareholder Number: 1

Shareholder Name: L. KENNETH KASEY

	Stock Basis	Loan Basis	Suspended Loss
Beginning balances	40,241.		
Increases			
Separately computed items:			
Tax-exempt income			
Net income from rental real estate activities			
Net income from other rental activities			
Net portfolio income	8.		
Net section 1231 gain			
Other income			
Nonseparately computed income			
New Loans to corporation			
Other increases	55,000.		
Total increases	55,008.		
Decreases			
Distributions not included on Form 1099-DIV			
Separately computed items:			
Net loss from rental real estate activities			
Net loss from other rental activities			
Net portfolio loss			
Net section 1231 loss			
Other loss			
Charitable contributions	200.		
Section 179 expense deduction			
Deductions related to portfolio income (loss)			
Other deductions			
Interest expense on investment debts			
Foreign taxes			
Section 59(e)(2) expenditures			
Nonseparately computed loss	11,792.		
Nondeductible expenses			
Oil and gas depletion not exceeding basis			
Loans repaid by corporation			
Other decreases			
Total decreases	11,992.		
Application of net increase/decrease	43,016.		
Ending balances	83,257.		



VALLEY GAS, INC.

S/H BASIS SCHEDULE, S/H # 1 L. KENNETH KASEY

OTHER INCREASE

INCREASE IN ADDITIONAL PAID IN CAPITAL

55,000.

TOTAL

55,000.
=====



Ebelhar Whitehead PLLC

CPAs & Advisors
100 West Third Street, Suite 200
P.O. Box 1824
Owensboro, KY 42302-1824
Telephone: 270-926-2922

* * * * *

Valley Gas, Inc.
Instructions for filing
Form 720S
Kentucky S Corporation Income Tax Return
for the year ended June 30, 2012

* * * * *

Signature . . .

The original return should be signed and dated on page two by an authorized officer of the corporation.

Balance due . . .

A check payable to "Kentucky State Treasurer" in the amount of \$ 175. should be included with the return.

The amount payable includes:

Limited Liability Entity Tax.....		175.

Total	\$	175.
		=====

Filing . . .

The original return should be filed on or before October 15, 2012 with the following:

Kentucky Department of Revenue
Frankfort, KY 40620

To document the timely filing of your tax return(s), we suggest that you obtain and retain proof of mailing. Proof of mailing can be accomplished by sending the tax return(s) by registered or certified mail (metered by the U.S. Postal Service).

The corporation's employer identification number should be included on the check.

720S

41A720S

Kentucky UNBRIDLED SPIRIT



A [Redacted] Kentucky Account Number

1D2017 1 000

Department of Revenue See instructions.

KENTUCKY S CORPORATION INCOME TAX AND LLET RETURN 2011

Taxable period beginning 07/01, 2011, and ending 06/30, 2012.

Form B: Check applicable box(es), D Federal Identification Number, Taxable Year Ending 06/12, Name of S Corporation VALLEY GAS, INC., State and Date of Incorporation KENTUCKY 05/13/1962, Principal Business Activity in KY SERVICE, NAICS Code Number, F Number of Shareholders 1.

Table: PART I - ORDINARY INCOME (LOSS) COMPUTATION. Rows 1-17. Total ordinary income (loss) 9,148.

Table: PART II - LLET COMPUTATION and PART III - INCOME TAX COMPUTATION. Rows 1-13. Total LLET liability 175, Total income tax due 175.

TAX PAYMENT SUMMARY (Round to nearest dollar). LLET: 1. LLET due (Part II, Line 13) \$ 175. INCOME: 1. Income tax due (Part III, Line 9) \$ 175. TOTAL PAYMENT (Add Subtotals) \$ 175.

Federal Form 1120S, all pages and any supporting schedules must be attached. Make check payable to: Kentucky State Treasurer. Mail return with payment to: Kentucky Department of Revenue Frankfort, Kentucky 40620



SCHEDULE Q - KENTUCKY S CORPORATION QUESTIONNAIRE

IMPORTANT: Questions 4-10 must be completed by all S corporations. If this is the S corporation's initial return or if the S corporation did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. Failure to do so may result in a request for a delinquent return.

1. Indicate whether: (a) new business; (b) successor to previously existing business which was organized as:
(1) corporation; (2) partnership; (3) sole proprietorship; or (4) other _____
If successor to previously existing business, give name, address and federal I.D. number of the previous business organization.

2. List the following Kentucky account numbers. Enter N/A for any number not applicable.
Employer Withholding _____
Sales and Use Tax Permit _____
Consumer Use Tax _____
Unemployment Insurance _____
Coal Severance and/or Processing Tax _____
3. If a foreign S corporation, enter the date qualified to do business in Kentucky. _____

4. If change of accounting period, Item E on page 1, is checked, complete the following information:
Year End before the change: _____
Month _____ and Day _____
a. Change from a Fiscal Year to a Calendar Year (NOT a 52/53 week filer);
b. Change from a Calendar Year to a Fiscal Year (NOT a 52/53 week filer);
New Year End: _____
Month _____ and Day _____
c. Change from a Fiscal Year to a Calendar Year (52/53 week filer);
New Year End: December and day of week _____

d. Change from a Calendar Year to a Fiscal Year (52/53 week filer):
New Year End: _____
Month _____ and day of week _____
If a 52/53 week filer: (Choose one of the options below.)
i. Option A: Ends on the same day of the week and whatever date this same day of the week last occurs in a calendar month.
ii. Option B: Ends on the same day of the week and whatever date this same day of the week occurs that is the nearest to the last day of the calendar month.
5. The S corporation's books are in care of: (name and address)
COMPANY _____
COMPANY ADDRESS _____
6. Are disregarded entities included in this return? Yes No. If yes, list name, address and federal I.D. number of each entity.

7. Was the S corporation a partner or member in a pass-through entity doing business in Kentucky? Yes No. If yes, list name and federal I.D. number of each pass-through entity.

Was the S corporation doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky? Yes No
8. Was this return prepared on: (a) cash basis, (b) accrual basis, (c) other _____
9. Did the S corporation file a Kentucky tangible personal property tax return for January 1, 2012? Yes No

10. Is the S corporation currently under audit by the Internal Revenue Service? Yes No
If yes, enter years under audit _____
If the Internal Revenue Service has made final and unappealable adjustments to the corporation's taxable income which have not been reported to the department, check here and file an amended Form 720S for each year adjusted. Attach a copy of the final determination to each amended return.

OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty)

Has the officer information entered below changed from the last return filed? Yes No
President's Name: KASEY, L. KENNETH
President's Home Address: IRVINGTON, KENTUCKY

President's Social Security Number: _____
Date Became President _____
Vice President's Name: KASEY, KEVIN
Vice President's Home Address: IRVINGTON, KENTUCKY

Vice President's Social Security Number: _____

Treasurer's Name: _____
Treasurer's Home Address: _____

Treasurer's Social Security Number: _____
Secretary's Name: KASEY, KERRY
Secretary's Home Address: IRVINGTON, KENTUCKY

Secretary's Social Security Number: _____

I, the undersigned, declare under the penalties of perjury that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of principal officer or chief accounting officer
EBELHAR WHITEHEAD, PLLC
Name of person or firm preparing return

Date _____
SSN _____ Date _____

May the DOR discuss this return with the preparer?
 Yes No
Email Address: _____
Telephone No.: (270) 926-2922



SCHEDULE K - SHAREHOLDERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I	(a) Pro Rata Share Items	(b) Total Amount
Income (Loss) and Deductions		
1. Kentucky ordinary income (loss) from trade or business activities (page 1, Part I, line 10)	1	9,148
2. Net income (loss) from rental real estate activities (attach federal Form 8825)	2	
3. (a) Gross income from other rental activities	3(a)	
(b) Less expenses from other rental activities (attach schedule)	(b)	
(c) Net income (loss) from other rental activities (line 3a less line 3b)	3(c)	
4. Portfolio income (loss):		
(a) Interest income	4(a)	8
(b) Dividend income	(b)	
(c) Royalty income	(c)	
(d) Net short-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)	(d)	
(e) Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)	(e)	
(f) Other portfolio income (loss) (attach schedule)	(f)	
5. Section 1231 net gain (loss) (other than due to casualty or theft) (attach federal and Kentucky Forms 4797)	5	
6. Other income (loss) (attach schedule)	6	
7. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH) SEE STATEMENT 1	7	200
8. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)	8	9,148
9. Deductions related to portfolio income (loss) (attach schedule)	9	
10. Other deductions (attach schedule)	10	
Investment Interest		
11. (a) Interest expense on investment debts	11(a)	
(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above	(b)(1)	8
(2) Investment expenses included on line 9 above	(2)	
Tax Credits		
12. Kentucky Small Business Investment Tax Credit (attach KEDFA notification)	12	
13. Skills Training Investment Tax Credit (attach copy of certification(s))	13	
14. Certified Rehabilitation Tax Credit (attach copy of certification(s))	14	
15. Kentucky Unemployment Tax Credit (attach Schedule UTC)	15	
16. Recycling/Composting Equipment Tax Credit (attach Schedule RC)	16	
17. Kentucky Investment Fund Tax Credit (attach KEDFA notification)	17	
18. Coal Incentive Tax Credit (attach Schedule CI)	18	
19. Qualified Research Facility Tax Credit (attach Schedule QR)	19	
20. GED Incentive Tax Credit (attach Form DAEL-31)	20	
21. Voluntary Environmental Remediation Tax Credit (attach Schedule VERB)	21	
22. Biodiesel Tax Credit (attach Schedule BIO)	22	
23. Environmental Stewardship Tax Credit (attach Schedule KESA)	23	





SCHEDULE K - SHAREHOLDERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I - continued	(a) Pro Rata Share Items	(b) Total Amount
Tax Credits - continued		
24. Clean Coal Incentive Tax Credit (attach Schedule CCI)	24	
25. Ethanol Tax Credit (attach Schedule ETH)	25	
26. Cellulosic Ethanol Tax Credit (attach Schedule CELL)	26	
Form 5695-K Pass-through Amounts (attach Form 5695-K)		
27. Energy Efficiency Products Tax Credit from Form 5695-K, line 6	27	
28. Energy Efficiency Products Tax Credit from Form 5695-K, line 12	28	
29. Energy Efficiency Products Tax Credit from Form 5695-K, line 18	29	
30. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	30	
31. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	31	
32. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	32	
33. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	33	
34. Energy Efficiency Products Tax Credit from Form 5695-K, line 57	34	
35. Energy Efficiency Products Tax Credit from Form 5695-K, line 63	35	
36. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-I)	36	
37. Endow Kentucky Tax Credit (attach Schedule ENDOW)	37	
Other Items		
38. (a) Type of Section 59(e)(2) expenditures ▶	38(a)	
(b) Amount of Section 59(e)(2) expenditures	(b)	
39. Tax-exempt interest income	39	
40. Other tax-exempt income	40	
41. Nondeductible expenses	41	
42. Total property distributions (including cash) other than dividends reported on line 42 below	42	
43. Other items and amounts required to be reported separately to shareholders (attach schedule)	43	
44. Total dividend distributions paid from accumulated earnings and profits	44	

SECTION II - Pass-through Items

1. S corporation's Kentucky sales from Schedule A, Section I, line 1	1	
2. S corporation's total sales from Schedule A, Section I, line 2	2	
3. S corporation's Kentucky property from Schedule A, Section I, line 5	3	
4. S corporation's total property from Schedule A, Section I, line 6	4	
5. S corporation's Kentucky payroll from Schedule A, Section I, line 8	5	
6. S corporation's total payroll from Schedule A, Section I, line 9	6	
7. S corporation's Kentucky gross profits from Schedule LLET, Section A, Column A, line 5	7	164,072
8. S corporation's total gross profits from all sources from Schedule LLET, Section A, Column B, line 5	8	164,072
9. Limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of lines 4 and 6, less \$175.	9	



SCHEDULE LLET

41A720LLET (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

06 / 12
Mo Yr

LIMITED LIABILITY ENTITY TAX
KRS 141.0401

Member of a Combined Group

➤ See instructions.

➤ Attach to Form 720, 720S, 725 or 765.

Reason Code

Name of Corporation or Limited Liability Pass-through Entity VALLEY GAS, INC.	Federal Identification Number [REDACTED]	Kentucky Corporation/LLET Account Number [REDACTED]
---	---	--

Check this box and complete Schedule LLET-C, Limited Liability Entity Tax-Continuation Sheet, if the corporation or limited liability pass-through entity filing this tax return is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky. Enter the total amounts from Schedule LLET-C in Section A of this schedule.

Section A - Computation of Gross Receipts and Gross Profits

	Column A Kentucky	Column B Total
1. Gross receipts	343,214	343,214
2. Returns and allowances		
3. Gross receipts after returns and allowances (line 1 less line 2 or amount from Schedule LLET-C)	343,214	343,214
4. Cost of goods sold	179,142	179,142
5. Gross profits (line 3 less line 4 or amount from Schedule LLET-C)	164,072	164,072

Section B - Computation of Gross Receipts LLET

1. If gross receipts from all sources (Column B, line 3) are \$3,000,000 or less, STOP and enter \$175 on Section D, line 1	1	
2. If gross receipts from all sources (Column B, line 3) are greater than \$3,000,000 but less than \$6,000,000, enter the following: (Column A, line 3 x 0.00095) - [\$2,850 x (\$6,000,000 - Column A, line 3)] \$3,000,000 but in no case shall the result be less than zero	2	
3. If gross receipts from all sources (Column B, line 3) are \$6,000,000 or greater, enter the following: Column A, line 3 x 0.00095	3	
4. Enter the amount from line 2 or line 3	4	

Section C - Computation of Gross Profits LLET

1. If gross profits from all sources (Column B, line 5) are \$3,000,000 or less, STOP and enter \$175 on Section D, line 1	1	
2. If gross profits from all sources (Column B, line 5) are greater than \$3,000,000 but less than \$6,000,000, enter the following: (Column A, line 5 x 0.0075) - [\$22,500 x (\$6,000,000 - Column A, line 5)] \$3,000,000 but in no case shall the result be less than zero	2	
3. If gross profits from all sources (Column B, line 5) are \$6,000,000 or greater, enter the following: Column A, line 5 x 0.0075	3	
4. Enter the amount from line 2 or line 3	4	

Section D - Computation of LLET

1. Enter the lesser of Section B, line 4 or Section C, line 4, or a minimum of \$175 on this line and on Form 720, Part I, line 1; for Form 720S, 725 or 765, enter on Part II, line 1.	1	175
---	---	-----

1062 **STOP** Mark the applicable Receipts Method box on Form 720, 720S, 725 or 765, page 1, Item B.



SCHEDULE A

41A720A (10-11)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



1Y2016 1.000
Taxable Year Ending
06 / 12
Mo. Yr.

APPORTIONMENT AND ALLOCATION
(For corporations and pass-through entities taxable
both within and without Kentucky.)

Regulations 103 KAR 16:090, 103 KAR 16:270, 103 KAR 16:290

Name of Corporation or Pass-through Entity: VALLEY GAS, INC.
Federal Identification Number: [Redacted]
Kentucky Corporation/LLET Account Number: [Redacted]

Check this box and complete Schedule A-C, Apportionment and Allocation - Continuation Sheet, if the corporation filing this tax return is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky; or (ii) if the pass-through entity filing this tax return is a partner or member of a pass-through entity doing business in Kentucky.

Check this box and complete Schedule A-N, Apportionment Factor Schedule (For a Nexus Consolidated Tax Return), if the corporation is filing a mandatory nexus consolidated tax return as provided by KRS 141.200(11).

If apportionment method other than statutory formula is used:

Check this box: (i) if the department has granted written approval to use an alternative allocation and apportionment method as provided by KRS 141.120(9)(a), and attach a copy of the approval letter to the tax return; or (ii) if the company has made an irrevocable five year election to use an allocation and apportionment method as provided by KRS 141.120(9)(b), and attach a copy of the election to the tax return.

SECTION I. COMPUTATION OF APPORTIONMENT FRACTION and SECTION II. APPORTIONMENT AND ALLOCATION OF INCOME. Includes lines 1-12 for sales, payroll, and net income calculations.

SECTION III. KENTUCKY REAL/TANGIBLE PROPERTY and SECTION IV. TOTAL REAL/TANGIBLE PROPERTY. Includes columns for beginning and end of year values for inventories, buildings, machinery, and land.



VALLEY GAS, INC.



KENTUCKY FORM 720S, PAGE 3 DETAIL

LINE 7 - CHARITABLE CONTRIBUTIONS

50% CASH CHARITABLE CONTRIBUTIONS	200
TOTAL	200



Department of the Treasury Internal Revenue Service

Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation. See separate instructions.

For calendar year 2011 or tax year beginning 07/01/2011, ending 06/30/2012

Header section containing: A S election effective date (07/01/1979), B Business activity code, C Check if Sec. 1361 attached, D Employer identification number, E Date incorporated (05/13/1962), F Total assets (\$182,044), Name (VALLEY GAS, INC.), Address (P.O. BOX 218, IRVINGTON, KY 40146)

G Is the corporation electing to be an S corporation beginning with this tax year? Yes [] No [X]
H Check if: (1) Final return, (2) Name change, (3) Address change, (4) Amended return, (5) S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year 1

Caution. Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Main table with columns for Income, Deductions, and Tax and Payments. Rows include: 1a-1e (Income), 2-6 (Income), 7-21 (Deductions), 22a-22c (Tax and Payments), 23a-23d (Tax and Payments), 24-27 (Tax and Payments)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer, Date, Title, and a box for 'May the IRS discuss this return with the preparer shown below (see instructions)?' with Yes [X] and No [] options.

Paid Preparer Use Only section containing: Print/Type preparer's name (JEFFREY T. EBELHAR, CPA), Preparer's signature, Date, Check if self-employed, Firm's name (EBELHAR WHITEHEAD, PLLC), Firm's address (100 WEST THIRD STREET, SUITE 200, OWENSBORO, KY 42303), Firm's EIN, and Phone no. (270-926-2922)



Schedule B Other Information (see instructions)		Yes	No
1	Check accounting method: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶ _____		
2	See the instructions and enter the: a Business activity ▶ <u>SERVICE</u> b Product or service ▶ <u>NATURAL GAS</u>		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a qualified subchapter S subsidiary election made?		X
4	Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		X
5	Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
6	If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years (see instructions) ▶ \$ _____		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year. \$ _____		
8	Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L and M-1		X
9	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If "Yes," see instructions		X
10a	Did the corporation make any payments in 2011 that would require it to file Form(s) 1099 (see instructions)?	X	
	b If "Yes," did the corporation file or will it file all required Forms 1099?	X	

Schedule K Shareholders' Pro Rata Share Items		Total amount	
1	Ordinary business income (loss) (page 1, line 21)	1	-11,792.
2	Net rental real estate income (loss) (attach Form 8825)	2	
3a	Other gross rental income (loss) 3a		
3b	Expenses from other rental activities (attach statement) 3b		
3c	Other net rental income (loss). Subtract line 3b from line 3a. 3c		
4	Interest income	4	8.
5	Dividends: a Ordinary dividends 5a		
	b Qualified dividends 5b		
6	Royalties	6	
7	Net short-term capital gain (loss) (attach Schedule D (Form 1120S))	7	
8a	Net long-term capital gain (loss) (attach Schedule D (Form 1120S))	8a	
8b	Collectibles (28%) gain (loss) 8b		
8c	Unrecaptured section 1250 gain (attach statement) 8c		
9	Net section 1231 gain (loss) (attach Form 4797)	9	
10	Other income (loss) (see instructions) Type ▶	10	

Income (Loss)



Shareholders' Pro Rata Share Items (continued)		Total amount	
Deductions	11 Section 179 deduction (attach Form 4562)	11	
	12a Contributions	12a	200.
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures (1) Type ▶ (2) Amount ▶	12c(2)	
	d Other deductions (see instructions) Type ▶	12d	
Credits	13a Low-income housing credit (section 42(j)(5))	13a	
	b Low-income housing credit (other)	13b	
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)	13c	
	d Other rental real estate credits (see instructions) Type ▶	13d	
	e Other rental credits (see instructions) Type ▶	13e	
	f Alcohol and cellulosic biofuel fuels credit (attach Form 6478)	13f	
	g Other credits (see instructions) Type ▶	13g	
Foreign Transactions	14a Name of country or U.S. possession ▶		
	b Gross income from all sources	14b	
	c Gross income sourced at shareholder level Foreign gross income sourced at corporate level	14c	
	d Passive category	14d	
	e General category	14e	
	f Other (attach statement) Deductions allocated and apportioned at shareholder level	14f	
	g Interest expense	14g	
	h Other Deductions allocated and apportioned at corporate level to foreign source income	14h	
	i Passive category	14i	
	j General category	14j	
	k Other (attach statement) Other information	14k	
	l Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	14l	
	m Reduction in taxes available for credit (attach statement)	14m	
	n Other foreign tax information (attach statement)		
Alternative Minimum Tax (AMT) Items	15a Post-1986 depreciation adjustment	15a	-151.
	b Adjusted gain or loss	15b	
	c Depletion (other than oil and gas)	15c	
	d Oil, gas, and geothermal properties - gross income	15d	
	e Oil, gas, and geothermal properties - deductions	15e	
	f Other AMT items (attach statement)	15f	
Items Affecting Shareholder Basis	16a Tax-exempt interest income	16a	
	b Other tax-exempt income	16b	
	c Nondeductible expenses	16c	
	d Distributions (attach statement if required) (see instructions)	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	8.
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	d Other items and amounts (attach statement)		
Reconciliation	18 Income/loss reconciliation. Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and 14l	18	-11,984.



Form 1120S (2011)

Schedule L Balance Sheets per Books	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		43,291.		17,294.
2a Trade notes and accounts receivable	7,571.		6,053.	
b Less allowance for bad debts	()	7,571.	()	6,053.
3 Inventories		95,478.		92,715.
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach statement)				
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach statement)				
10a Buildings and other depreciable assets	373,823.		417,120.	
b Less accumulated depreciation	(327,937.)	45,886.	(352,232.)	64,888.
11a Depletable assets				
b Less accumulated depletion	()		()	
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization	()		()	
14 Other assets (attach statement)		1,094.		1,094.
15 Total assets		193,320.		182,044.
Liabilities and Shareholders' Equity				
16 Accounts payable		67,044.		
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach statement)		16,564.		14,621.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more				
21 Other liabilities (attach statement)				
22 Capital stock		86,875.		86,875.
23 Additional paid-in capital		497,696.		552,696.
24 Retained earnings		-474,859.		-472,148.
25 Adjustments to shareholders' equity (attach statement)				
26 Less cost of treasury stock		()		()
27 Total liabilities and shareholders' equity		193,320.		182,044.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more - see instructions

1 Net income (loss) per books	2,709.	5 Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
2 Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		a Tax-exempt interest \$	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14i (itemize):		6 Deductions included on Schedule K, lines 1 through 12 and 14i, not charged against book income this year (itemize):	
a Depreciation \$		a Depreciation \$	14,693.
b Travel and entertainment \$		7 Add lines 5 and 6	14,693.
4 Add lines 1 through 3	2,709.	8 Income (loss) (Schedule K, line 18), Line 4 less line 7	-11,984.

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1 Balance at beginning of tax year	-580,126.		-17,653.
2 Ordinary income from page 1, line 21			
3 Other additions	8.		
4 Loss from page 1, line 21	(11,792.)		
5 Other reductions	(200.)	()	
6 Combine lines 1 through 5	-592,110.		-17,653.
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-592,110.		-17,653.



Depreciation and Amortization (Including Information on Listed Property)

Department of the Treasury Internal Revenue Service (99)

See separate instructions. Attach to your tax return.

Attachment Sequence No. 179

Name(s) shown on return

Identifying number

VALLEY GAS, INC.

Business or activity to which this form relates

GENERAL DEPRECIATION AND AMORTIZATION

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

Table with 5 main rows for Part I. Line 1: 500,000. Line 2: 19,578. Line 3: 2,000,000. Line 5: 500,000. Line 6: METERS, Cost 19,578, Elected cost NONE. Line 7: 7. Line 8: NONE. Line 9: NONE. Line 11: NONE. Line 13: NONE.

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

Table with 3 rows for Part II. Line 14: 19,578. Line 15: blank. Line 16: blank.

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

Table with 2 rows for Section A. Line 17: 800. Line 18: blank.

Section B - Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

Table with 7 columns: (a) Classification of property, (b) Month and year placed in service, (c) Basis for depreciation, (d) Recovery period, (e) Convention, (f) Method, (g) Depreciation deduction. Rows include 3-year, 5-year, 7-year, 10-year, 15-year, 20-year, 25-year property, Residential rental property, and Nonresidential real property.

Section C - Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

Table with 6 columns: (a) Class life, (b) 12-year, (c) 40-year, (d) Recovery period, (e) Convention, (f) Method, (g) Depreciation deduction. Rows include Class life, 12-year, and 40-year.

Part IV Summary (See instructions.)

Table with 3 rows for Part IV. Line 21: 2,850. Line 22: 23,228. Line 23: blank.

Part V Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed?		Yes	No	24b If "Yes," is the evidence written?		Yes	No		
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost	
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) 25									
26 Property used more than 50% in a qualified business use:									
HONDA CRV	08/21/2009	100 %	23,719.	12,759.	5.0	200 DB-HY	2,850.		
		%							
		%							
27 Property used 50% or less in a qualified business use:									
		%				S/L -			
		%				S/L -			
		%				S/L -			
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28	2,850.	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								29	

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year (see instructions):					
43 Amortization of costs that began before your 2011 tax year					43
44 Total. Add amounts in column (f). See the instructions for where to report					44

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

OMB No. 1545-0172

2011

Attachment Sequence No. **179**

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

Name(s) shown on return

VALLEY GAS, INC.

Business or activity to which this form relates

GENERAL DEPRECIATION AND AMORTIZATION

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	25,000.
2	Total cost of section 179 property placed in service (see instructions)	2	19,578.
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	200,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	25,000.
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
	METERS	19,578.	19,578.
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	19,578.
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	19,578.
10	Carryover of disallowed deduction from line 13 of your 2010 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	9,148.
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	9,148.
13	Carryover of disallowed deduction to 2012. Add lines 9 and 10, less line 12	13	10,430.

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	XXXXXXXXXX
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2011	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

Section B - Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a	3-year property					
b	5-year property					
c	7-year property					
d	10-year property					
e	15-year property					
f	20-year property					
g	25-year property		25 yrs.		S/L	
h	Residential rental property		27.5 yrs.	MM	S/L	
i	Nonresidential real property		39 yrs.	MM	S/L	

Section C - Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

20a	Class life				S/L	
b	12-year		12 yrs.		S/L	
c	40-year		40 yrs.	MM	S/L	

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21	2,288.
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions	22	2,288.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? **Yes** **No** **24b** If "Yes," is the evidence written? **Yes** **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
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25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) **25** XXXXXX

26 Property used more than 50% in a qualified business use:

HONDA CRV	08/21/2009	100 %	23,719.	23,719.	5.0	200 DB-HY	2,288.	
		%						
		%						

27 Property used 50% or less in a qualified business use:

		%				S/L -		
		%				S/L -		
		%				S/L -		

28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 **28** 2,288.

29 Add amounts in column (i), line 26. Enter here and on line 7, page 1 **29**

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
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42 Amortization of costs that begins during your 2011 tax year (see instructions):

43 Amortization of costs that began before your 2011 tax year **43**

44 Total. Add amounts in column (f). See the instructions for where to report **44**



**SHAREHOLDER'S SHARE OF
 INCOME, CREDITS, DEDUCTIONS, ETC.**

▶ See instructions.

For calendar year 2011 or fiscal year beginning 07/01, 2011, and ending 06/30, 2012.

Shareholder's identifying number ▶ [REDACTED]	S corporation's FEIN ▶ [REDACTED]	Kentucky Corporation/LLET Account Number ▶ [REDACTED]
Shareholder's name, address and ZIP code 1 L. KENNETH KASEY P. O. BOX 218 IRVINGTON, KY 40146		S corporation's name, address and ZIP code Check if applicable: <input type="checkbox"/> Qualified investment pass-through entity VALLEY GAS, INC. P. O. BOX 218 IRVINGTON, KY 40146

- A. Shareholder's percentage of stock ownership for tax year ▶ 100.000000 %
- B. (1) Resident shareholder's taxable percentage of pro rata share items ▶ 100%
 (2) Nonresident shareholder's taxable percentage of pro rata share items (see Schedule A, Section I, line 12) ▶ %
- C. What type of entity is this shareholder? Individual Estate Trust Single Member LLC
- D. Check the box if nonresident shareholder's income is reported on:
 Kentucky Nonresident Income Tax Withholding on Distributive Share Income Transmittal Report and Composite Income Tax Return (Form 740NP-WH and Form PTE-WH)
- E. Check if applicable: (1) Final K-1 (2) Amended K-1

IMPORTANT: Refer to Shareholder's Instructions for Schedule K-1 before entering information from Schedule K-1 on your tax return.

		(a) Pro Rata Share Items	(b) Amount
Income (Loss)			
1. Ordinary income (loss) from trade or business activities	1		9,148
2. Net income (loss) from rental real estate activities	2		
3. Net income (loss) from other rental activities	3		
4. Portfolio income (loss):			
(a) Interest	4(a)		8
(b) Dividends	(b)		
(c) Royalties	(c)		
(d) Net short-term capital gain (loss)	(d)		
(e) Net long-term capital gain (loss)	(e)		
(f) Other portfolio income (loss) (attach schedule)	(f)		
5. Section 1231 net gain (loss) (other than due to casualty or theft)	5		
6. Other income (loss) (attach schedule)	6		
Deductions			
7. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)	7	S,T,M,T 1	200
8. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)	8		9,148
9. Deductions related to portfolio income (loss) (attach schedule)	9		
10. Other deductions (attach schedule)	10		
Investment Interest			
11. (a) Interest expense on investment debts	11(a)		
(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above	(b)(1)		8
(2) Investment expenses included on line 9 above	(2)		
Tax Credits			
12. Kentucky Small Business Investment Tax Credit	12		
13. Skills Training Investment Tax Credit	13		
14. Certified Rehabilitation Tax Credit	14		
15. Kentucky Unemployment Tax Credit	15		
16. Recycling/Composting Equipment Tax Credit	16		
17. Kentucky Investment Fund Tax Credit	17		





SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC. 1

		(b) Amount
(a) Pro Rata Share Items (continued)		
Tax Credits - continued		
18. Coal Incentive Tax Credit	18	
19. Qualified Research Facility Tax Credit	19	
20. GED Incentive Tax Credit	20	
21. Voluntary Environmental Remediation Tax Credit	21	
22. Biodiesel Tax Credit	22	
23. Environmental Stewardship Tax Credit	23	
24. Clean Coal Incentive Tax Credit	24	
25. Ethanol Tax Credit	25	
26. Cellulosic Ethanol Tax Credit	26	
Form 5695-K Pass-through Amounts		
27. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 3)	27	
28. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 9)	28	
29. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 15)	29	
30. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 29)	30	
31. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 32)	31	
32. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 44)	32	
33. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 47)	33	
34. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 54)	34	
35. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 60)	35	
36. Railroad Maintenance and Improvement Tax Credit	36	
37. Endow Kentucky Tax Credit	37	
Other Items		
38. (a) Type of Section 59(e)(2) expenditures ▶	38(a)	
(b) Amount of Section 59(e)(2) expenditures	(b)	
39. Tax-exempt interest income	39	
40. Other tax-exempt income	40	
41. Nondeductible expenses	41	
42. Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	42	
43. Supplemental information required to be reported to each shareholder (attach schedules)	43	
44. Total dividend distributions paid from accumulated earnings and profits	44	
LLET Pass-through Items		
45. Shareholder's share of S corporation's Kentucky sales from Schedule K, Section II, line 1	45	
46. Shareholder's share of S corporation's total sales from Schedule K, Section II, line 2	46	
47. Shareholder's share of S corporation's Kentucky property from Schedule K, Section II, line 3	47	
48. Shareholder's share of S corporation's total property from Schedule K, Section II, line 4	48	
49. Shareholder's share of S corporation's Kentucky payroll from Schedule K, Section II, line 5	49	
50. Shareholder's share of S corporation's total payroll from Schedule K, Section II, line 6	50	
51. Shareholder's share of Kentucky gross profits from Schedule K, Section II, line 7	51	164,072
52. Shareholder's share of total gross profits from all sources from Schedule K, Section II, line 8	52	164,072
53. Shareholder's share of limited liability entity tax (LLET) nonrefundable credit from Schedule K, Section II, line 9	53	
Resident Shareholder Adjustment		
54. Combination of Kentucky Schedule K-1, lines 1 through 5, 8 and portions of lines 6 and 10. Add income amounts and subtract (loss) and deduction amounts (see instructions)	54	8
55. Combination of federal Schedule K-1, lines 1 through 9, 11 and portions of lines 10 and 12. Add income amounts and subtract (loss) and deduction amounts (see instructions)	55	-11,784
56. Enter the difference of lines 54 and 55 here and on appropriate line on Schedule M (see instructions)	56	11,792



VALLEY GAS, INC.



KENTUCKY FORM 720S SCHEDULE K-1 DETAIL FOR L. KENNETH KASEY

LINE 7 - CHARITABLE CONTRIBUTIONS

50% CASH CHARITABLE CONTRIBUTIONS

200

TOTAL

200

