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Pamela Polacek, Chief Legal & Regulatory Officer  
Direct Mail: P.O. Box 129; Venetia PA 15367  
Direct Phone: 570-724-9469 (o); 717-503-6531 (m)  
[ppolacek@ctenterprises.org](mailto:ppolacek@ctenterprises.org)

April 23, 2026

Matthew Homsher, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

**VIA E-FILING**

**Application to Register Securities Certificate of Valley Energy, Inc.;  
Docket No. S-2026-**

**Application for Approval of Affiliated Interest Transaction between Valley Energy, Inc., and  
C&T Enterprises, Inc.; Docket No. G-2026-**

Dear Secretary Homsher:

Attached for filing with the Pennsylvania Public Utility Commission is the Application of Valley Energy, Inc. ("Valley" or "Company") for approval and registration of a Securities Certificate authorizing a \$4.7 million long-term debt agreement with C&T Enterprises, Inc. ("C&T"). Because the Company will borrow the money from C&T the application includes a request for any approval that may be necessary under Chapter 21. We will submit the electronic payment in the amount of \$350 for the filing fee.

**The Company is voluntarily waiving the 30-day consideration period set forth in Sections 1903(a) and 2102(b) of the Public Utility Code. Valley requests action by the Commission on or before the July 16, 2026 Public Meeting.**

Copies of this request have been served on the parties as indicated on the attached Certificate of Service. If you have any questions regarding this filing, please feel free to contact the undersigned. Thank you.

Very truly yours,

*Pamela C. Polacek*

Pamela C. Polacek

Counsel to Valley Energy, Inc.

Enclosure

c: Certificate of Service

Debra Backer, Bureau of Technical Utility Services (via E-Mail)

Marissa Boyle, Bureau of Technical Utility Services (via E-Mail)

**CERTIFICATE OF SERVICE**

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

**VIA E-MAIL**

Office of Small Business Advocate  
Forum Place  
555 Walnut Street, 1st Floor  
Harrisburg, PA 17101  
[ra-osba@pa.gov](mailto:ra-osba@pa.gov)

Allison Kaster, Esq.  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
Harrisburg, PA 17120  
[akaster@pa.gov](mailto:akaster@pa.gov)

Office of Consumer Advocate  
555 Walnut Street  
Forum Place - 5th Floor  
Harrisburg, PA 17101-1921  
[ra-paoca@paoca.org](mailto:ra-paoca@paoca.org)

*Pamela C. Polacek*

\_\_\_\_\_  
Pamela C. Polacek (PA ID No. 78276)

Dated this 23<sup>rd</sup> day of April, 2026, in Venetia, Pennsylvania.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Application to Register Securities Certificate of Valley Energy, Inc.</b>	<b>:</b>	<b>Docket No. S-2026-_____</b>
<b>Application for Approval of Affiliated Interest Transaction between Valley Energy, Inc. and C&amp;T Enterprises, Inc.</b>	<b>:</b>	<b>Docket No. G-2026-_____</b>

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to Chapter 19 of the Public Utility Code, 66 Pa. C.S. § 1901 *et seq.*, and the Pennsylvania Public Utility Commission's ("PUC" or "Commission") regulations at 52 Pa. Code § 3.601, Valley Energy, Inc. ("Valley" or "Company") seeks Commission approval and registration of its Securities Certificate reflecting assumption of a long-term debt.

Specifically, Valley parent company, C&T Enterprises, Inc. ("C&T"), will be entering into a Loan Agreement (the "NCSC-C&T Loan Agreement"), and related documentation, with National Cooperative Services Corporation ("NCSC") for \$4.7 million in order to obtain financial resources for Valley to fund capital expenditures and the payoff of short-term debt. Valley and C&T will enter into a loan agreement and note as described herein. Valley, as a subsidiary of C&T, will execute a Guaranty for the total amount outstanding under the NCSC-C&T Loan Agreement. If this Application for a Securities Certificate is approved, Valley will have access to and be able to draw upon the money available in the NCSC-C&T Loan Agreement.

The loan between Valley and C&T constitutes a transaction between affiliated entities under Section 2102 of the Public Utility Code, 66 Pa. C.S. § 2102. Valley believes that the financing for which the Securities Certificate will be issued is already authorized by its Affiliated Interest Agreement at Docket No. G-2022-3031753; however, out of an abundance of caution, Valley requests

any additional approvals that the Commission deems necessary under Chapter 21 of the Public Utility Code. The affiliate aspects of this financing transfer are addressed in paragraphs 15-16, *infra*.

In support hereof, the Company states as follows:

**I. CONTACT INFORMATION**

1. The principal business address, telephone number, and contact person for Valley is:

Edward Rogers, President and CEO  
Valley Energy, Inc.  
523 S. Keystone Avenue  
Sayre, PA 18840-0340  
(570) 888-9664  
(570) 888-6199 (fax)

A Verification executed by Mr. Rogers averring to the accuracy of the statements contained in this Application is attached as Exhibit A.

2. In addition to Mr. Roger's Verification for Valley, Melissa D. Sullivan, Chief Financial Officer for C&T, also avers to the accuracy of the statements contained in this Application.

A Verification executed by Ms. Sullivan is attached as Exhibit B.

3. The name and address of the attorney for the Company in this matter is:

Pamela C. Polacek (Pa. I.D. 78276)  
C&T Enterprises, Inc.  
P.O. Box 129  
Venetia, PA 15367  
(570)724-9469  
(717) 503-6531 (mobile)  
[ppolacek@ctenterprises.org](mailto:ppolacek@ctenterprises.org)

**II. DESCRIPTION OF COMPANY**

4. Valley is a Pennsylvania corporation with its principal office located in Sayre, Bradford County, Pennsylvania. Valley is an investor-owned, for-profit natural gas utility, wholly owned by C&T. Valley is in the business of supplying and distributing natural gas to approximately 7,564 customers in and around Sayre. Valley is the Supplier of Last Resort ("SOLR") in its territory.

### **III. DESCRIPTION OF THE SECURITIES CERTIFICATE AND TRANSACTION**

5. Valley has arranged the long-term debt described in this filing to provide funding for capital improvements, including gas infrastructure replacement projects and completing the renovation of the building that will serve as Valley's warehouse and training center. Valley also will use a portion of the proceeds to pay off its short-term line of credit. An itemization of the uses for the funds is attached as Exhibit C.

6. The arrangement involves the NCSC-C&T Loan Agreement between NCSC to C&T (the holding company for Valley). The term of that Loan Agreement is up to 33 years from its date of execution, inclusive of a 3-year draw period. As stated previously, the amount of the debt provided for under the NCSC-C&T Loan Agreement is \$4.7 million. The loan amortization under the NCSC-C&T Loan Agreement will be level debt service payments due from C&T to NCSC on a quarterly basis. The interest rates relating to this loan will either be the monthly NCSC variable interest rate or fixed rates that are established on a case-by-case basis.

7. As discussed earlier herein, Valley will execute a Guaranty of the NCSC-C&T Loan Agreement to facilitate C&T's Loan Agreement with NCSC. This is a standard request because the money that the bank is lending will be used by Valley. A copy of the Guaranty is attached as Exhibit D.

8. Valley will execute a loan agreement ("Valley-C&T Loan Agreement") and one or more Secured Promissory Notes with C&T, the terms of which mirror those between C&T and NCSC. Draft versions of the Valley-C&T Loan Agreement and Secured Promissory Note are attached as Exhibits E and F, respectively. The Valley-C&T Loan Agreement establishes the terms and conditions of Valley's indebtedness to C&T. Under the Valley-C&T Loan Agreement, C&T would make an advance upon request to Valley of up to \$4.7 million. When requesting an advance, Valley will provide notice through its President, CEO, or Treasurer of the amount requested. If approved,

C&T will assess the interest rates available under the NCSC-C&T Loan Agreement and issue an advance in the amount requested.

9. The Valley-C&T Loan Agreement further requires Valley to reimburse C&T for all accrued interest and fees charged to C&T pursuant to applicable provisions of the NCSC-C&T Loan Agreement. The Valley-C&T Loan Agreement passes through any charges associated with borrowed amounts as assessed by NCSC, without modification or mark-up.

#### **IV. SUPPLEMENTAL DOCUMENTATION**

10. In accordance with the requirements of Section 3.601 of the Commission's regulations, 52 Pa. Code § 3.601, appended hereto and made a part of this filing are the following:

a. Balance Sheets, Income Statements, Statements of Utility Plant Accounts, and Statements of Long-Term Debt as of December 31, 2025 and 2024, are attached hereto as Exhibit G. *See* 52 Pa. Code § 3.601(c)(9)(i), (ii), (iii), and (v).<sup>1</sup>

b. There have been no transactions subsequent to December 31, 2025, that substantially impact the financial status of the Company.

c. Valley does not own any securities of other corporations and therefore will not be filing a statement with respect to securities of other corporations. *See* 52 Pa. Code § 3.601(c)(9)(iv).

d. The capital stock of Valley is held wholly by C&T. *See* 52 Pa. Code § 3.601(c)(9)(vi).

e. Because the securities involved are not the type of securities regulated by the Securities and Exchange Commission (“SEC”), no registration statement, application, or

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<sup>1</sup> Pursuant to Section 5.43 of the Commission's regulations, 52 Pa. Code § 5.43, the Companies respectfully request a waiver of the requirement that a public utility seeking a securities certificate provide the Commission with a balance sheet dated within at least three months of the date of the securities certificate filing and an income statement for the twelve months period ending the date on the balance sheet. *See* 52 Pa. Code § 3.601(c)(9)(i) & (ii).

declaration has been filed or will be filed with the SEC in respect to the transaction herein proposed. *See* 52 Pa. Code § 3.601(c)(8) and (c)(9)(vii) and (viii).

f. The Valley Board of Directors approved the transaction on February 26, 2026. The minutes of the Valley Board of Directors meeting are attached as Exhibit J. *See* 52 Pa. Code § 3.601(c)(9)(ix).

g. A copy of the Guaranty, the Valley-C&T Loan Agreement, and Valley's Secured Promissory Note are provided as Exhibits D, E, and F, respectively. *See* 52 Pa. Code § 3.601(c)(9)(x).

h. Attached hereto as Exhibit A is the Verification of Edward Rogers, President and Chief Executive Officer of Valley, verifying the accuracy of the facts set forth in this filing. *See* 52 Pa. Code § 3.601(c)(9)(xii).

i. Attached hereto as Exhibit B is the Verification of Melissa D. Sullivan, Chief Financial Officer of C&T, verifying the accuracy of the facts set forth in this filing. *See* 52 Pa. Code § 3.601(c)(9)(xii).

j. No accounts will be credited for retirements of any property resulting from this transaction. *See* 52 Pa. Code § 3.601(c)(7)(iii).

11. As described in Sections II and III, *supra*, Valley proposes to assume this debt in order to pay off short-term debt and to fund upcoming capital expenses for natural gas infrastructure and building renovations. *See* 52 Pa. Code § 3.601(c)(7)(ii). Exhibit C details the projected uses for the long-term debt.

12. Pursuant to 52 Pa. Code § 3.601(c)(4), as described in Section II, *supra*, Valley is a Pennsylvania corporation with its principal office located in Sayre, Bradford County, Pennsylvania. Valley is an investor-owned, for-profit natural gas utility, wholly owned by C&T. C&T is a holding

and management services company that also owns Citizens' Electric Company of Lewisburg, PA. and Wellsboro Electric Company.

13. Moreover, pursuant to 52 Pa. Code § 3.601(c)(5)(i)-(ii) and (iv), the Commission requests detailed information regarding the terms of the securities that Valley proposes to assume, such as the date of maturity, nominal date of issue, interest rate, and payment dates. Please refer to Paragraphs 9-13, *supra*, for that information, as well as the loan documentation provided in Exhibits D, E, and F, herein.

14. In addition to the information required under Section 3.601 of the Commission's Regulations, Valley has also prepared responses to anticipated data requests from the Commission's Bureau of Technical Utility Services, which are attached hereto as Exhibit I.

#### **V. *REQUEST FOR CHAPTER 21 APPROVAL***

15. Because the transfer will result in a loan and note between Valley and its parent corporation, C&T, the Applicant also requests that the Commission issue any necessary approvals under Chapter 21 of the Public Utility Code, 66 Pa. C.S. §§ 2101 *et seq.* Valley believes, however, that this transaction is authorized under a current Affiliated Interest Agreement between the members of the C&T corporate family, which states:

A Member may, from time to time, loan funds to another Member(s) of the Group. Short-term loans will be evidenced by promissory notes bearing interest at applicable market rates. Long-term loans will be evidenced by promissory notes bearing interest at applicable market rates or the equivalent cost of financing by the lending Member and containing repayment terms consistent with reasonable market terms or those assumed by the lending Member.

That Affiliated Interest Agreement was approved by the Commission at Docket No. G-2022-3031753.

16. C&T is able to obtain favorable interest rates from NCSC. Under the proposed arrangement, Valley will assume contingent liability through a guarantee for the total amount outstanding under the Loan Agreement. C&T will charge Valley an interest rate equal to the NCSC

rate. As a result, this transaction is in accordance with the requirements set forth in Section 2102 and the approved Affiliated Interest Agreement.

***VI. EXTENSION OF CONSIDERATION PERIOD AND REQUESTED ACTION DATE***

17. Valley is voluntarily extending the 30-day consideration period for securities certificate and affiliated contract filings pursuant to Sections 1903(a) and 2102(b) of the Public Utility Code. **Valley respectfully requests that the Commission act on this filing at or before the Public Meeting scheduled for July 16, 2026.**

**WHEREFORE**, Valley Energy, Inc., respectfully requests that the Commission:

- (1) Grant this Application;
- (2) Issue an Order approving the transaction detailed herein; and
- (3) Take any other such actions as the Commission deems appropriate and necessary.

Respectfully submitted,

*Pamela C. Polacek*

By

\_\_\_\_\_  
Pamela C. Polacek (Pa. I.D. 78276)  
C&T Enterprises, Inc.  
P.O. Box 129  
Venetia, PA 15367  
(570) 724-9469  
(717) 503-6531 (mobile)  
[ppolacek@ctenterprises.org](mailto:ppolacek@ctenterprises.org)

Counsel to Valley Energy, Inc.


Dated: April 23, 2026

## INDEX OF EXHIBITS

- A Rogers Verification
- B Sullivan Verification
- C Explanation of Use of Funds
- D Valley Guaranty
- E Valley-C&T Loan Agreement
- F Valley-C&T Promissory Note
- G Financial Statements 2025/2024
- H Valley Board Minutes
- I TUS Questions

**VERIFICATION**

I, Ed Rogers, hereby state that the facts set forth in the foregoing document are true and correct to the best of my information, knowledge and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties in 18 Pa.C.S. §4904 (relating to unsworn falsification to authorities).



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Name: Ed Rogers

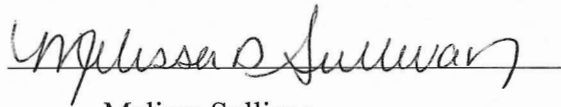
Company: Valley Energy, Inc.

Title: President & CEO

Date: April 21, 2026

**VERIFICATION**

I, Melissa Sullivan, hereby state that the facts set forth in the foregoing document are true and correct to the best of my information, knowledge and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties in 18 Pa.C.S. §4904 (relating to unsworn falsification to authorities).

A handwritten signature in cursive script that reads "Melissa Sullivan". The signature is written in black ink and is positioned above a horizontal line.

Name: Melissa Sullivan

Company: C&T Enterprises, Inc.

Title: Chief Financial Officer

Date: 4-21-2026

**EXHIBIT C  
USES FOR LONG-TERM DEBT**

Renovation – \$2,340,000

Gas infrastructure replacement projects – \$760,000

Pay down of LOC - \$1,600,000

## GUARANTY

For and in consideration of loans, advances, discounts, extensions of credit or other financial accommodations made or to be made by NATIONAL COOPERATIVE SERVICES CORPORATION, a cooperative association organized and existing under the laws of the District of Columbia ("NCSC"), to, for the account of, or on behalf of C & T ENTERPRISES, INC. ("Borrower"), pursuant to a Loan Agreement designated by NCSC Loan Number PA403-A-9030, between the Borrower and NCSC, (as supplemented, amended, restated, or otherwise modified, the "Credit Agreement"), the undersigned VALLEY ENERGY, INC. ("Guarantor") hereby absolutely and unconditionally guarantees to NCSC the due and prompt payment of (i) the outstanding principal amount due from the Borrower to NCSC, whether by acceleration or otherwise, under that certain promissory note from Borrower to NCSC, as payee thereof, in the original principal amount of Four Million Seven Hundred Thousand and 00/100 Dollars (\$4,700,000.00), (ii) all accrued interest thereon (including interest accruing after any filing of any bankruptcy petition by or against the Borrower), (iii) all other costs, fees or expenses of NCSC that the Borrower is required to pay under the Loan Documents (as defined in the Credit Agreement) (including costs of collection and reasonable attorney's fees), and (iv) all other indebtedness of Borrower to NCSC, whether now existing or hereafter created or arising, direct or indirect, matured or unmatured, and whether absolute or contingent and arising out of or in connection with the Loan Documents, whether any of the foregoing are now existing or hereafter arising, and all extensions, renewals, modifications or amendments to any of the foregoing. The obligations referred to in items (i) through (iv) above are collectively referred to herein as the "Guaranteed Debt".

Notwithstanding anything to the contrary herein, Guarantor's liability under this Guaranty shall be limited to an amount, not to exceed, as of any date of determination, the amount which could be claimed by NCSC from Guarantor under this Guaranty without rendering such claim voidable or avoidable under the United States Bankruptcy Code (Title 11, U.S.C.), any similar federal or state law for the relief of debtors, or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law after taking into account, among other things, Guarantor's rights of contribution and indemnification from each other guarantor, if any. To effectuate the foregoing intentions, NCSC and Guarantor hereby irrevocably agree that the obligations of Guarantor under this Guaranty at any time shall be limited to the maximum amount as will result in the obligations of Guarantor under this Guaranty not constituting a fraudulent transfer or conveyance.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of all or any part of the Guaranteed Debt is rescinded or must otherwise be returned by NCSC upon the insolvency, bankruptcy, reorganization, liquidation or dissolution of Borrower, or upon or as a result of the appointment of a receiver, or trustee or similar officer for, Borrower or a substantial part of its property, or otherwise, all as if such payment had not been made.

The obligations of Guarantor hereunder are continuing, absolute and unconditional, and shall continue until payment in full to NCSC of the Guaranteed Debt. No act by NCSC to grant credit from time to time to Borrower, Guarantor or any other party, and no act or omission by NCSC with respect to any matter whatsoever shall operate to release Guarantor from its obligations hereunder other than the execution and delivery by NCSC to Guarantor of an express written release of this Guaranty.

If an event of default has occurred under the Credit Agreement and any applicable cure periods have expired, then NCSC shall have the right to declare the Guaranteed Debt immediately due and payable in full, without notice thereof or demand therefor to Borrower or Guarantor, regardless of whether NCSC has accelerated all or any part of Borrower's indebtedness. Without limiting the generality of the foregoing, if the Borrower should at any time (i) become insolvent, (ii) make a general assignment for the benefit of creditors, (iii) petition for or be subject to a receivership proceeding, or (iv) be subject to a petition in bankruptcy or any insolvency or reorganization proceeding, whether voluntary or involuntary, then NCSC shall have the right to declare the Guaranteed Debt immediately due and payable in full, without notice to Borrower or Guarantor, regardless of whether NCSC has accelerated all or any part of Borrower's indebtedness, and NCSC shall have the right to demand and to collect from Guarantor payment in full of the Guaranteed Debt, including all principal, interest, fees and charges, whether or not then due and payable by Borrower. This is a guaranty of payment and not merely of collection.

Guarantor expressly waives the following:

- a) notice that Borrower has incurred debt to or is in default to NCSC;
- b) NCSC's acceptance of this Guaranty;
- c) presentment, demand for payment, protest, notice of protest, notice of dishonor, notice of any election, acceptance, diligence in collection, notice of non-payment of any instrument evidencing any indebtedness of the Borrower, and to the extent permitted by law, all benefit of valuation, appraisal, exemptions and any and all other notices that would otherwise be required under the laws of the Commonwealth of Virginia;
- d) any right to require suit against the Borrower, another guarantor or any other person before enforcing this Guaranty, and with respect thereto, Guarantor specifically agrees that any proceeding for collection under this Guaranty may be brought against Guarantor before, after or simultaneously with any proceeding that may be brought against Borrower, another guarantor, or any other party for nonpayment of any indebtedness to NCSC, notwithstanding any notices or demands to the contrary that Guarantor may transmit to NCSC;
- e) any right to require NCSC to proceed against any collateral, or have collateral of the Borrower applied, before enforcing this Guaranty;
- f) until the Borrower's obligations to NCSC under the Loan Documents are paid in full, any right or remedy which Guarantor may now have or may hereafter acquire against the Borrower, including but not limited to any right of contribution, indemnification, subrogation, reimbursement, exoneration or participation in any claim, right or remedy of NCSC against Borrower or any security which NCSC now has or hereafter acquires, regardless of whether such right or remedy arises under equity, contract, in common law or otherwise. Any moneys, property or other consideration received at any time by Guarantor from Borrower in connection with any right of subrogation prior to payment in full of the Guaranteed Debt and prior to performance by Borrower of all the obligations related thereto shall be held in trust for NCSC and shall be paid or transferred to NCSC upon demand therefor;
- g) any rights of setoff, deduction, recoupment or counterclaim against NCSC, except for compulsory counterclaim, against NCSC;

h) any defense or claim relating to any obligation of NCSC to marshal any collateral or other assets of Borrower for the benefit of Guarantor, and Guarantor agrees that NCSC shall be under no duty to marshal the assets of Borrower for the benefit of Guarantor or any third party; and

i) notice of the financial condition or other status of Borrower and any other party obligated for the payment of the Guaranteed Debt or the performance of the obligations related thereto.

Guarantor will not assert against NCSC and does hereby unconditionally and absolutely waive all defenses of Borrower and any defenses Guarantor may have against NCSC, including, but not limited to, defenses of waiver, release, discharge, bankruptcy, statute of limitations, res judicata, statute of frauds, anti-deficiency statute, fraud, fraudulent conveyance, insolvency, lack of consideration, merger of clauses under this Guaranty with the Borrower's indebtedness, ultra vires acts, usury, illegality or unenforceability, any defense which under principles of guaranty, suretyship or other applicable law would operate to diminish or impair the liability of Guarantor under this Guaranty, any setoff available against NCSC by Borrower whether or not on account of a related transaction, and Guarantor shall be and remain liable for any deficiency remaining after foreclosure of any security instrument securing the Borrower's indebtedness notwithstanding provisions of law that may prevent NCSC from enforcing such deficiency against Borrower.

Furthermore, Guarantor hereby agrees that, without notice of any kind to Guarantor and without altering the absolute and unconditional obligation of Guarantor hereunder, NCSC may renew time of payment, extend time of payment, surrender, release, exchange, substitute, deal with or take additional collateral security, take or release other guarantees, abstain from taking advantage of or realizing upon any collateral security or other guarantees, discharge, compromise, release or settle any or all of Borrower's indebtedness to NCSC (regardless of whether such indebtedness is part of the Guaranteed Debt), extend, grant indulgences, forbear against or otherwise modify any term, provision, covenant, obligation or condition with respect to any or all of the Borrower's indebtedness to NCSC (regardless of whether such indebtedness is part of the Guaranteed Debt).

This Guaranty shall not be impaired by the illegality, irregularity, invalidity or unenforceability, in whole or in part, of, or any defect in the Loan Documents or any legal or equitable defenses or rights available to the Borrower under or with respect thereto.

In the event Guarantor fails to pay its obligations hereunder in full upon demand, then NCSC is hereby authorized at any time and from time to time, without prior notice to Guarantor, to exercise rights of setoff or recoupment and apply any and all amounts held, or hereafter held, by NCSC or owed to Guarantor or for the credit or account of Guarantor against any and all of the obligations of Guarantor hereunder and to pursue all rights and remedies available to NCSC that are contemplated by the Security Instrument (as hereinafter defined) in the manner, upon the conditions, and with the effect provided in the Security Instrument, including, but not limited, a suit for specific performance, injunctive relief or damages. NCSC agrees to notify Guarantor promptly after any such setoff or recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. The rights of NCSC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which NCSC may have. Nothing herein shall limit the right of NCSC to pursue all rights and remedies available to a creditor. Each right, power and remedy of NCSC

shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

Guarantor further agrees to pay to NCSC, in addition to payment of the Guaranteed Debt, any and all costs, expenses and reasonable attorneys' fees paid or incurred by NCSC in collecting or endeavoring to collect the Guaranteed Debt from Guarantor, regardless of whether suit is brought, and including the amount of such costs, expenses and fees incurred in preparation for collection.

Guarantor represents and warrants that, during the term of this Guaranty, (i) the aggregate amount of obligations guaranteed hereunder shall not exceed the maximum amount allowed under a mortgage, indenture, or agreement of any kind entered into by or affecting Guarantor, and (ii) Guarantor will not, without the written consent of NCSC, make any loan, deposit, advance, investment or obligation which would cause the total aggregate indebtedness guaranteed hereunder to exceed said maximum allowable amount. Guarantor further agrees that if any of the foregoing representations shall prove to be false, Guarantor shall not raise such fact as a defense against enforcement and payment of this Guaranty.

Guarantor hereby represents and warrants that:

- (i) The Guarantor's exact legal name is: Valley Energy, Inc.
- (ii) The Guarantor's organizational type is: Corporation
- (iii) The Guarantor is organized under the laws of the state of: Pennsylvania
- (iv) The principal place of business or, if more than one, the chief executive office of the Guarantor is 1775 Industrial Blvd., Lewisburg, PA 17837-1276.

Without giving written notice to NCSC thirty (30) days prior to the effective date of any change, Guarantor shall not:

- (i) Change the location of Guarantor's place of business or, if more than one, its chief executive office.
- (ii) Change the name of Guarantor.
- (iii) Change the mailing address of Guarantor.
- (iv) Change Guarantor's type of organization, jurisdiction of organization or legal structure.

Guarantor will prepare and furnish NCSC within 45 days of the close of each fiscal quarter, financial and statistical reports on its condition and operations for the previous fiscal quarter. If requested by NCSC, Guarantor will prepare and furnish NCSC from time to time financial and statistical reports on its condition and operations on a more frequent basis. All of such reports shall be in such form and include such information as may be specified by NCSC, including without limitation an income statement, balance sheet and cash flows.

By January 31 of each calendar year this Guaranty is in effect, Guarantor shall provide an updated financial forecast for a period of at least five years including balance sheets, income statements, and cash flows in form and substance acceptable to NCSC.

Guarantor shall not declare or make any dividend payments other than dividend payments to Borrower designated for Borrower's operating expenses or debt service expenses without the prior written consent of NCSC.

Without the prior written consent of NCSC, Guarantor shall not (i) consolidate with, merge, or sell all or substantially all of its business or assets, to another entity or person or (ii) acquire the assets of another business or entity.

The obligations of the Guarantor hereunder are secured by the Mortgage and Security Agreement, dated as of March 10, 2008, by and between Guarantor and NCSC as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Security Instrument").

Guarantor acknowledges that this Guaranty is executed in order to induce NCSC to make and disburse the loan made by NCSC to Borrower, pursuant to the Credit Agreement (the "Loan") with the intent that it be relied upon by NCSC in making and disbursing the Loan with the knowledge that NCSC would not disburse the Loan but for this Guaranty. Disbursement of any part of the Loan, without any further action or notice, shall constitute conclusive evidence of the reliance hereon by NCSC

This Guaranty shall be binding upon Guarantor and its successors and assigns, and shall inure to the benefit of NCSC and its successors and assigns. The terms "Guarantor" and "Borrower" and any pronouns referring thereto as used herein shall be construed in the singular or plural as the context may require.

THE PERFORMANCE AND CONSTRUCTION OF THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

GUARANTOR HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY. GUARANTOR IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

EACH OF GUARANTOR AND NCSC HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY.

No modification or waiver of any provision of this Guaranty shall in any event be effective unless the same shall be in writing signed by NCSC.

If any term, provision or condition, or any part thereof, of this Guaranty shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Guaranty shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

IN WITNESS WHEREOF this Guaranty has been executed and delivered to NCSC by the undersigned Guarantor this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

VALLEY ENERGY, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Attest: \_\_\_\_\_  
(Secretary)

## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement"), dated as of \_\_\_\_\_, between VALLEY ENERGY, INC. ("Valley"), a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, and C&T ENTERPRISES, INC. ("C&T"), a corporation organized and existing under the laws of the Commonwealth of Pennsylvania.

### RECITALS

**WHEREAS**, on behalf of Valley, C&T arranged to borrow up to \$4,700,000.00 collectively in advances from one lender (National Cooperative Services Corporation ("NCSC")) for purposes of financing capital improvements and other utility expenses of Valley; and

**WHEREAS**, C&T wishes to lend that \$4,700,000.00 to its subsidiary Valley; and

**WHEREAS**, Valley has agreed to execute one or more secured promissory notes to evidence an indebtedness in the aggregate principal amount of the C&T Commitment (as hereinafter defined).

**NOW, THEREFORE**, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

### ARTICLE I

#### DEFINITIONS

**Section 1.** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof).

**"Accounting Requirements"** shall mean the requirements of generally accepted accounting principles applicable to businesses similar to that of Valley.

**"Advance" or "Advances"** shall mean advances by C&T to Valley pursuant to the terms and conditions of this Agreement.

**"Amortization Basis Date"** shall mean the first calendar day of the month following the end of the Billing Cycle in which the Advance occurs, provided, however, that if the Advance is made on the first day of a Billing Cycle, and such day is a Business Day, then the Amortization Basis date shall be the date of the Advance.

**"Billing Cycle"** shall mean any 3-month period ending on, and including, a Payment Date.

**"Business Day"** shall mean any day that both C&T and the depository institution C&T utilizes for funds transfers hereunder are open for business.

**"Default Rate"** shall mean a rate annum equal to the interest rate in effect for an Advance plus two hundred (200) basis points.

**"Depreciation and Amortization Expense"** shall mean an amount constituting depreciation and amortization of Valley as computed in accordance with Accounting Requirements.

**"Draw Period"** shall have the meaning defined in Schedule 1 hereto.

**"Equity"** shall mean the aggregate of Valley equities and retained earnings divided by total assets computed pursuant to Accounting Requirements.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Interest Rate Reset Date"** shall mean, with respect to any Advance, the first day following the expiration of the NCSC Fixed Rate Term for such Advance.

**"Loan"** shall mean the loan by C&T to Valley, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the C&T Commitment.

**"Long-Term Debt"** shall mean any amount constituting long-term debt of Valley as computed in accordance with the Accounting Requirements.

**"Maturity Date"** shall have the meaning as defined in the Note.

**"NCSC Fixed Rate"** shall mean such fixed rate as is then available for loans similarly classified pursuant to NCSC's policies and procedures then in effect, as applicable to the particular Advance.

**"NCSC Fixed Rate Term"** shall mean the specific period of time that a NCSC Fixed Rate is in effect, as applicable to the particular Advance.

**"NCSC Variable Rate"** shall mean the rate established by NCSC for similarly classified variable interest rate loan programs established by NCSC from time to time, and as applicable to the particular Advance.

**"Note"** shall mean the promissory note executed by Valley, dated as of even date herewith, in the aggregate principal amount of the C&T Commitment.

**"Payment Date"** shall mean the last day of each of the months referred to in Schedule 1 hereto.

**"Payment Notice"** shall mean a notice furnished by C&T to Valley that indicates the amount of each payment of principal and interest and the total amount of each payment.

**"Subsidiary"** shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries by Valley. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of Valley.

**"C&T Commitment"** shall have the meaning as defined in Schedule 1 hereto.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

**SECTION 2.** Valley represents and warrants to C&T that as of the date of this Agreement:

**A. Good Standing.** Valley is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business and has the requisite power to enter into and perform this Agreement and to borrow hereunder.

**B. Authority.** Valley has the corporate power and authority to enter into this Agreement and the Note; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein and in the Note, all of which have been duly authorized by all necessary and proper corporate and other action; and no consent or approval of any person, including, without limitation, stockholders and members of Valley and any public authority or regulatory body, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

**C. No Conflicting Agreements.** The execution, delivery of and performance by Valley of this Agreement and the Note, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of Valley, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which Valley is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of Valley.

**D. Taxes.** Valley has paid or caused to be paid all federal, state and local taxes to the extent that such taxes have become due. Valley has filed or caused to be filed all federal, state and local tax returns which are required to be filed by Valley.

**E. Reserved**

**F. Licenses and Permits.** Valley has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by federal, state and local laws of the jurisdictions in which Valley conducts its business and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or to the knowledge of Valley threatened against or affecting Valley or its properties which, if adversely determined, would have a material adverse effect upon the financial condition or the business of Valley. Valley is not, to its knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any court, governmental agency or other instrumentality which would have a material adverse effect on Valley.

**H. Financial Statements.** The balance sheet of Valley as of the date identified in Schedule 1 hereto, and the statement of operations of Valley for the period ending on said date, heretofore furnished to C&T, are complete and correct. Said balance sheet fairly presents the financial condition of Valley as of said date and said statement of operations fairly reflects its operations for the period ending on said date. Valley has no contingent obligation or unusual forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of Valley from that set forth in said financial statements except changes disclosed in writing to C&T prior to the date hereof. Valley has heretofore furnished to C&T true and complete copies of its financial and statistical reports for each of the three most recent calendar years and the facts stated therein are true as of the date hereof.

**I. Valley Legal Status.** Schedule 1 hereto accurately sets forth: (a) Valley's exact legal name, (b) Valley's organizational type and jurisdiction of organization, and (c) Valley's place of business or, if more than one, its chief executive office as well as Valley's mailing address if different.

**J.** Reserved

**K.** Reserved

**L. Required Approvals.** No license, consent or approval of any governmental agency or authority is required to enable Valley to enter into this Agreement or the Note, or to perform any of its obligations provided for in such documents, except as disclosed in Schedule 1 hereto, all of which Valley has obtained prior to the date hereof.

### ARTICLE III

#### LOAN

**Section 3.01. Advances.** Prior to the end of the Draw Period, C&T agrees to make, and Valley agrees to request on the terms and conditions of this Agreement, one or more Advances at the office of C&T in Lewisburg, Pennsylvania or at such other place as may be designated by C&T, in an aggregate principal amount not to exceed the C&T Commitment.

The obligation of Valley to repay the Advances shall be evidenced by the Note. Valley shall give C&T written notice of the date on which each Advance is to be made.

**Section 3.02. Payment, Amortization and Interest Rate.** The Note shall be payable and bear interest as follows:

**A. Payments and Amortization.** Valley shall promptly pay on each Payment Date all amounts then owing. If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees shall be due and payable on the Maturity Date. At least quarterly, C&T will furnish to Valley a Payment Notice. Such Payment Notice shall be sent to Valley at least ten (10) days before the next ensuing Payment Date. However, C&T's failure to send an invoice shall not constitute waiver of by C&T or deemed to relieve Borrower of its obligation to make payments as and when due as provided herein.

Principal will be amortized in accordance with the method stated in Schedule 1 hereto. No provision of this Agreement or the Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

**B. Application of Payments.** Each payment shall be applied first to any charges other than interest or principal then due on the Note, second to interest accrued on the principal amount to the due date of such payment on the Note (or, at the election of the holder of the Note, to the date of such payment if the same is not paid on its due date); and the balance to the reduction of principal against the Note according to an amortization schedule provided to Valley from C&T.

**C. Interest Rate.** The Note shall bear interest at the NCSC Fixed Rate or the NCSC Variable Rate, as has been selected by Valley for the particular Advance(s) thereunder. Portions of the Note may bear interest at the NCSC Fixed Rate and/or the NCSC Variable Rate but in any event the interest rates shall be identical to, and in the same proportions the rates charged to C&T by NCSC, and will change any time the rate between C&T and NCSC changes, including application of a Default Rate.

**Section 3.03. Prepayment.** Valley may at any time, on not less than thirty (30) days written notice to C&T, prepay the Note, in whole or in part, together with the interest accrued to the date of prepayment and any prepayment premium that C&T may prescribe due to requirements imposed on C&T by NCSC to facilitate the prepayment. C&T shall not apply additional fees above the NCSC fees for exercise of the prepayment option.

## ARTICLE IV

### CONDITIONS OF LENDING

**Section 4.** The obligation of C&T to make the Advance(s) hereunder is subject to satisfaction of the following conditions:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for C&T.

**B. Documents.** C&T shall have been furnished with (i) executed originals satisfactory to C&T of this Agreement and the Note, and (ii) copies of all such corporate documents and proceedings of Valley authorizing the transactions hereby contemplated as C&T shall require.

**C. Government Approvals.** Valley shall have furnished to C&T true and correct copies of all certificates, authorizations and consents, including without limitation the consents referred to in Section 2.L. hereof, necessary for the execution, delivery or performance by Valley of this Agreement and the Note.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default specified in Article VII and no event which, with the lapse of time or the notice and lapse of time specified in Article VII would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to the Advance on the books of Valley; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of Valley; and nothing shall have occurred which in the opinion of C&T materially and adversely affects Valley ability to meet its obligations hereunder.

**E.** Reserved

**F. Special Conditions.** C&T shall be fully satisfied that Valley has complied and will continue to comply with all special conditions identified in Schedule 1 hereto.

## ARTICLE V

### AFFIRMATIVE COVENANTS

**Section 5.** Valley covenants and agrees with C&T that until payment in full of the Note and performance of all obligations of Valley hereunder:

**A. Notice.** Valley agrees that it will not, directly or indirectly, without giving written notice to C&T thirty (30) days prior to the effective date of any change:

(a) Change of Location of Place of Business or Chief Executive Office. Change the location of Valley's place of business or, if more than one, its chief executive office.

(b) Change of Name. Change the name of Valley.

(c) Change of Mailing Address. Change the mailing address of Valley.

**B. Organizational Change.** Valley agrees that it will not, directly or indirectly, without the prior written consent of C&T change its type of organization, jurisdiction of organization or other legal structure.

**C. Annual Certificate.** Within one hundred twenty (120) days after the close of each calendar year, Valley will deliver to C&T a written statement signed by an officer of Valley, stating that to the best of said person's knowledge, Valley has fulfilled all of its obligations under this Agreement and the Note, throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

**D. Insurance.** Valley agrees that it will maintain insurance as usually carried by entities engaged in the same and similar business. Said insurance shall name C&T as "loss payee" and a certificate evidencing said insurance shall be provided to C&T. Valley will promptly notify C&T of any change in its insurance carrier or of any material changes in its insurance coverage.

E. Reserved

**F. Financial Books; Financial Reports; Right of Inspection.** Valley will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of Valley, in accordance with the Accounting Requirements. Valley will prepare and furnish C&T within 45 days of the close of each fiscal quarter of Valley, financial and statistical reports on its condition and operations for the previous fiscal quarter. When requested by C&T, Valley will prepare and furnish C&T from time to time, not later than the last day of each month, financial and statistical reports on its condition and operations for the previous month. All of such reports shall be in such form and include such information as may be specified by C&T, including without limitation an income statement, balance sheet and cash flows. Valley will cause to be prepared and furnished to C&T from time to time, at least once during each 12-month period during the term hereof, a full and complete report of its financial condition and of its operations as of the end of the calendar year in form and substance satisfactory to C&T, audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to C&T and accompanied by a report of such audit in form and substance satisfactory to C&T. Such report shall be furnished within one hundred twenty (120) days of the end of such calendar year. C&T, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of Valley or in anyway pertaining to its property or business.

G. Reserved

**H. Special Affirmative Covenants.** Valley agrees that it will comply with any special affirmative covenants identified in Schedule 1 hereto.

## ARTICLE VI

### NEGATIVE COVENANTS

**Section 6.** Valley covenants and agrees with C&T that Valley will not, directly or indirectly, without C&T's prior written consent:

**A. Merger, Sale of Assets, etc.** Enter into or be a party to any merger or consolidation, sell, assign, transfer, convey or lease all or any substantial part of its property or any interest therein except in the ordinary course of Valley business as now being conducted; purchase or otherwise acquire all or substantially all of the assets of any other person, or any shares of stock of, or similar interest in, any other person.

**B. Limitations on Loans, Investments and Other Obligations.**

(a) (i) purchase or make any commitment to purchase any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interest in, (ii) make any other investment in, (iii) make any loan to, or (iv) guarantee, assume, or otherwise become liable for any obligation of, any corporation, association, partnership, joint venture, trust, government or any agency or department thereof, or any other entity of any kind if the aggregate amount of all

such purchases, investments, loans and guarantees exceeds the greater of three percent (25%) of total assets as calculated in accordance with the Accounting Requirements.

(b) The following shall not be included in the limitations of purchases, investments, loans and guarantees in (a) above: (i) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States government or any agency or instrumentality thereof; (ii) bonds, notes, debentures, stock, commercial paper, subordinate capital certificates, or any other security or obligation of institution whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (iii) investments incidental to loans made by Valley; and (iv) any deposit that is fully insured by the Federal Government.

(c) In no event may Valley take any action pursuant to subsection (a) when there is unpaid any due installment of principal and/or interest on the Note.

**C. Issuance of Voting Stock or Other Ownership Interests.** Consent to or facilitate the transfer or issuance of any shares of any voting stock or other ownership interests of Valley without the prior written consent of C&T.

## ARTICLE VII

### EVENTS OF DEFAULT

**Section 7.** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by Valley herein or in any certificate or financial statement furnished to C&T and proving to be false or misleading in any material respect;

**B. Payment.** Valley shall fail to make any payment of any installment of or on account of interest on or principal of (or premium, if any, associated with) the Note when and as the same shall be due and payable, whether by acceleration or otherwise, which shall remain unsatisfied for five (5) Business Days;

**C. Other Covenants.** Failure of Valley to observe or perform any other covenant or agreement contained in this Agreement or the Note, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to Valley by C&T;

**D. Corporate Existence.** Valley shall forfeit or otherwise be deprived of its corporate charter, franchises, permits, easements, consents or licenses required to carry on any material portion of its business;

**E. Other Obligations.** Default by Valley in the payment of any obligation, whether direct or contingent, for borrowed money or in the performance or observance of the terms of any instrument pursuant to which such obligation was created or securing such obligation;

**F. Bankruptcy.** Valley shall file a petition in bankruptcy or be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of itself or of its property, or shall institute proceedings for its

reorganization or proceedings instituted by others for its reorganization shall not be dismissed within sixty (60) days after the institution thereof;

**G. Dissolution or Liquidation.** Other than as provided in subsection F. above, the dissolution or liquidation of Valley, or failure by Valley promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of Valley", as used in this subsection, shall not be construed to include the cessation of the corporate existence of Valley resulting either from a merger or consolidation of Valley into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 6.A. permitting such actions; or

**H. Final Judgment.** A final judgment in excess of \$100,000 shall be entered against Valley and shall remain unsatisfied or without a stay for a period of sixty (60) days.

## ARTICLE VIII

### REMEDIES

**Section 8.** If any of the Events of Default listed in Section 7 hereof shall occur after the date of this Agreement and shall not have been remedied within the grace periods specified therein, then C&T may pursue all rights and remedies available to C&T, including, but not limited to, terminating Valley's ability to receive additional Advances hereunder, a suit for specific performance, injunctive relief, damages or to declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived. Nothing herein shall limit the right of C&T to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default listed in Section 7 hereof. Each right, power and remedy of C&T shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver or any other right, power or remedy.

## ARTICLE IX

### MISCELLANEOUS

**Section 9.01. Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by facsimile or electronic copy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when personally delivered or, in the case of a telecopied or mailed notice, upon receipt, in each case given or addressed as provided for herein. The Address for Notices of the respective parties are as follows:

C&T Enterprises, Inc.  
1775 Industrial Boulevard  
Lewisburg, PA 17837

Valley Energy, Inc.  
523 S. Keystone Avenue  
Sayre, PA 18840-0340

**Section 9.02. Expenses.** Valley will pay all costs and expenses of C&T, including reasonable fees of counsel, incurred in connection with the enforcement of this Agreement, the Note, or other instruments provided for herein or with the preparation for such enforcement if C&T has reasonable grounds to believe that such enforcement may be necessary.

**Section 9.03. Late Payments.** If payment of any principal and/or interest due under the terms of the Note is not received at C&T's office in Lewisburg Pennsylvania or such other place as C&T may designate to Valley, within five (5) Business Days after the due date thereof or such other time periods as C&T may prescribe from time to time in the policies of general application in connection with any late payment charges, (such unpaid amount of principal and/or interest being herein called the "delinquent amount", and the period beginning after such due date until payment of the delinquent amount being herein called the "late-payment period"), Valley will pay to C&T, in addition to all other amounts due under the terms of the Note and this Agreement, any late payment charge as may be fixed by C&T from time to time, on the delinquent amount for the late-payment period.

**Section 9.04. Filing Fees.** To the extent permitted by law, Valley agrees to pay all expenses of C&T (including the reasonable fees and expenses of its counsel) in connection with the filing or recordation of all financing statements and instruments as may be required by C&T in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to recordation of any document or instrument in connection herewith. Valley agrees to save harmless and indemnify C&T from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by C&T in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due hereunder.

**Section 9.05. Rescission Fee.** Valley may elect not to borrow all or any portion of the C&T Commitment, in which event C&T shall release Valley from its obligation hereunder, provided Valley complies with such terms and conditions as C&T may impose for such release including, without limitation, payment of all or any portion of any rescission fee which C&T may be obligated to pay to any third party, including but not limited to any rescission fee that C&T may be obligated to pay to NCSC or its assignee.

**Section 9.06. No Waiver.** No failure on the part of C&T to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise by C&T of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

**Section 9.07. Right of Setoff.** Upon the occurrence and during the continuance of any Event of Default, C&T is hereby authorized at any time and from time to time, without prior notice to Valley, to exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by C&T or owed to Valley or for the credit or account of Valley against any and all of the obligations of Valley now or hereafter existing hereunder or under the Note. C&T agrees to notify Valley promptly after any such setoff or recoupment and the application thereof provided that the failure to give such notice shall not impact the validity of such setoff, recoupment or application. The rights of C&T under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which C&T may have. Valley waives all rights of setoff, deduction, recoupment or counterclaim.

**Section 9.08. Holiday Payments.** If any payment to be made by Valley hereunder shall become due on a Saturday, Sunday or business holiday of C&T, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 9.09. Modifications.** No modification or waiver of any provision of this Agreement or the Note and no consent to any departure by Valley therefrom shall in any event be effective unless the same shall be in writing by the party granting such modification, waiver or consent.

**Section 9.10. Merger and Integration.** This Agreement and matters incorporated by reference contain the entire agreement of the parties hereto with respect to the matters covered and the transactions contemplated hereby.

**Section 9.11. Headings.** The headings and sub-headings contained in the titling of this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 9.12. Severability.** If any term, provision or condition, or any part thereof, of this Agreement or the Note shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement and the Note shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 9.13. Survival; Successors and Assigns.** All covenants, agreements, representations and warranties made herein shall survive the execution and delivery to C&T of the Note, and shall continue in full force and effect until all of the obligations have been paid in

full. All covenants, agreements, representations and warranties by or on behalf of Valley which are contained in this Agreement shall inure to the benefit of the successors and assigns of C&T. This Agreement may not be assigned by Valley without the prior written consent of C&T.

**Section 9.14. Use of Terms; Headings.** The use of any gender or the neuter herein shall also refer to the singular, and vice versa. The headings and subheadings shall also refer to the other gender or the neuter and the use of the plural contained in the titling of this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**SECTION 9.15. GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

(B) VALLEY HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN PENNSYLVANIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. VALLEY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) EACH OF VALLEY AND C&T HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**Section 9.16. Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**Section 9.17. Electronic Execution of Loan Documents.** The words “execution,” “signed,” “signature,” and words of like import in the Agreement and any Loan Document other than those prohibited by law shall be deemed to include electronic signatures or electronic records, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be. Valley and C&T agree to electronic contracting and signatures, including delivery of a signed copy of this Agreement by facsimile, email (e.g., “PDF” or “TIF”) or other electronic transmission, which shall be binding on the parties to the extent as delivery of manually signed originals and shall be admissible into evidence for all purposes.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

VALLEY ENERGY, INC.

(SEAL)

By: \_\_\_\_\_

Title: \_\_\_\_\_

Attest: \_\_\_\_\_

Title: \_\_\_\_\_

C&T ENTERPRISES, INC.

(SEAL)

By: \_\_\_\_\_

Title: \_\_\_\_\_

Attest: \_\_\_\_\_

Title: \_\_\_\_\_

**SCHEDULE 1**

1. The purpose of the Loan is for C&T to lend to its affiliate, Valley Energy, Inc. ("Valley"), for purposes of financing a property acquisition, capital improvements and other utility expenses.
2. The principal C&T Commitment shall mean \$4,700,000.00.
3. Draw Period shall mean the period beginning on the date hereof and ending on the date that is three (3) years thereafter.
4. The Payment Date months are on a quarterly basis (*i.e.*, March, June, September and December).
5. The amortization method referred to in Section 3.02(a) shall mean: As selected by Valley in a written funds requisition at the time of the Advance, not to exceed thirty (30) years from the date of the Advance.
6. The date of Valley balance sheet referred to in Section 2.H is for the year-ended December 31, 2025.
7. Valley exact legal name is: VALLEY ENERGY, INC.
8. Valley organizational type is: Business Corporation.
9. Valley is organized under the laws of the Commonwealth of Pennsylvania.
10. The place of business or, if more than one, the chief executive office of Valley referred to in Section 2.I. is 523 S. Keystone Avenue, Sayre, PA 18840-0340
11. The following licenses, consents or approvals are needed and have been obtained by Valley pursuant to Section 2.L.: Pennsylvania Public Utility Commission.
12. The method of principal amortization is level debt service.
13. The special conditions referred to in Section 4.F. are as follows:
  - (a) Valley shall have furnished to C&T true and correct copies of all certificates, authorizations and consents, including without limitation that of the Pennsylvania Public Utility Commission, necessary for the execution, delivery or performance by Valley of the Loan Agreement and Note.
14. The special affirmative covenants referred to in Section 5.H. are as follows:
  - (a) By January 31 of each calendar year this Agreement is in effect, Valley shall provide C&T an updated financial forecast for a period of at least five years including balance sheets, income statements, and cash flows in form and substance acceptable to C&T.

- (b) Without the prior written consent of C&T, Valley shall not cause or permit any Subsidiary to (i) consolidate with, merge, or sell all or substantially all of its business or assets, to another entity or person or (ii) acquire the assets of another business or entity.

PROMISSORY NOTE

\$4,700,000.00

Dated as of \_\_\_\_\_

VALLEY ENERGY, INC., a Pennsylvania corporation ("Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of C&T ENTERPRISES, INC. (the "Payee"), at its office in Lewisburg, Pennsylvania or such other location as the Payee may designate to Borrower, in lawful money of the United States, the maximum principal sum of FOUR MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$4,700,000.00) or such lesser amount as may be advanced to or for the benefit of the Borrower pursuant to that certain Loan Agreement between Borrower and the Payee, dated as of even date herewith as it may be amended from time to time (the "Loan Agreement") and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable at the times provided in the Loan Agreement together with any other amount payable under the Loan Agreement, except that if not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable thirty-three (33) years from the date of the Loan Agreement (such date herein called the "Maturity Date"), provided, however, that if such a date is not a Payment Date (as defined in the Loan Agreement), then the Maturity Date shall be the Payment Date immediately preceding such date.

This Note is the Note referred to in, and has been executed and delivered pursuant to, the Loan Agreement. The principal hereof and accrued interest thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Loan Agreement.

Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest and notice of non-payment of this Note and waives the defense of usury.

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

(SEAL)

VALLEY ENERGY, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Attest: \_\_\_\_\_

Title: \_\_\_\_\_

# **Valley Energy, Inc.**

## **Independent Auditor's Report, Financial Statements and Supplementary Information**

December 31, 2025 and 2024

**Valley Energy, Inc.**  
**Contents**  
**December 31, 2025 and 2024**

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<b>Independent Auditor's Report</b> .....	1
<b>Financial Statements</b>	
Balance Sheets .....	3
Statements of Income .....	5
Statements of Stockholder's Equity.....	6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8
<b>Supplementary Information</b>	
Prepaid Taxes, Net.....	20
Operating Revenues and Taxes, Other Than Income .....	21
Distribution, Operation; Distribution, Maintenance; Customer Accounts and General and Administrative Expenses .....	22
Balance Sheet, by Division – 2025 .....	23
Schedule of Income, by Division – 2025 .....	25
Utility Plant and Accumulated Depreciation – Pennsylvania – 2025 .....	26
Utility Plant and Accumulated Depreciation – New York – 2025 .....	27
Prepaid Taxes, Net, by Division – 2025 .....	28
Operating Revenues and Taxes, Other Than Income, by Division – 2025.....	29
Distribution, Operation; Distribution, Maintenance; Customer Accounts and General and Administrative Expenses, by Division - 2025 .....	30

## Independent Auditor's Report

Board of Directors  
Valley Energy, Inc.  
Sayre, Pennsylvania

### ***Opinion***

We have audited the financial statements of Valley Energy, Inc. (Company), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Company's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Forris Mazars, LLP**

St. Louis, Missouri  
March 12, 2026

**Valley Energy, Inc.**  
**Balance Sheets**  
**December 31, 2025 and 2024**

	2025	2024
<b>ASSETS</b>		
<b>Utility Plant, at Cost</b>		
Gas plant in service	\$ 58,773,818	\$ 56,695,793
Accumulated depreciation	(30,710,754)	(29,002,827)
	28,063,064	27,692,966
Construction work in progress	359,252	277,959
	28,422,316	27,970,925
Regulatory asset	196,661	80,613
<b>Current Assets</b>		
Cash and cash equivalents	2,193,136	802,679
Accounts receivable		
Customers, net of allowance;		
2025 - \$191,501, 2024 - \$121,040	1,081,346	936,044
Unbilled revenues	540,208	530,469
Other	665,866	289,273
Advances, affiliates	99,680	99,680
Inventories		
Natural gas	780,449	722,281
Materials and supplies	218,832	244,244
Prepaid taxes, net	122,576	315,247
Prepaid expenses and other	158,982	143,613
	5,861,075	4,083,530
<b>Total Current Assets</b>	<b>5,861,075</b>	<b>4,083,530</b>
<b>Total Assets</b>	<b>\$ 34,480,052</b>	<b>\$ 32,135,068</b>

Valley Energy, Inc.  
Balance Sheets  
December 31, 2025 and 2024

(Continued)

	<u>2025</u>	<u>2024</u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Stockholder's Equity</b>		
Common stock, no par or stated value, 1,000 shares authorized, issued and outstanding	\$ 3,000,000	\$ 3,000,000
Paid-in capital	94,885	94,885
Retained earnings	15,213,652	13,388,090
<b>Total Stockholder's Equity</b>	<u>18,308,537</u>	<u>16,482,975</u>
<b>Long-Term Debt</b>	<u>6,100,261</u>	<u>5,736,464</u>
<b>Finance Lease Liabilities</b>	<u>125,698</u>	<u>101,926</u>
<b>Current Liabilities</b>		
Line of credit	2,650,000	2,650,000
Current maturities of long-term debt	636,203	596,923
Current maturities of finance lease liabilities	50,827	40,425
Accounts payable	471,596	597,486
Due for purchased gas	765,611	495,267
Accrued expenses	305,325	326,713
Customer deposits	413,524	543,376
Over collected gas costs	115,639	676,841
<b>Total Current Liabilities</b>	<u>5,408,725</u>	<u>5,927,031</u>
<b>Deferred Charges and Other Liabilities</b>		
Deferred income taxes	3,149,877	2,694,069
Deferred charges - CIAC in excess of costs	189,447	-
Accrued postretirement cost	780,265	816,705
Regulatory liability	417,242	375,898
	<u>4,536,831</u>	<u>3,886,672</u>
<b>Total Liabilities and Stockholder's Equity</b>	<u>\$ 34,480,052</u>	<u>\$ 32,135,068</u>

**Valley Energy, Inc.**  
**Statements of Income**  
**Years Ended December 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Operating Revenues</b>	\$ 13,165,224	\$ 12,080,198
<b>Operating Expenses</b>		
Gas	4,631,140	3,814,843
Distribution expenses		
Operation	1,988,064	1,933,271
Maintenance	448,950	611,071
Customer accounts	882,408	802,221
General and administrative	1,419,136	1,363,272
Depreciation	1,659,967	1,788,143
Taxes, other than income	201,020	194,168
	11,230,685	10,506,989
<b>Operating Income Before Interest and Other Expenses</b>	1,934,539	1,573,209
<b>Other Income (Expenses)</b>		
Interest expense	(474,379)	(428,818)
Other income	67,209	62,917
Other income - excess CIAC	1,008,070	-
Other expense	-	(19,063)
	600,900	(384,964)
<b>Income Before Income Taxes</b>	2,535,439	1,188,245
<b>Provision for Income Taxes</b>	611,878	276,668
<b>Net Income</b>	\$ 1,923,561	\$ 911,577

**Valley Energy, Inc.**  
**Statements of Stockholder's Equity**  
**Years Ended December 31, 2025 and 2024**

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>January 1, 2024</b>	\$ 3,000,000	\$ 94,885	\$ 12,560,514	\$ 15,655,399
Dividends	-	-	(84,001)	(84,001)
Net income	-	-	911,577	911,577
<b>December 31, 2024</b>	<u>\$ 3,000,000</u>	<u>\$ 94,885</u>	<u>\$ 13,388,090</u>	<u>\$ 16,482,975</u>
Dividends	-	-	(97,999)	(97,999)
Net income	-	-	1,923,561	1,923,561
<b>December 31, 2025</b>	<u><u>\$ 3,000,000</u></u>	<u><u>\$ 94,885</u></u>	<u><u>\$ 15,213,652</u></u>	<u><u>\$ 18,308,537</u></u>

**Valley Energy, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Operating Activities</b>		
Net income	\$ 1,923,561	\$ 911,577
Items not requiring (providing) cash		
Depreciation and amortization	1,727,663	1,855,838
Deferred income taxes	455,808	(269,931)
Provision for credit losses on accounts receivable	(44,291)	(23,749)
Changes in		
Accounts receivable	(487,343)	532,843
Inventories	(32,756)	751,345
Prepaid expenses and other	(15,369)	(21,627)
Prepaid taxes, net	192,671	(164,596)
Regulatory assets/liabilities	(142,400)	(31,017)
Over/under recovered gas costs	(561,202)	(658,751)
Accounts payable and accrued expenses	(142,139)	74,195
Due for purchased gas	270,344	(457,573)
Customer deposits	(129,852)	(20,735)
Advances to affiliates	-	637
Accrued postretirement costs	(41,579)	56,943
<b>Net Cash Provided by Operating Activities</b>	<u>2,973,116</u>	<u>2,535,399</u>
<b>Investing Activities</b>		
Additions to utility plant, net	(2,034,775)	(3,751,019)
Deferred charges - CIAC in excess of costs	189,447	-
<b>Net Cash Used in Investing Activities</b>	<u>(1,845,328)</u>	<u>(3,751,019)</u>
<b>Financing Activities</b>		
Principal payments on finance lease liabilities	(42,409)	(60,220)
Borrowings under line of credit agreement	2,650,000	1,500,000
Repayments under line of credit agreement	(2,650,000)	(1,000,000)
Proceeds from issuance of long-term debt	1,000,000	1,500,000
Principal payments on long-term debt	(596,923)	(770,685)
Dividends paid	(97,999)	(84,001)
<b>Net Cash Provided by Financing Activities</b>	<u>262,669</u>	<u>1,085,094</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>1,390,457</u>	<u>(130,526)</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>802,679</u>	<u>933,205</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,193,136</u>	<u>\$ 802,679</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid	<u>\$ 474,379</u>	<u>\$ 428,818</u>
Income taxes paid	<u>\$ 71,865</u>	<u>\$ 702,607</u>
Income taxes refunded	<u>\$ 70,000</u>	<u>\$ -</u>
Right-of-use assets obtained in exchange for new finance lease liabilities	<u>\$ 76,583</u>	<u>\$ 97,790</u>

**Valley Energy, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

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## **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

### ***Nature of Operations***

Valley Energy, Inc. (“Company”), a wholly-owned subsidiary of C & T Enterprises, Inc. (“C&T”), is a regulated public utility distributing natural gas to customers in the Sayre, Pennsylvania area, including Athens, Towanda, Wysox, and Waverly, New York. The Company’s operations in Pennsylvania are regulated by the Pennsylvania Public Utility Commission (“PUC”) and its operations in New York are regulated by the State of New York Public Service Commission (“NYPSC”). The Company extends unsecured credit to its customers.

### ***Basis of Accounting***

The Company maintains its accounting records in accordance with the Federal Energy Regulatory Commission’s (“FERC”) uniform system of accounts for public utilities as modified and adopted by the PUC and NYPSC. The accompanying financial statements and the related notes have been prepared on the basis of U.S. generally accepted accounting principles (“GAAP”).

In accordance with FERC guidelines, the Company also maintains its accounts in accordance with Codification Topic 980, *Regulated Operations*. On a regular basis, the Company reevaluates its application of accounting for regulated operations. The Company has determined that regulatory assets and liabilities should continue to be accounted for under provisions of Codification Topic 980 because it is reasonable to assume that the Company will continue to be able to charge and collect its cost of service-based rates.

### ***Purchased Gas***

The Company obtains all of its natural gas from an agreement with an energy broker that expires in March 2027. Gas costs can be different than what is recovered in base charges, resulting in over or under collected gas costs.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include unbilled revenues, depreciation and postretirement benefits.

### ***Cash and Cash Equivalents***

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2025 and 2024, cash equivalents consisted of a daily investment fund account.

At December 31, 2025, the Company’s cash accounts exceeded federally insured limits by approximately \$250,000.

### ***Accounts Receivable***

Accounts receivable include billed and unbilled amounts for services provided to customers for which the Company has an unconditional right to payment. The Company provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable factors.

Accounts receivable are ordinarily due 21 days after the issuance of the invoice. Accounts that are unpaid after the due date bear interest at 1.25% per month. Accounts past due more than 30 days are considered delinquent. Interest continues to accrue on delinquent accounts until the account is no longer classified as delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

**Valley Energy, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

During the years ended December 31, 2025 and 2024, credit loss expense (recoveries) related to doubtful accounts receivable, where collectability is not reasonably assured, was approximately \$44,000 and \$(12,000), respectively.

***Inventories***

Inventories consist of natural gas and materials and supplies and are stated at the lower of cost or net realizable value. Cost is determined based on average cost.

***Utility Plant***

Utility plant is carried at cost. Additions to utility plant and replacements of property are capitalized at cost. Retirements of utility plant or replacements are removed from utility plant accounts at cost and these costs plus cost of removal less salvage are charged to accumulated depreciation. Assets under finance lease obligations are amortized over the shorter of the lease term or respective estimated useful lives. Depreciation of utility plant is provided over the estimated useful life of the respective assets on a straight line basis, as follows:

<u>Utility Plant</u>	<u>Years</u>
Gas plant acquisition	8 - 41
Transmission plant	25 - 50
Distribution plant	33 - 50
General plant	10 - 15
Vehicles	5

Maintenance and repairs of property and replacements are charged to expense.

***Impairment of Long-Lived Assets***

The Company reviews the carrying amount of an asset for possible impairment whenever events or changes in circumstances indicate that such amounts may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2025 and 2024.

***Contributions in Aid of Construction***

Contributions in aid of construction (CIAC) are credited to the associated cost of the utility plant constructed.

***Income Taxes***

The Company is included in the consolidated federal and State of New York income tax returns filed by C&T. The Company files its own tax return in Pennsylvania. The Company's federal income tax expense is computed using the separate return method for intercorporate tax allocation.

The Company accounts for income taxes in accordance with income tax accounting guidance (Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax

**Valley Energy, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

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expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to the management's judgment.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

***Regulatory Matters***

The Company is subject to the authoritative accounting guidance applicable to rate-regulated organizations. The Pennsylvania PUC and NYPSC approve natural gas rates for each state respectively. Certain items collected in rates have been recorded as regulatory liabilities. These amounts will be recognized as revenue in future periods as costs for which the amounts have been collected are incurred, or when authorized by the Pennsylvania PUC and NYPSC. Certain expenses have been recorded as regulatory assets, and management believes these amounts are probable of future rate recovery.

***Revenue Recognition***

Revenue from the sale of natural gas is recognized as gas is delivered to customers. Revenues also include amounts receivable from or payable to customers through gas recovery clauses, which are adjusted annually.

Costs that are recoverable or refundable in future periods through the gas recovery clauses are deferred. Costs that are refundable or recoverable in future periods through gas cost recovery rates are subject to audit and approval by the appropriate regulatory body. Changes to the related asset or liability amounts that result from these audits are recorded as a charge to current operations.

The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. Unbilled revenues of \$540,208 and \$530,469 at December 31, 2025 and 2024, respectively, represent amounts delivered through December 31 and not billed to the customers until the following month. Customer deposits of \$413,524 and \$543,376 at December 31, 2025 and 2024, respectively, represent amounts received in advance of services provided. See Note 12 for additional information about the Company's revenue.

For significant financing components, the Company elected a practical expedient, which allows an entity to recognize the promised amount of consideration without adjusting for the time value of money if the contract has a duration of one year or less, or if the reason the contract extended beyond one year is because the timing of delivery of the product is at the customer's discretion. As the Company's contracts are typically less than one year in length and do not have significant financing components, the Company does not present revenue on a present value basis.

***Leases***

The Company determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Company determines lease classification as operating or finance at the lease commencement date. The ROU asset for finance leases are included in utility plant in our balance sheets.

**Valley Energy, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Company has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Company is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Company has elected not to record leases with an initial term of 12 months or less on the balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

***Taxes Collected from Customers and Remitted to Governmental Authorities***

Sales and gross receipts taxes collected from customers and remitted to governmental authorities are presented in the accompanying statements of income on a net basis.

**Note 2. Leases**

***Nature of Leases***

The Company has the following lease arrangements:

***Finance Leases***

These leases mainly consist of vehicles for the use of the Company. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

***All Leases***

The Company has no material related party leases. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

***Quantitative Disclosures***

The lease cost and other required information for the years ended December 31, 2025 and 2024 are:

	<u>2025</u>	<u>2024</u>
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	\$ 43,839	\$ 56,627
Interest on lease liabilities	9,847	7,767
Total lease cost	<u>\$ 53,686</u>	<u>\$ 64,394</u>

**Valley Energy, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Financing cash flows from finance leases	\$ 42,409	\$ 60,220
Weighted-average remaining lease term		
Finance leases	3.2 years	3.5 years
Weighted-average discount rate		
Finance leases	3.01%	1.65%

See Note 6 for future minimum lease payments and reconciliation to the balance sheet at December 31, 2025.

**Note 3. Utility Plant**

Utility plant consists of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Gas plant in service		
Gas plant acquisition	\$ 4,621,318	\$ 4,621,318
Distribution plant	39,693,910	38,070,873
General plant	9,208,245	8,758,243
Transmission plant	5,250,345	5,245,359
	<u>58,773,818</u>	<u>56,695,793</u>
Construction work-in-progress	359,252	277,959
	<u>59,133,070</u>	<u>56,973,752</u>
Accumulated depreciation	<u>(30,710,754)</u>	<u>(29,002,827)</u>
	<u>\$ 28,422,316</u>	<u>\$ 27,970,925</u>

**Note 4. Regulatory Assets and Liability**

**Regulatory Asset**

Regulatory assets consist of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>	<u>Amortization Period</u>
Rate case - 2022	\$ -	\$ 52,196	3 years
Rate case - 2023	12,917	28,417	3 years
Rate case - 2025	183,744	-	* 3 years
	<u>\$ 196,661</u>	<u>\$ 80,613</u>	

\* Amortization period has not yet begun

**Valley Energy, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

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Amortization expense was \$67,696 and \$67,695 for the years ended December 31, 2025 and 2024, respectively.

***Regulatory Liability***

Regulatory liability of \$417,242 and \$375,898 at December 31, 2025 and 2024, respectively, consists of other postretirement benefits that resulted from unrecognized gains. The Company expects to recover the deferred other postretirement benefits consistent with the anticipated income recognition of other postretirement income.

The Company receives CIAC related to the buildout of utility plant. CIAC represents customer, developer or grant contributions toward the construction of utility plant. CIAC in excess of costs incurred is recorded as a deferred charge and represents amounts received for projects for which construction has not yet commenced, or for which incurred costs are less than CIAC received. These amounts will be recognized as CIAC and applied against the cost of utility plant as the construction progresses and the underlying assets are completed and placed into service. The Company expects these amounts to be fully offset by future construction activity within 12 months. As of December 31, 2025, the Company has \$189,447 of CIAC in excess of costs incurred. There was no CIAC in excess of costs incurred for the year ended December 31, 2024.

**Note 5. Line of Credit**

The Company has a \$7,000,000 revolving line of credit with C&T payable on demand. At December 31, 2025 and 2024, there was \$2,650,000 borrowed against this line. Interest varies based on the CoBank quoted variable rate. The rate was 5.77% and 6.39% on December 31, 2025 and 2024, respectively, and is payable monthly.

While the line of credit described above is due on demand, the Company has utilized the financing for long-term operating purposes and does not have sufficient liquid funds available to repay the outstanding balance on demand. The borrowings are available pursuant to a line of credit agreement that C&T maintains with a third party lender, which matures in July 2026. C&T has no intentions of demanding repayment prior to the stated maturity date and intends to renew or replace the line of credit upon maturity at terms similar to those currently in place with the third party lender.

Valley Energy, Inc.  
Notes to Financial Statements  
December 31, 2025 and 2024

**Note 6. Long-Term Debt and Finance Lease Liabilities**

	<u>2025</u>	<u>2024</u>
Notes payable, C&T, quarterly principal and interest payments ranging from \$12,530 to \$50,284, interest ranging from 2.635% to 4.800%; collateralized by substantially all Company assets; due March 2032	\$ 4,254,410	\$ 4,833,387
Note payable, C&T, quarterly principal and interest payments of approximately \$27,895, interest at 6.27%; collateralized by substantially all Company assets; due December 2054	1,482,054	1,500,000
Note payable, C&T, quarterly principal and interest payments of approximately \$18,363, interest at 6.15%; collateralized by substantially all Company assets; due December 2055	1,000,000	-
Finance lease liability for transportation equipment, requiring monthly principal and interest payments ranging from \$406 to \$1,066; collateralized by leased equipment; payments due in varying amounts through November 2030	176,525	142,351
	6,912,989	6,333,387
Less current maturities	687,030	637,348
	<u>\$ 6,225,959</u>	<u>\$ 5,696,039</u>

Aggregate annual maturities of long-term debt and payments on finance lease liabilities at December 31, 2025, are:

	<u>Long-Term Debt</u>	<u>Finance Lease Liabilities</u>
2026	\$ 636,203	\$ 63,311
2027	665,275	55,287
2028	695,706	40,312
2029	727,563	34,026
2030	760,912	16,427
Thereafter	3,250,805	-
	<u>\$ 6,736,464</u>	209,363
Less amount representing interest		32,838
Present value of future minimum lease payments		<u>\$ 176,525</u>

Transportation equipment under finance lease liabilities is as follows:

	<u>2025</u>	<u>2024</u>
Transportation equipment	\$ 384,203	\$ 376,912
Accumulated depreciation	(212,166)	(282,668)
	<u>\$ 172,037</u>	<u>\$ 94,244</u>

**Valley Energy, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

C&T has a Master Letter of Credit agreement with National Cooperative Services Corporation. This Letter of Credit is for \$7,000,000 and expires October 2029. The Company has the ability to post letters of credit with wholesale gas suppliers under the terms of this agreement. As of December 31, 2025 and 2024, the Company had \$500,000 in outstanding letters of credit.

C&T holds a first lien secured interest in the assets of the Company that are located in Pennsylvania. C&T has pledged substantially all of the Company's assets as collateral for its borrowing arrangements.

**Note 7. Income Taxes**

The provision for income taxes includes these components:

	<u>2025</u>	<u>2024</u>
Taxes currently payable	\$ 156,070	\$ 546,599
Deferred income taxes	455,808	(269,931)
Income tax expense	<u>\$ 611,878</u>	<u>\$ 276,668</u>

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	<u>2025</u>	<u>2024</u>
Computed at the statutory rate (21%)	\$ 532,400	\$ 249,500
Increase (decrease) resulting from		
State income taxes	169,575	58,058
Other	(90,097)	(30,890)
Actual tax expense	<u>\$ 611,878</u>	<u>\$ 276,668</u>

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	<u>2025</u>	<u>2024</u>
Deferred tax assets		
Allowance for credit losses	\$ 32,100	\$ 32,900
Postretirement benefits	343,900	349,000
Other	202,600	204,700
	<u>578,600</u>	<u>586,600</u>
Deferred tax liabilities		
Depreciation	(3,706,500)	(3,236,500)
Other	(21,977)	(44,169)
	<u>(3,728,477)</u>	<u>(3,280,669)</u>
Net deferred tax liability	<u>\$ (3,149,877)</u>	<u>\$ (2,694,069)</u>

At December 31, 2025 and 2024, the Company had no allocation of C&T consolidated unused federal operating loss carryforwards.

Valley Energy, Inc.  
Notes to Financial Statements  
December 31, 2025 and 2024

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## Note 8. Pension and Postretirement Plans

### ***Multiemployer Pension Plans***

C&T is a member of the National Rural Electric Cooperative Association (“NRECA”) Retirement Security Plan (“RS Plan”), a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor’s Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

C&T contributions to the RS Plan in 2025 and 2024 represented less than 5% of the total contributions made to the plan by all participating employers. C&T made contributions to the plan of \$3,645,112 and \$3,497,266 for the years ended December 31, 2025 and 2024, respectively. The Company reimbursed C&T \$611,782 and \$613,429 for its share of the contributions for the years ended December 31, 2025 and 2024, respectively. There have been no significant changes affecting the comparability of the 2025 and 2024 contributions.

In the RS Plan, a “zone status” determination is not required, and therefore not determined, under the *Pension Protection Act* (“PPA”) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2025 and 2024, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as a part of the actuarial valuation of the plan and may change as a result of plan experience.

C&T is also a member of the NRECA SelectRE Pension Plan. C&T makes a matching contribution of 200% of the employees’ contributions up to 2.5% of compensation. The Company reimbursed C&T \$118,080 and \$113,043 for its share of contributions for the years ended December 31, 2025 and 2024, respectively.

### ***Other Postretirement Benefit Plan***

C&T has a postretirement health care plan covering substantially all employees. The plan is unfunded. The estimated costs that will be paid after retirement are generally being accrued over the employees’ active service periods to the dates they are fully eligible for benefits. The Company expects to contribute \$78,000 to the plan in 2026. The following table sets forth the plan’s funded status and the amounts of accrued benefit cost of the C&T plan and the Company’s allocation based on an actuarial valuation as of December 31, 2025 and 2024.

**Valley Energy, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
C&T's benefit obligation	\$ 4,972,372	\$ 5,587,931
Company's allocation of benefit obligation	\$ 860,361	\$ 901,940
C&T's accrued benefit cost	\$ 4,972,372	\$ 5,587,931
Company's allocation of accrued benefit cost	\$ 860,361	\$ 901,940
Amounts recognized in the Company's balance sheets:		
Current liability, included in accrued expenses	\$ 80,096	\$ 85,235
Non-current liability	780,265	816,705
	\$ 860,361	\$ 901,940
C&T's benefit expense	\$ 449,265	\$ 472,065
Company's allocation of benefit expense	\$ 84,588	\$ 83,317

The Company uses a December 31 measurement date for the plans. For measurement purposes, a 6.25% annual rate of increase in the per capita cost of covered health care benefits was assumed in 2025. The rate was assumed to decrease gradually to 4.75% in 2031 and remain at that level thereafter.

The benefit obligation was calculated assuming a weighted average discount rate of 5.45% and 5.15% in 2025 and 2024, respectively.

The amount of net gain and net prior service cost expected to be recognized by the Company during 2026 is \$29,303 and \$0, respectively.

Benefits expected to be paid by the Company in each of the next five years and in the aggregate for the five years thereafter are as follows:

2026	\$ 80,096
2027	\$ 89,578
2028	\$ 46,864
2029	\$ 40,668
2030	\$ 24,587
2031-2034	\$ 600,882

Because the Company is subject to regulation in the states in which it operates, it is required to maintain its accounts in accordance with the regulatory authority's rules and regulations, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance of accounting for regulated operations. Based on prior regulatory practice, and in accordance with the related guidance, the Company recorded an unfunded postretirement obligation, which otherwise would be recognized as other comprehensive income, as a regulatory asset, and expects to recover those costs in rates charged to customers.

**Valley Energy, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Note 9. Related Party Transactions**

The Company has a contract for service with C&T to purchase all employee services. The contract automatically renews annually unless terminated by either party.

In the ordinary course of business, the Company's activities involve significant transactions with C&T. The activity between the Company and C&T for the years ended December 31, 2025 and 2024 and the effected account balances at December 31, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Allocation of overhead recorded as operating expense	\$ 478,816	\$ 151,581
Other costs included in accounts receivable - other	\$ 337,728	\$ 287,548
Payroll related costs included in accrued expenses	\$ 58,140	\$ 276,700
Accrued vacation liability included in accrued expenses	\$ 206,319	\$ 203,127
Payroll costs paid in advance and included in advances, affiliates	\$ 100,398	\$ 100,398
Interest expense	\$ 464,511	\$ 421,052

The Company paid C&T \$2,853,442 and \$2,690,807 for payroll and \$1,231,058 and \$1,222,197 for benefits in 2025 and 2024, respectively.

**Note 10. Significant Concentration**

Accounting principles generally accepted in the United States of America require disclosure of certain vulnerabilities due to certain concentrations.

***Major Suppliers***

The Company obtains all of its natural gas from an agreement with an energy broker that expires on March 31, 2027. The Company obtained approximately 98% and 95% of its natural gas and distribution from three suppliers during 2025 and 2024.

**Note 11. Commitments and Contingencies**

The Company has guaranteed payments on note payables that are the obligation of C&T. At December 31, 2025, the amounts outstanding on these obligations are \$6,736,464, which is fully recorded by the Company, see Note 6. This obligation is being repaid in quarterly payments of principal and interest through 2055. The Company would be required to perform under this guarantee if C&T were to default under the note payable and the bank were to demand the Company's performance.

**Valley Energy, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Note 12. Revenue from Contracts with Customers**

***Performance Obligations***

The Company's revenues are derived primarily from the sale of natural gas to customers. Customers consist of commercial, industrial and residential accounts within dedicated territories in the Sayre, Pennsylvania and Waverly, New York areas.

Rates charged for natural gas sales to customers are established by the Pennsylvania PUC and NYPSC for each state, respectively. The Company provides gas to customers as one stand-ready performance obligation. Sale of natural gas is recognized by the Company upon transfer of control of promised services to customers in an amount that reflects the consideration expected to be received in exchange for those services.

The Company transfers control of the natural gas to customers at each customer's meter point and the customers simultaneously receive and consume the benefits of the natural gas provided. Natural gas provided to customers is accounted for as a series of performance obligations. Progress towards completion is measured using the output method [hundreds of cubic feet (CCF) received by the customer], meter readings are taken at the end of each month for billing purposes, the quantity of energy transferred is determined after the meter readings. Payments from customers are received in accordance with each member's contract, which is ordinarily 21 days from the invoice date.

Revenue associated with the natural gas performance obligation to customers are recorded as sales of natural gas and capacity to customers in our accompanying statements of income.

The Company has determined that the nature, amount, timing and uncertainty of revenue and cash flows are primarily affected by factors that impact demand.

***Contract Balances***

The following table provides information about the Company's accounts receivable and customer deposits from contracts with customers:

	<u>2025</u>	<u>2024</u>
Accounts receivable - customers, beginning of year	\$ 936,044	\$ 935,592
Accounts receivable - customers, end of year	\$ 1,081,346	\$ 936,044
Unbilled revenues, beginning of year	\$ 530,469	\$ 360,508
Unbilled revenues, end of year	\$ 540,208	\$ 530,469
Customer deposits, beginning of year	\$ 543,376	\$ 564,111
Customer deposits, end of year	\$ 413,524	\$ 543,376

**Note 13. Subsequent Events**

Subsequent events have been evaluated through March 12, 2026, which is the date the financial statements were available to be issued.

***Supplementary Information***

**Valley Energy, Inc.  
Prepaid Taxes, Net  
December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
State gross receipts tax	\$ (52,267)	\$ (47,166)
State sales tax	(35,857)	(24,982)
State capital tax	14,074	14,074
Federal income tax	43,680	220,236
State income tax	18,428	(3,923)
PUC assessment	30,507	31,545
Local and county taxes	1,418	19,090
PURTA	69,755	71,757
State assessment surcharges	30,993	30,993
State use tax	1,845	3,623
	<u>\$ 122,576</u>	<u>\$ 315,247</u>

**Valley Energy, Inc.**  
**Operating Revenues and Taxes, Other Than Income**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Operating Revenues</b>		
Residential sales	\$ 7,255,432	\$ 6,664,399
Commercial and industrial sales	3,128,212	2,710,690
Interruptible sales	146,530	140,340
Customers' forfeited discounts	24,271	21,703
Transportation sales	2,969,706	2,967,349
Over collected gas costs	(367,250)	(429,917)
Miscellaneous	8,323	5,634
	<u>\$ 13,165,224</u>	<u>\$ 12,080,198</u>
<b>Taxes, Other Than Income</b>		
Local and county taxes	\$ 167,623	\$ 164,814
PURTA	32,002	28,876
State use tax	1,395	478
	<u>\$ 201,020</u>	<u>\$ 194,168</u>

**Valley Energy, Inc.**  
**Distribution, Operation; Distribution, Maintenance;**  
**Customer Accounts and General and Administrative Expenses**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Distribution, Operation Expenses</b>		
Mains and services	\$ 726,136	\$ 617,994
Measuring and regulating station - general	122,345	131,889
Measuring and regulating station - city gate	50,638	58,400
Industrial/commercial meters and regulators	108,302	120,832
Meters and house regulators	203,403	201,104
Customer installations	211,898	217,960
Distribution load dispatching	402,317	371,874
Other operating expense	163,025	213,218
	<u>\$ 1,988,064</u>	<u>\$ 1,933,271</u>
<b>Distribution, Maintenance Expenses</b>		
Structures and improvements	\$ 23,853	\$ 46,983
Mains	124,681	165,561
Measuring and regulating station - general	92,437	118,236
Measuring and regulating station - industrial	1,908	4,473
Measuring and regulating station - city gate	4,315	6,926
Services	46,192	62,285
Meters and house regulators	116,829	163,705
Supervision and engineering	38,735	42,902
	<u>\$ 448,950</u>	<u>\$ 611,071</u>
<b>Customer Accounts Expenses</b>		
Meter reading	\$ 34,027	\$ 32,540
Customer records and collections	773,118	758,359
Uncollectible accounts (recoveries), net	44,291	(12,127)
Miscellaneous customer	30,972	23,449
	<u>\$ 882,408</u>	<u>\$ 802,221</u>
<b>General and Administrative Expenses</b>		
Salaries and benefits	\$ 780,246	\$ 778,139
Pensions and benefits	3,920	7,934
Office supplies and expense	36,645	38,485
Outside services	106,537	100,986
Property insurance	36,537	28,235
Injuries and damage	100,569	114,441
General advertising	18,238	17,140
Miscellaneous general	50,002	22,865
Directors' committee	70,169	63,995
Travel and training	69,053	30,316
Regulatory commission, net	120,799	113,345
Maintenance, general plant	26,421	47,391
	<u>\$ 1,419,136</u>	<u>\$ 1,363,272</u>

**Valley Energy, Inc.**  
**Balance Sheet, by Division**  
**December 31, 2025**

	<u>Valley Energy of PA</u>	<u>Valley Energy of NY</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
<b>Utility Plant, at Cost</b>				
Gas plant in service	\$ 51,450,398	\$ 7,323,420	\$ -	\$ 58,773,818
Accumulated depreciation	(26,319,391)	(4,391,363)	-	(30,710,754)
	25,131,007	2,932,057	-	28,063,064
Construction work in progress	357,142	2,110	-	359,252
Net utility plant	25,488,149	2,934,167	-	28,422,316
Regulatory Asset	183,744	12,917	-	196,661
<b>Current Assets</b>				
Cash and cash equivalents	2,193,136	-	-	2,193,136
Accounts receivable				
Customers, net	724,189	357,157	-	1,081,346
Unbilled revenues	471,240	68,968	-	540,208
Other	631,885	33,981	-	665,866
Advances, affiliates	308,166	-	(208,486)	99,680
Inventories				
Natural gas	780,449	-	-	780,449
Materials and supplies	218,832	-	-	218,832
Prepaid taxes, net	221,906	-	(99,330)	122,576
Prepaid expenses and other	157,266	1,716	-	158,982
Under recovered gas costs	262,335	-	(262,335)	-
<b>Total Current Assets</b>	<u>5,969,404</u>	<u>461,822</u>	<u>(570,151)</u>	<u>5,861,075</u>
<b>Other Assets</b>				
<b>Total Assets</b>	<u>\$ 31,641,297</u>	<u>\$ 3,408,906</u>	<u>\$ (570,151)</u>	<u>\$ 34,480,052</u>

Valley Energy, Inc.  
Balance Sheet, by Division  
December 31, 2025

(Continued)

	Valley Energy of PA	Valley Energy of NY	Eliminations	Total
<b>Liabilities and Stockholder's Equity</b>				
<b>Stockholder's Equity</b>				
Common stock, no par or stated value, 1,000 shares authorized, issued and outstanding	\$ 673,408	\$ 2,326,592	\$ -	\$ 3,000,000
Paid-in capital	94,885	-	-	94,885
Retained earnings (deficit)	15,509,381	(295,729)	-	15,213,652
<b>Total Stockholder's Equity</b>	<u>16,277,674</u>	<u>2,030,863</u>	<u>-</u>	<u>18,308,537</u>
<b>Long-Term Debt</b>	<u>6,100,261</u>	<u>-</u>	<u>-</u>	<u>6,100,261</u>
<b>Finance Lease Liabilities</b>	<u>125,698</u>	<u>-</u>	<u>-</u>	<u>125,698</u>
<b>Current Liabilities</b>				
Line of credit	2,650,000	-	-	2,650,000
Current maturities of long-term debt	636,203	-	-	636,203
Current maturities of finance lease liabilities	50,827	-	-	50,827
Advances, due to affiliates	-	208,486	(208,486)	-
Accounts payable	471,596	-	-	471,596
Accrued taxes, net	-	99,330	(99,330)	-
Due for purchased gas	765,611	-	-	765,611
Accrued expenses	305,325	-	-	305,325
Customer deposits	333,395	80,129	-	413,524
Over collected gas costs	-	377,974	(262,335)	115,639
<b>Total Current Liabilities</b>	<u>5,212,957</u>	<u>765,919</u>	<u>(570,151)</u>	<u>5,408,725</u>
<b>Deferred Charges and Other Liabilities</b>				
Deferred income taxes	2,727,200	422,677	-	3,149,877
Deferred charges - CIAC in excess of costs	-	189,447	-	189,447
Accrued postretirement cost	780,265	-	-	780,265
Regulatory liability	417,242	-	-	417,242
<b>Total Deferred Charges and Other Liabilities</b>	<u>3,924,707</u>	<u>612,124</u>	<u>-</u>	<u>4,536,831</u>
<b>Total Liabilities and Stockholder's Equity</b>	<u>\$ 31,641,297</u>	<u>\$ 3,408,906</u>	<u>\$ (570,151)</u>	<u>\$ 34,480,052</u>

Valley Energy, Inc.  
Schedule of Income, by Division  
Year Ended December 31, 2025

	<u>Valley Energy of PA</u>	<u>Valley Energy of NY</u>	<u>Eliminations</u>	<u>Total</u>
<b>Operating Revenues</b>	\$ 10,729,918	\$ 2,435,306	\$ -	\$ 13,165,224
<b>Operating Expenses</b>				
Gas	3,663,049	968,091	-	4,631,140
Distribution expenses:				
Operation	1,515,282	472,782	-	1,988,064
Maintenance	373,279	75,671	-	448,950
Customer accounts	690,986	191,422	-	882,408
General and administrative	1,161,507	257,629	-	1,419,136
Depreciation	1,424,160	235,807	-	1,659,967
Taxes, other than income	33,397	167,623	-	201,020
	<u>8,861,660</u>	<u>2,369,025</u>	<u>-</u>	<u>11,230,685</u>
<b>Operating Income Before Interest and Other Expenses</b>	<u>1,868,258</u>	<u>66,281</u>	<u>-</u>	<u>1,934,539</u>
<b>Other Income (Expenses)</b>				
Interest expense	(388,698)	(85,681)	-	(474,379)
Other income	59,455	7,754	-	67,209
Other income - excess CIAC	-	1,008,070	-	1,008,070
	<u>(329,243)</u>	<u>930,143</u>	<u>-</u>	<u>600,900</u>
<b>Income Before Income Taxes</b>	1,539,015	996,424	-	2,535,439
<b>Provision for Income Taxes</b>	<u>336,355</u>	<u>275,523</u>	<u>-</u>	<u>611,878</u>
<b>Net Income</b>	<u>\$ 1,202,660</u>	<u>\$ 720,901</u>	<u>\$ -</u>	<u>\$ 1,923,561</u>

Valley Energy, Inc.  
Utility Plant and Accumulated Depreciation - Pennsylvania  
Year Ended December 31, 2025

Acct. No.	Account	Utility Plant				Accumulated Depreciation						
		Cost		Cost		Balance		Cost of Removals	Salvage Received	Depreciation		Balance
		January 1, 2025	Additions	Retirements	December 31, 2025	January 1, 2025	Retirements			Rate	Amount	
114	Gas Plan Acquisition Account	\$ 3,361,289	\$ -	\$ -	\$ 3,361,289	\$ 2,847,221	\$ -	\$ -	\$ -	4.21 %	\$ 74,250	\$ 2,921,471
366	Structures & Improvements	135,700	5,946	-	141,646	8,045	-	-	-	0.62	851	8,896
367	Mains	1,939,359	-	961	1,938,398	1,228,796	961	155	-	1.79	34,676	1,262,356
369	Meas. & Reg. Station Equipment	3,128,134	-	-	3,128,134	1,475,401	-	-	-	4.4	137,763	1,613,164
375	Structures & Improvements	204,061	12,155	-	216,216	105,540	-	-	-	2.63	5,576	111,116
376	Mains	15,230,311	471,441	908	15,700,844	6,558,297	908	1,359	-	2.02-3.15	353,519	6,909,549
378	Meas. & Reg Station Equipment	1,590,564	123,885	4,416	1,710,033	1,221,786	4,416	968	-	6.72	107,220	1,323,622
380	Services	10,425,139	596,205	22,669	10,998,675	4,615,223	22,669	9,971	-	3.04 - 3.41	359,581	4,942,164
381	Meters & Meter Installations	3,299,311	46,185	-	3,345,496	1,457,674	-	-	-	2.74	91,310	1,548,984
383	House Reg & House Reg & Installations	335,586	1,911	-	337,497	260,865	-	-	-	3.22	10,833	271,698
385	Ind. Meas. & Reg. Station Equipment	1,260,536	69,113	-	1,329,649	856,997	-	-	-	4.11	53,524	910,521
387	Other Equipment	9,978	-	-	9,978	7,651	-	-	-	3.66	364	8,015
390	Structures & Improvements	4,055,042	119,903	-	4,174,945	870,710	-	-	-	2.43	105,080	975,790
391	Office Furniture & Equipment	1,377,407	143,019	992	1,519,434	1,125,192	992	-	-	8.00 - 20.00	90,431	1,214,631
392	Transportation Equipment	1,214,670	106,361	-	1,321,031	1,030,914	-	-	-	10.82 - 3.33	70,196	1,101,110
393	Stores Equipment	48,547	-	-	48,547	25,536	-	-	-	6.67	2,804	28,340
394	Tools, Shop & Garage Equipment	717,364	53,761	-	771,125	523,999	-	-	-	5.00	30,780	554,779
396	Power Operated Equipment	499,529	27,952	-	527,481	382,240	-	-	-	11.76	38,368	420,608
397	Communication Equipment	245,078	-	-	245,078	179,715	-	-	-	6.67	10,176	189,891
398	Miscellaneous Equipment	14,718	-	-	14,718	1,790	-	-	-	6.67	896	2,686
301	Organization	18,666	-	-	18,666	-	-	-	-	-	-	-
304	Land & Land Rights	3,442	-	-	3,442	-	-	-	-	-	-	-
365.2	Rights of Way	42,166	-	-	42,166	-	-	-	-	-	-	-
374	Land & Land Rights	15,652	-	-	15,652	-	-	-	-	-	-	-
389	Land & Land Rights	530,258	-	-	530,258	-	-	-	-	-	-	-
		49,702,507	1,777,837	29,946	51,450,398	\$ 24,783,592	\$ 29,946	\$ 12,453	\$ -		1,578,198	\$ 26,319,391
	Construction work-in-process	174,722	182,420 <sup>(N)</sup>	-	357,142						(108,566)	
											Less depreciation expense allocated to New York operations	(45,472)
		\$ 49,877,229	\$ 1,960,257	\$ 29,946	\$ 51,807,540						Total Depreciation	\$ 1,424,160

(N) Net Increase

Valley Energy, Inc.  
Utility Plant and Accumulated Depreciation – New York  
Year Ended December 31, 2025

Acct. No.	Account	Utility Plant				Accumulated Depreciation							
		Cost		Retirements	Cost		Balance January 1, 2025	Retirements	Cost of Removals	Salvage Received	Depreciation		Balance December 31, 2025
		January 1, 2025	Additions		December 31, 2025	January 1, 2025					Rate	Amount	
114	Gas Plant Acquisition Account	\$ 1,260,029	\$ -	\$ -	\$ 1,260,029	\$ 899,273	\$ -	\$ -	\$ -	3.00 %	\$ 32,885	\$ 932,158	
375	Structures & Improvements	1,774	-	-	1,774	1,682	-	-	-	3.00	53	1,735	
376	Mains	2,100,933	87,365	461	2,187,837	1,768,008	461	187	-	3.00	45,562	1,812,922	
378	Meas. & Reg Station Equipment	271,785	22,247	4,862	289,170	47,460	4,862	30	-	3.00	8,154	50,722	
380	Services	2,052,328	122,372	6,419	2,168,281	888,297	6,419	6,248	-	3.00	62,431	938,061	
381	Meters & Meter Installations	1,075,379	103,500	-	1,178,879	477,108	-	-	-	3.00	35,411	512,519	
383	House Reg & House Reg & Installations	30,840	-	-	30,840	42,532	-	-	-	3.00	925	43,457	
385	Ind. Meas. & Reg. Station Equipment	162,879	6,452	-	169,331	95,215	-	-	-	3.00	4,914	100,129	
301	Organization	6,084	-	-	6,084	-	-	-	-	3.00	-	-	
302	Franchises/Consents	30,842	-	-	30,842	-	-	-	-	3.00	-	-	
374	Land & Land Rights	353	-	-	353	(340)	-	-	-	3.00	-	(340)	
		<u>6,993,226</u>	<u>341,936</u>	<u>11,742</u>	<u>7,323,420</u>	<u>\$ 4,219,235</u>	<u>\$ 11,742</u>	<u>\$ 6,465</u>	<u>\$ -</u>		<u>190,335</u>	<u>\$ 4,391,363</u>	
	Construction w ork-in-process	<u>103,297</u>	<u>(101,187)<sup>(N)</sup></u>	<u>-</u>	<u>2,110</u>		Add depreciation expense allocated to New York operations				<u>45,472</u>		
		<u>\$ 7,096,523</u>	<u>\$ 240,749</u>	<u>\$ 11,742</u>	<u>\$ 7,325,530</u>					Total Depreciation	<u>\$ 235,807</u>		

<sup>(N)</sup> Net Increase

**Valley Energy, Inc.**  
**Prepaid Taxes, Net, by Division**  
**December 31, 2025**

	<u>Valley Energy of PA</u>	<u>Valley Energy of NY</u>	<u>Total</u>
State gross receipts tax	\$ -	\$ (52,267)	\$ (52,267)
State sales tax	(15,534)	(20,323)	(35,857)
State capital tax	14,074	-	14,074
Federal income tax	106,681	(63,001)	43,680
State income tax	14,600	3,828	18,428
PUC assessment	30,507	-	30,507
Local and county taxes	-	1,418	1,418
PURTA	69,755	-	69,755
State assessment surcharges	-	30,993	30,993
State use tax	1,823	22	1,845
	<u>\$ 221,906</u>	<u>\$ (99,330)</u>	<u>\$ 122,576</u>

**Valley Energy, Inc.**  
**Operating Revenues and Taxes, Other Than Income, by Division**  
**Year Ended December 31, 2025**

	<u>Valley Energy of PA</u>	<u>Valley Energy of NY</u>	<u>Total</u>
<b>Operating Revenues</b>			
Residential sales	\$ 5,638,035	\$ 1,617,397	\$ 7,255,432
Commercial and industrial sales	2,130,636	997,576	3,128,212
Interruptible sales	146,530	-	146,530
Customers' forfeited discounts	19,085	5,186	24,271
Transportation sales	2,714,861	254,845	2,969,706
Under (over) collected gas costs	74,210	(441,460)	(367,250)
Miscellaneous	6,561	1,762	8,323
	<u>\$ 10,729,918</u>	<u>\$ 2,435,306</u>	<u>\$ 13,165,224</u>
<b>Taxes, Other Than Income</b>			
Local and county taxes	\$ -	\$ 167,623	\$ 167,623
PURTA	32,002	-	32,002
State use tax	1,395	-	1,395
	<u>\$ 33,397</u>	<u>\$ 167,623</u>	<u>\$ 201,020</u>

**Valley Energy, Inc.**  
**Distribution, Operation; Distribution, Maintenance;**  
**Customer Accounts and General and Administrative**  
**Expenses, by Division**  
**Year Ended December 31, 2025**

	<u>Valley Energy of PA</u>	<u>Valley Energy of NY</u>	<u>Total</u>
<b>Distribution, Operation Expenses</b>			
Mains and services	\$ 589,211	\$ 136,925	\$ 726,136
Measuring and regulating station - general	95,074	27,271	122,345
Measuring and regulating station - city gate	44,310	6,328	50,638
Industrial/commercial meters and regulators	90,250	18,052	108,302
Meters and house regulators	180,306	23,097	203,403
Customer installations	190,726	21,172	211,898
Distribution load dispatching	237,494	164,823	402,317
Other operating expense	87,911	75,114	163,025
	<u>\$ 1,515,282</u>	<u>\$ 472,782</u>	<u>\$ 1,988,064</u>
<b>Distribution, Maintenance Expenses</b>			
Structures and improvements	\$ 19,753	\$ 4,100	\$ 23,853
Mains	102,533	22,148	124,681
Measuring and regulating station - general	78,690	13,747	92,437
Measuring and regulating station - industrial	1,571	337	1,908
Measuring and regulating station - city gate	4,315	-	4,315
Services	36,282	9,910	46,192
Meters and house regulators	100,518	16,311	116,829
Supervision and engineering	29,617	9,118	38,735
	<u>\$ 373,279</u>	<u>\$ 75,671</u>	<u>\$ 448,950</u>
<b>Customer Accounts Expenses</b>			
Meter reading	\$ 24,039	\$ 9,988	\$ 34,027
Customer records and collections	615,849	157,269	773,118
Uncollectible accounts, net	25,907	18,384	44,291
Miscellaneous customer	25,191	5,781	30,972
	<u>\$ 690,986</u>	<u>\$ 191,422</u>	<u>\$ 882,408</u>
<b>General and Administrative Expenses</b>			
Salaries and benefits	\$ 647,054	\$ 133,192	\$ 780,246
Pensions and benefits	3,181	739	3,920
Office supplies and expense	29,377	7,268	36,645
Outside services	83,984	22,553	106,537
Property insurance	29,657	6,880	36,537
Injuries and damage	81,477	19,092	100,569
General advertising	13,610	4,628	18,238
Miscellaneous general	41,755	8,247	50,002
Directors' committee	56,875	13,294	70,169
Travel and training	54,099	14,954	69,053
Regulatory commission, net	98,994	21,805	120,799
Maintenance, general plant	21,444	4,977	26,421
	<u>\$ 1,161,507</u>	<u>\$ 257,629</u>	<u>\$ 1,419,136</u>

**REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF  
VALLEY ENERGY**

The regular meeting of the board of directors of Valley Energy was held on February 26, 2026. The meeting was called to order by Chairman Kriner at 10:31 a.m. in the Board Room at Valley Energy, Sayre, Pennsylvania. Kathy McCutcheon, Executive Assistant, acted as recording secretary for the meeting.

Present:

Gerald Kriner, Chairman	Edward Rogers, Valley Energy, President & CEO
Danise Fairchild, Vice Chairman	Cody Chapman, Valley Energy, Vice President of Operations
Mark Elsbree, Secretary	Jamie Beale, Valley Energy, Vice President/Treasurer
Charles McNamara	Melissa Sullivan, C&T Enterprises, Inc., Chief Financial Officer
Heidi Wiles	Robert Chappell, Esquire
Janet Teeter	Kathy McCutcheon, Valley Energy, Executive Assistant

**Additions to the Agenda:**

- 1.
- 2.
- 3.

*A motion was made by Directors Fairchild/Croft to approve the agenda as amended; motion carried.*

**Approval of Minutes**

*A motion was made by Directors Fairchild/Teeter approving November 20, 2025, Regular Board Meeting minutes as provided; motion carried.*

**Appointment of Attorney**

CEO Rogers proposed to retain Robert Chappell, Esquire as Valley Energy's corporate attorney for the remainder of 2026 through the period ending April 30, 2027.

*A motion was made by Directors Fairchild/Wiles to retain Robert Chappell, Esquire to serve as the corporate attorney for the remainder of 2026 through the period ending April 30, 2027; motion carried.*

### **Banking Resolution Approval**

CEO Ed Rogers proposed to update the current Citizens & Northern Banking Resolution and adding Gerald Kriner as the Chairman of the Board. Citizens & Northern will be providing new credit card services with an overall company limit of \$25,000.00.

*A motion was made by Directors McNamara/Teeter approving the Citizens & Northern Banking Resolution to update the list of authorized officers that have authority to execute agreements and granting approval to obtain credit card services through Citizens & Northern Bank with an overall \$25,000 monthly limit. The resolution updates the current resolution and adding Gerald Kriner as Chairman of the Board; motion carried.*

### **Long Term Debt Resolution**

CEO Rogers proposed that the board approve a loan request agreement request in the amount of \$4,700,000 to be obtained by C&T Enterprises, Inc. from National Cooperative Services Corporation (NCSC).

*A motion was made by Directors Fairchild/Teeter to approve the request and authorized execution of a borrowing resolution, note, loan agreement and any and all required documents with C&T Enterprises, Inc. and National Cooperative Services Corporation (NCSC) in the amount of \$4,700,000 as presented; motion carried.*

### **Financial Report**

Jamie Beale reported on the income statement, balance sheet, treasurer's report, and sales & transportation volumes.

*A motion was made by Directors Elsbree/Wiles approving the Financial Report as presented; motion carried.*

### **Budget Variance Report Review**

Jamie Beale reviewed the Budget Variance Report for the period ending December 31, 2025.

### **Charged-off Accounts**

Jamie Beale reviewed the charged-off accounts for October to December 2025.

### **Local Affairs Committee**

CEO Rogers reported that the Committee had met.

- Approved a donation of \$5,000 to the Tioga Point Museum. CEO Rogers will also pursue a matching grant in the amount of \$5,000.00 from CoBank.

*A motion was made by Director Croft, Chairman of the Local affairs Committee approving the donation to the Tioga Point Museum for \$5,000.00 and matching grant request from CoBank; motion was carried.*

**2025 Statistics Review**

*CEO Rogers presented 2025 statistics, information, and accomplishments.*

**Strategic Implementation Plan**

*CEO Rogers updated the board on the Strategic Implementation Plan.*

**Financial Policy Metrics**

*CEO Rogers went over options for a financial policy metrics, to be included in a policy presented for approval at the May board meeting.*

**President & CEO Report**

CEO Rogers reported on the following:

- Call to order transitioning to a web-based program

**Executive Session**

*The board did not meet in Executive Session*

*Directors Fairchild/McNamara made a motion to adjourn the meeting; motion carried.*

There being no further business to come before the board, the meeting was adjourned at 11:29 a.m.

RESPECTFULLY SUBMITTED:

\_\_\_\_\_  
Mark Elsbree, Secretary

\_\_\_\_\_  
Date

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Request No 1.

- 1.) Previous registration balances. Provide docket numbers, initial registration amount, issuances by type, amount and date and current remaining balance.  
Plans for these balances vis-à-vis the current registration.

**Valley Energy, Inc.**

Docket No.	Facility No.	Original Amount	12/31/2025 Balance	Issuance Type	Advance Date	Maturity Date
S-00020894	9003001		\$ 1,067,912	LT Fixed Rate	11/07/2002	03/31/2032
S-00020894	9003002		\$ 1,073,333	LT Fixed Rate	11/07/2002	03/31/2032
S-00020894	9003003		\$ 1,080,502	LT Fixed Rate	11/07/2002	03/31/2032
S-00020894	9003004		\$ 287,941	LT Fixed Rate	11/07/2002	03/31/2032
S-00020894	9003005		\$ 744,740	LT Fixed Rate	11/07/2002	03/31/2032
			<u>\$ 12,000,000</u>			<u>\$ 4,254,427</u>

Docket No.	Facility No.	Original Amount	12/31/2025 Balance	Issuance Type	Advance Date	Maturity Date
S-2024-3046097	9024-001		\$ 1,482,054	LT Fixed Rate	12/19/2024	12/31/1954
S-2024-3046097	9024-002		\$ 1,000,000	LT Fixed Rate	12/3/2025	12/31/1955
			<u>\$ 1,125,000</u>			<u>\$ 2,482,054</u>

Docket No. S-00020894 not to exceed \$13,000,000. The balance outstanding at March 31, 2015 was \$4,254,427  
Docket No. S-2024-3046097 not to exceed \$2,500,000. The balance outstanding at December 31, 2023 was \$2,482,054.

**Master Letter of Credit Security Certificates**

Docket No.	Company	Original Amount	Balance	Issuance Type	Advance Date	Maturity Date
S-00071217	Citizens'	\$ 2,333,333.33	Varies	Letter	09/26/2007	10/06/2012
S-00071218	Wellsboro	\$ 2,333,333.33	Varies	Letter	09/26/2007	10/06/2012
S-00071219	Valley	\$ 2,333,333.34	Varies	Letter	09/26/2007	10/06/2012
						<u>\$ 7,000,000.00</u>

Docket No.	Company	Original Amount	Balance	Issuance Type	Advance Date	Maturity Date
S-2008-2079859	Citizens'	\$ 5,000,000.00	Varies	Letter	11/13/2008	10/06/2012
S-2008-2079943	Wellsboro	\$ 5,000,000.00	Varies	Letter	11/13/2008	10/06/2012
S-2008-2079949	Valley	\$ 5,000,000.00	Varies	Letter	11/13/2008	10/06/2012
						<u>\$ 15,000,000.00</u>

Docket No.	Company	Original Amount	Balance	Issuance Type	Advance Date	Maturity Date
S-2012-2317822	Citizens'	\$ 5,000,000.00	Varies	Letter	10/06/2012	10/06/2015
S-2012-2318247	Wellsboro	\$ 5,000,000.00	Varies	Letter	10/06/2012	10/06/2015
S-2012-2318254	Valley	\$ 5,000,000.00	Varies	Letter	10/06/2012	10/06/2015
						<u>\$ 15,000,000.00</u>

Docket No.	Company	Original Amount	Balance	Issuance Type	Advance Date	Maturity Date
	Citizens'	\$ 5,000,000.00	Varies	Letter	10/6/2015	10/06/2018
	Wellsboro	\$ 5,000,000.00	Varies	Letter	10/6/2015	10/06/2018
	Valley	\$ 5,000,000.00	Varies	Letter	10/6/2015	10/06/2018
						<u>\$ 15,000,000.00</u>

Docket No.	Company	Original Amount	Balance	Issuance Type	Advance Date	Maturity Date
	Citizens'	\$ 2,333,333.33	Varies	Letter	10/6/2018	10/5/2021
	Wellsboro	\$ 2,333,333.33	Varies	Letter	10/6/2018	10/5/2021
	Valley	\$ 2,333,333.34	Varies	Letter	10/6/2018	10/5/2021
						<u>\$ 7,000,000.00</u>

Docket No.	Company	Original Amount	Balance	Issuance Type	Advance Date	Maturity Date
	Citizens'	\$ 2,333,333.33	Varies	Letter	10/6/2021	10/5/2024
	Wellsboro	\$ 2,333,333.33	Varies	Letter	10/6/2021	10/5/2024
	Valley	\$ 2,333,333.34	Varies	Letter	10/6/2021	10/5/2024
						<u>\$ 7,000,000.00</u>

Docket No.	Company	Original Amount	Balance	Issuance Type	Advance Date	Maturity Date
S-2024-3050221	Citizens'	\$ 2,333,333.33	Varies	Letter	10/6/2024	10/5/2029
S-2024-3050221	Wellsboro	\$ 2,333,333.33	Varies	Letter	10/6/2024	10/5/2029
S-2024-3050221	Valley	\$ 2,333,333.34	Varies	Letter	10/6/2024	10/5/2029
						<u>\$ 7,000,000.00</u>

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Request No 2.

2.) What effect will this issuance have upon the capital structure of the utility. Show calculations.

	Valley Energy, Inc					
	Audit 2024	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029
Preferred stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common stock	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Additional paid in capital	94,885	94,885	94,885	94,885	94,885	94,885
Retained Earnings	13,388,090	11,914,000	13,067,000	14,309,000	14,454,000	17,220,000
	<u>16,482,975</u>	<u>15,008,885</u>	<u>16,161,885</u>	<u>17,403,885</u>	<u>17,548,885</u>	<u>20,314,885</u>
Treasury stock	-	-	-	-	-	-
Total stockholders' equity	<u>16,482,975</u>	<u>15,008,885</u>	<u>16,161,885</u>	<u>17,403,885</u>	<u>17,548,885</u>	<u>20,314,885</u>
Current debt - long term	5,736,464	7,724,000	8,301,000	7,566,000	6,800,000	6,075,000
Current debt - short term	-	-	-	-	-	-
Total current debt	<u>5,736,464</u>	<u>7,724,000</u>	<u>8,301,000</u>	<u>7,566,000</u>	<u>6,800,000</u>	<u>6,075,000</u>
Total debt	<u>5,736,464</u>	<u>7,724,000</u>	<u>8,301,000</u>	<u>7,566,000</u>	<u>6,800,000</u>	<u>6,075,000</u>
Total capitalization	<u>22,219,439</u>	<u>22,732,885</u>	<u>24,462,885</u>	<u>24,969,885</u>	<u>24,348,885</u>	<u>26,389,885</u>
Equity/Total capitalization	74.2%	66.0%	66.1%	69.7%	72.1%	77.0%
Debt/Total capitalization	25.8%	34.0%	33.9%	30.3%	27.9%	23.0%

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Request No. 3

3.) Current and three year projections for; (Provide details of calculation)

Sources and Uses of Funds  
Capital Expenditures  
Ratio of Capital Expenditures to Depreciation and Amortization  
Capitalization Ratios  
Dividend payout ratio  
Interest coverage ratios – both SEC and Indenture basis

	Audited 2024	Projected 2025	Projected 2026	Projected 2027			
<b>Sources and Uses of Funds:</b>							
<b>Operating Activities</b>							
Net income(Loss)	911,577	(399,000)	1,153,000	1,242,000			
Depreciation & Amortization	1,855,838	2,019,000	1,966,000	2,069,000			
Changes in Assets & Liabilities	(232,016)	(372,000)	(277,000)	(7,053,000)			
<b>Net Cash Provided by Operating Activities</b>	<b>2,535,399</b>	<b>1,248,000</b>	<b>2,842,000</b>	<b>(3,742,000)</b>			
<b>Investing Activities:</b>							
Additions to Net Plant, net	(3,751,019)	(3,304,000)	(3,616,000)	(2,141,000)			
Other	-	-	-	-			
<b>Net Cash Used in Investing Activities</b>	<b>(3,751,019)</b>	<b>(3,304,000)</b>	<b>(3,616,000)</b>	<b>(2,141,000)</b>			
<b>Financing Activities:</b>							
Principal Payments on Long-Term Debt	(770,685)	1,370,000	440,000	(649,000)			
Principal Payments on Capital Leases	(60,220)	60,000	67,000	17,000			
Net Borrowings Under Line of Credit	500,000	(450,000)	(250,000)	(950,000)			
Dividends Paid Preferred Stock	(84,001)	-	-	-			
Redemption Preferred Stock	-	-	-	-			
Long Term Loans	1,500,000	-	-	-			
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>1,085,094</b>	<b>980,000</b>	<b>257,000</b>	<b>(1,582,000)</b>			
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(130,526)</b>	<b>(1,076,000)</b>	<b>(517,000)</b>	<b>(7,465,000)</b>			
<b>Ratio of Capital Expenditures to Depreciation and Amortization</b>							
Capital Expenditures	3,751,019	3,304,000	3,616,000	2,141,000			
Depreciation and Amortization	1,855,838	2,019,000	1,966,000	2,069,000			
	<b>2.02</b>	<b>1.64</b>	<b>1.84</b>	<b>1.03</b>			
<b>Capitalization Ratios</b>							
	Audited 2024	%	Projected 2025	%	Projected 2026	%	Projected 2027
Equity	16,482,975	74%	15,008,885	66%	16,161,885	66%	17,403,885
Debt	5,736,464	26%	7,724,000	34%	8,301,000	34%	7,566,000
<b>Total Capitalization</b>	<b>22,219,439</b>	<b>100%</b>	<b>22,732,885</b>	<b>100%</b>	<b>24,462,885</b>	<b>100%</b>	<b>24,969,885</b>
<b>Dividend Payout Ratio</b>	<b>9.2%</b>		<b>0.0%</b>		<b>0.0%</b>		<b>0.0%</b>
<b>Interest Coverage Ratio</b>							
Earnings before Interest and Taxes	1,225,239		1,495,000		677,000		1,293,000
Interest Expense	372,180		419,000		467,000		547,000
<b>Interest Coverage Ratio</b>	<b>3.29</b>		<b>3.57</b>		<b>1.45</b>		<b>2.36</b>

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Request No. 4

4.) Three- Year history of credit ratings - By credit rating agency and class.

Response: Not applicable.

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Request No. 5

5.) Projected refinancing savings or costs, if applicable.

Response: Not applicable.

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Request No. 6

6.) Affiliated interest agreement applicable to instant registration, if financing involves an affiliate.

Response: Not applicable.

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Request No. 7

7.) List all unregulated affiliates of the applicant.

Response: Not applicable.

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Request No 8.

8.) List all debt for which the applicant is a guarantor of affiliated company debt instruments

<u>Facility No.</u>	12/31/2025 Balance	<u>Guarantor</u>
9005001	\$ 580,924.91	Wellsboro
9005002	\$ 1,802,457.14	Wellsboro
9005003	\$ 1,806,643.70	Wellsboro
9005004	\$ 928,512.77	Wellsboro
9005006	\$ 1,213,844.76	Wellsboro
9005007	\$ 303,282.39	Wellsboro
9006002	\$ 212,623.14	Wellsboro
9012001	\$ 179,386.23	Wellsboro
9012002	\$ 181,557.89	Wellsboro
9012003	\$ 171,849.80	Wellsboro
9015001	\$ 617,807.26	Wellsboro
9016001	\$ 543,790.40	Wellsboro
9016002	\$ 568,789.90	Wellsboro
9018001	\$ 754,474.65	Wellsboro
9018002	\$ 794,219.55	Wellsboro
9022001	\$ 1,771,576.03	Wellsboro
9023001	\$ 2,877,681.95	Wellsboro
9023002	\$ 1,934,219.47	Wellsboro
9023003	\$ 966,324.74	Wellsboro
9025001	\$ 3,941,697.70	Wellsboro
9025002	\$ 1,000,000.00	Wellsboro
9001001	\$ 882,037.54	Citizens'
9001002	\$ 889,875.96	Citizens'
9001003	\$ 907,988.81	Citizens'
9001004	\$ 214,940.91	Citizens'
9001005	\$ 870,788.35	Citizens'
9020001	\$ 905,369.78	Citizens'
9020002	\$ 635,375.67	Citizens'
9028001	\$ 3,000,000.00	Citizens'
9027001	\$ 350,000.00	Citizens'
9003001	\$ 1,067,912.27	Valley
9003002	\$ 1,073,332.78	Valley
9003003	\$ 1,080,501.64	Valley
9003004	\$ 287,940.78	Valley
9003005	\$ 744,739.77	Valley
9024001	\$ 1,482,054.12	Valley
9024002	\$ 1,000,000.00	Valley
	\$ 38,544,523	

All loans were financed through NCSC.

The stockholders are Claverack Rural Electric Cooperative and Tri-County Rural Electric Cooperative.

Each cooperative has a 50% ownership of all outstanding shares of C&T Enterprises, Inc.

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Request No. 9

- 9.) For any corporate money pool from which applicant may potentially borrow, lend or deposit excess  
Commission ordered reporting requirements.  
Current balances of borrowed and lent funds.  
Eligible borrowing and lending activities.  
Accounting for money pool transactions.  
3-Year history of borrowing and lending to the pool.

Response: Not applicable.

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Request No. 10

10.) Describe historical reliance by type of both corporate internal and external sources of financing.

Response: Not applicable.

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Request No. 11

11.) Where current dividen payout ratio exceeds 75%, provide three-year hisotry and plan for future divi

Response: Not applicable.

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Requests No. 12

12.) Where the debt to total capital ratio exceeds 55%, provide plan for managing future debt to total capital levels.

Response: Please refer to the attached VECo-Five Year Work Plan file  
which more fully describes how Valley Energy plans to meet future debt to total capital levels.

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Requests No. 13

13.) With respect to the purpose for which you propose to issue or assume securities;

A. If the purpose is the purchase or construction of new facilities, or the betterment of existing facilities, provide;

1. Estimated final cost
2. A brief description of the new facilities or betterments
3. The date when it is expected that the purchase or construction or betterment will be completed.
4. Estimated amount of AFUDC included in the project costs

B. If the purpose is to obtain working capital, explain any unusual condition which exists, or will exist, in the public utility's current assets or current liabilities, stating;

1. The approximate cost of average materials and supplies inventory which the public utility expects to carry
2. The average time elapsing between the date when the public utility furnishes or begins a period of furnishing services to customers and the date when collection is made from customers for the service.
3. The minimum bank balance requirements.

C. If the purpose is to refund obligations, describe obligations in detail.

1. Explain the purpose for which obligations were issued, or refer to the number of securities certificate in which the purpose appears.
2. State whether refunding is to meet maturity, or to effect saving in interest or other annual charges; if to effect savings, state date when, and at price which obligations are to be

called, and submit statement showing savings to be effected as a result of refunding.

D. If the purpose is for the payment of dividends, please justify the use of funds from the registration to pay dividends.

E. If the purpose is to fund pension obligations;

1. Provide the current Accumulated Benefit Obligation (except where no longer used consistent with FASB Statement No. 158), the projected benefit obligation, the current fair value of plan assets, and the percent that the current benefit obligation is funded.
2. Provide the annual contributions to the plan from 2006 to the present, and the projected contributions for the next five years.
3. Provide an explanation as to how compliance with the Pension Protection Act of 2006 will be accomplished.

Response:

Parts B,C,D,and E are not applicable to this request.

Part A. #1

The estimated final cost of the capital expenditure are projected to be:

2026 - 2027

\$4,700,000

Part A.#2

The costs are for the renovation of training and operations center and distribution replacement projects

Part A. #3

2026-2027

Part A. #4

There is no AFUDC included in the project costs.

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Requests No. 14

14.) Reconcile total capitalization with total rate base for ratemaking purposes. Are any of the funds to be issued for a non-utility purpose?  
If so, please describe that purpose.

Response: Non-applicable. The Companies for ratemaking purposes use a hypothetical capital structure. However the funds are being used for utility purposes.

Valley Energy, Inc.  
Chapter 19 Securities Certificate Registrations-Data Request  
Data Request No. 15

15.) Three year history and three year projections for ratio of capital expenditures to depreciation expense. Show calculations.

	Actual 2023	Actual 2024	Projected 2025	Budget 2026	Budget 2027	Budget 2028
Capital Expenditures	\$ 1,975,933	\$ 3,751,019	\$ 3,304,000	\$ 3,616,000	\$ 2,141,000	\$ 2,143,000
Depreciation Expense	\$ 1,750,963	\$ 1,855,838	\$ 2,019,000	\$ 1,966,000	\$ 2,069,000	\$ 2,250,000
Capital Expenditures to Depreciation Ratio	1.13	2.02	1.64	1.84	1.03	0.95