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Part I – Report Overview

ITEM 1. Disclaimers, Disclosures and Notes

Introduction

These financial statements were prepared by Cowrie – Administrator Services LLC (“**Administrator Services**”), which has been authorized as a member of Towns Lodge to perform a variety of administrative responsibilities, including the preparation of quarterly and annual financial statements in support of quarterly tax updates.

The Quarterly and Annual Financial Statements (“**Q&AFS**”) for Towns Lodge for the Quarter and Year ended December 31, 2025 also includes the calculation of estimated U.S. federal income tax liabilities, conducted in accordance with the current standards, rules, and interpretive guidance under the Internal Revenue Code (“**IRC**”) and relevant US Treasury regulations.

Purpose and Basis of Presentation

The preparation of these financial statements is guided by a primary objective: to analyze the financial activities of Towns Lodge with the express intent of estimating its potential U.S. federal and state income tax obligations. The Q&AFS were not prepared under Generally Accepted Accounting Principles (“**GAAP**”). Rather, Administrator Services has selectively employed GAAP-informed principles and valuation methodologies where necessary to ensure internal consistency, defensible estimations, and analytical rigor. Please refer to the **ITEM 3. Accounting and Tax Policy** section below for further discussion.

These statements do not fall under the purview of AR-C Section 70 of the AICPA Code of Professional Conduct, which governs the preparation of financial statements, as the preparation is auxiliary to our core tax engagement services. Likewise, AR-C Section 80 and AR-C Section 90 do not apply because we are not performing compilation or review services, respectively.

It is essential to emphasize that these financial statements are exclusively intended for Towns Lodge’s internal use and limited to the specific purposes outlined above. The methodology and scope of this report are tailored to the unique operational characteristics and decentralized governance model of the entity. Furthermore, while Towns Lodge has influence over certain structural parameters of Towns Protocol (the “**Protocol**”), it does not exert ownership or managerial control. Accordingly, the financial results and associated tax estimates presented here do not include or reflect broader financial activities occurring at the protocol layer or among unrelated stakeholders in the broader Towns ecosystem.

Source of Financial Data

The decentralized nature of Towns Lodge imposes distinct challenges with respect to the sourcing and consolidation of financial data. Unlike traditional enterprises that maintain centralized financial systems, there is no internal finance department. Accordingly, Administrator Services compiled financial data exclusively from blockchain transaction records associated with DUNA-controlled wallets (“**Treasury Wallets**”) and from offchain transactions executed under the scope authorized by Towns Lodge (e.g., vendor payments, tax payments, interest earned on bank account balance).

Nature and Limitations of the Financial Statements

The Q&AFS prepared herein do not constitute audited financial statements and do not purport to meet the disclosure or presentation requirements applicable under SEC rules or AICPA and PCAOB audit standards. These financial statements have not undergone an audit or review by an independent third party. Administrator Services is not an accounting firm and cannot guarantee the absence of material misstatements.

Accordingly, these financial statements should not be relied upon to detect misstatements, irregularities, fraud, or noncompliance with applicable laws and regulations. The absence of a centralized control environment and the pseudonymous nature of blockchain transactions mean that financial reporting under a DUNA model is subject to novel risks, including incomplete records, classification uncertainty, and data omissions.

It is essential that users of these financial statements exercise discretion and interpret the contents as a best-effort, good-faith, and methodologically sound approximation of Towns Lodge’s financial activity within the defined reporting period. These statements should not be regarded as comprehensive or verified financial records. They are not a substitute for independently audited financial statements and are provided without any warranties, express or implied, as to their completeness or accuracy.

ITEM 2. Towns Lodge DUNA

Towns Lodge DUNA Overview

Towns Lodge is the membership body comprised of participating governance tokenholders with governance rights over the TOWNS tokens held in the Towns Treasury and governance of Towns Lodge. Towns Lodge was initially organized as a WY Unincorporated Nonprofit Association (“UNA”) on January 2, 2025, and operated as a three-member entity prior to token distribution, at which point it transitioned to a WY Decentralized Unincorporated Nonprofit Association (“DUNA”) on August 5, 2025 once the 100-member threshold was met.

Membership in the DUNA results from holding TOWNS and actively participating (e.g., voting, delegating, submitting proposals, or staking); mere token ownership without participation does not constitute membership.

Members do not own Towns Lodge’s property, and per-capita distributions are prohibited other than upon windup and dissolution.

Towns Lodge’s mailing address is:

Towns Lodge
3306 Kelley Drive
Suite 1100
Cheyenne, WY 82001

Tax Election

Upon formation, Administrator Services filed Form 8832 with the Internal Revenue Service (“IRS”) to elect classification of Towns Lodge as a C Corporation for U.S. income tax purposes and obtained an Employer Identification Number.

As a C Corporation, Towns Lodge’s operations are taxed at the standard 21% US federal income tax rate for corporations. Towns Lodge has not elected to be treated as a tax-exempt entity under section 501(c) of the Internal Revenue Code.

Tax Reporting

The DUNA does not require member listings to be maintained, however – recipients of any outbound disposition from the Towns Treasury must comply with relevant tax reporting requirements.

Treasury and Ecosystem Funding

As of December 31, 2025, the Towns Treasury contains 3,000,000,000 TOWNS tokens.

The use of the Towns Treasury is determined by the Association’s governing principles, which provide token governance procedures for submitting and approving proposals, as well as voting and membership.

Towns Protocol

Towns Protocol is an open-source, decentralized real-time messaging and community platform that lets users create “Spaces” (i.e., ownable, programmable group chats) with end-to-end encryption, onchain memberships/subscriptions, and extendable reputation, built via smart contracts on the Base blockchain and a network of protocol nodes for stream/event replication. Communities can set rules, fees and roles, and retain control over data moderation without relying on a centralized operator. The ecosystem is governed by the TOWNS token, used for protocol governance and to incentivize/secure node operations over time.

The TOWNS token functions as the native token for the Towns Protocol, aligning incentives among builders, space owners, users, node operators and tokenholders. Additionally, the TOWNS token provides the mechanism for members to participate in Towns Lodge, as holders are able to participate in governance decisions that fund the association and provide control over DUNA operations.

River Eridanus Association

The River Eridanus Association (“**the Association**”) is a Swiss nonprofit entity established in Q1 2024 whose purpose is to support the further growth and development of the Towns Protocol. At present, the River Eridanus Association is funded to operate grant programs and further the development of the Towns Protocol, the surrounding community and its ecosystem. The Towns Lodge Treasury was initially funded through a grant of 3 billion TOWNS tokens from the River Eridanus Association.

The decision to continue funding the association will be decided by Towns Lodge members through future governance vote.

ITEM 3. Accounting and Tax Policy

Overview of Accounting and Tax Policy Framework

Administrator Services prepared the special-purpose Q&AFS for Towns Lodge to evaluate its revenues and expenses with the ultimate objective of estimating potential U.S. federal and state income tax liabilities. This section outlines how Towns Lodge manages its financial reporting and tax obligations. The aim is to ensure a clear, consistent method for recognizing income and expenses, ultimately enabling the estimation of potential U.S. federal and state tax liabilities.

An accounting method is the set of rules that determines when and how income and expenses are recognized on financial statements and tax returns. An entity can use different methods for financial book vs. tax purposes (e.g. accrual for financial statements, cash for taxes), but whichever methods are chosen must clearly reflect income and be applied consistently year to year. Once an entity adopts a method, it must continue with it in subsequent years barring a justified change. In Towns Lodge’s case, both financial reporting and tax reporting use the accrual basis, as detailed below.

Financial Reporting Approach: Accrual Method

Towns Lodge uses the accrual method of accounting for its financial statements. This provides a more accurate and comprehensive view of Towns Lodge’s financial condition by recognizing revenues when earned and expenses when incurred, regardless of when cash is actually transferred. Under accrual accounting, unrealized gains and losses on Designated Tokens (defined below) are recognized, and deferred tax assets/liabilities are recorded for timing differences between book and tax treatments. This approach ensures the financial statements capture the full economic activity of the treasury, not just cash flows. For example, if the TOWNS tokens held in the Towns Treasury

appreciate during the period, that unrealized gain is reflected in the book financial statements (with a corresponding deferred tax liability for the expected taxable gain in the future).

Tax Reporting Approach: Accrual Method

For U.S. income tax purposes, Towns Lodge also reports on an accrual basis. Under Internal Revenue Code (“IRC”) §446, taxpayers are generally allowed to use the method of accounting they use for their own books (cash, accrual, or other) so long as it clearly reflects income.

Under an accrual method of accounting, income and expenses are reported based on when they are earned or incurred, not when cash changes hands. In plain terms, this means an accrual-basis taxpayer generally reports income in the tax year it is earned (regardless of when payment is received) and deducts expenses in the tax year when the liability is incurred (regardless of when payment is made). This approach differs from the cash method and is grounded in specific tax rules (primarily IRC § 451 for income and IRC § 461 for expenses) that ensure revenue and corresponding expenses are matched to the correct period.

Income recognition (all-events test)

For tax purposes, IRC § 451 and the related regulations require that an accrual-method taxpayer recognize income once the “all-events test” is met. This test is satisfied when all events have occurred that fix the right to receive the income and the amount can be determined with reasonable accuracy. In practice, this generally means income is considered at the earliest of the following: (1) when the required performance or service has been provided (i.e. the earnings process is complete), (2) when payment is due from the customer, or (3) when payment is actually received – whichever occurs first. By following this rule, taxpayers ensure that revenue is reported in the correct period (for example, if the DUNA earns fees or rewards in Year X, it must include them in Year X’s income even if the cash is received later). This approach is consistent with tax authority guidance and case law enforcing early recognition once the right to income is fixed.

Expense recognition (liability and economic performance)

On the expense side, accrual-method taxpayers deduct or accrue expenses when the liability is incurred, which similarly hinges on an all-events test plus an economic performance requirement. In simple terms, a taxpayer may deduct an expense only after: (1) all events have occurred that establish the fact of the liability, (2) the amount of the liability can be determined with reasonable accuracy, and (3) economic performance has occurred with respect to that liability. Economic performance means that the underlying goods or services tied to the liability have been provided – in other words, the obligation has been “performed” either by the other party or by the DUNA, as applicable. For example, if the DUNA owes a vendor for services, the expense would be accrued in the year the vendor provides those services (fulfilling our liability), even if the payment is issued later. Only once our obligation is fixed and the service or product has been delivered (or used) can we say economic performance is met and the expense is incurred for income tax purposes. This rule, found in IRC

§ 461(h) and related Treasury regulations, ensures that deductions are not taken too early. The DUNA cannot deduct a cost until it is firmly attached to a completed transaction or service.

Revenue and Income Recognition

Towns Lodge recognizes income from all sources including digital asset transactions in the year the income is earned, due or becomes available. This policy applies equally to financial statements and tax filings. However, a key exception involves unsolicited tokens received in DUNA-controlled wallets. In the digital asset ecosystem, it is common for unknown third parties to unilaterally send tokens, whether valuable or worthless, to publicly known wallet addresses, including those under Towns Lodge's control. These transfers occur without the recipient's consent and cannot be refused at the protocol level. This means the DUNA might passively receive tokens it never intended to hold.

To mitigate the risk of unintended income tax exposure, unsolicited transfers do not constitute income to Towns Lodge when received as a matter of policy.

This formal policy means that only tokens which Towns Lodge has intentionally and willfully transacted (termed "**Designated Tokens**") are recognized in the accounting records. As of December 31, 2025, TOWNS (the Protocol's governance token) and ETH were the only Designated Tokens under this definition. Any random tokens sent to the Treasury Wallets by unknown parties are ignored in the financial reports and tax computations, as they were neither solicited nor used by the DUNA. Unsolicited Designated Tokens, such as TOWNS sent to the Treasury Wallet by unassociated third parties, will not be included in accounting records.

Accounting for Income from Airdrops

Airdrops refer to token distribution events initiated by blockchain protocol or token projects, where tokens are allocated, typically free of charge, to selected wallet addresses. These events often serve as go-to-market strategies designed to drive user adoption, decentralize governance, reward early supporters, or stimulate onchain activity.

If Towns Lodge actively solicits or consents to receive an airdropped token (for instance, as part of a partnership or application for a distribution), and subsequently does receive those tokens, then the fair market value ("**FMV**") of the tokens at receipt will be recognized as ordinary income for U.S. tax purposes and as revenue in the DUNA's financial statements. The FMV is determined at the time of receipt using the spot market price for the token multiplied by the quantity received. This treatment complies with U.S. tax regulations (income is recognized when you have dominion and control over assets received) and ensures the financial statements reflect all earned resources.

Notably, this recognition occurs regardless of whether the DUNA immediately liquidates the airdropped tokens or holds them, and irrespective of subsequent price fluctuations. The full value at receipt is counted as income.

This policy on airdrops applies to both tax and book accounting, following IRS guidelines by treating airdropped tokens as income at the time they become the DUNA's property.

TOWNS Disbursement Under Governance Consensus

One of the key functions of Towns Lodge is to support the ongoing development of the protocol and the broader Towns ecosystem. In alignment with its decentralized governance model, Towns Lodge governance proposals may authorize the disbursement of TOWNS tokens from the DUNA's Treasury to fund protocol development initiatives or broader ecosystem growth.

When such disbursements are approved, the required number of tokens is transferred to an external party or vendor based on either the nominal amount or a specified token value as determined by Towns Lodge governance.

For U.S. federal income tax and financial reporting purposes, token disbursements from the DUNA's Treasury are treated as comprising two distinct tax accounting transactions:

- *Token Disposition*: The initial transaction is treated as a sale of the disbursed tokens upon transfer from the Treasury Wallets.
- *Expense Recognition*: The second transaction pertains to the accounting treatment of the resulting proceeds from the token disposition.

This two-step view is required because under U.S. tax law, cryptocurrencies are property, pursuant to IRS Notice 2014-21. Spending tokens is thus not just an expense; it triggers a disposition of an appreciated asset. Below we detail each component:

Token Disposition (Capital Gain/Loss on Token Transfers)

According to *IRS Notice 2014-21, 2014-16 I.R.B. 938*, cryptocurrencies are classified as property for U.S. federal income tax purposes. Accordingly, when Towns Lodge transfers out tokens from its treasury (e.g. sending TOWNS to a grant recipient), in exchange for property (including money) or services, it is treated as a taxable sale of those tokens at the market price at time and date of the transfer. Under IRC § 1001, the DUNA must calculate and recognize a capital gain or loss on that sale or exchange. The gain or loss is computed as follows:

Capital Gain = Gross Proceeds from Sale of Disbursed Tokens – Cost Basis of Tokens Sold

- *Gross Proceeds*: The value received for the tokens. In the context of a treasury disbursement, this is taken as the market price of the token at the time of the transfer multiplied by the number of tokens disbursed. Since no cash is received, Towns Lodge will treat the tokens' market value as the proceeds of a deemed sale.
 - *Cost Basis*: The original value of those tokens to Towns Lodge. For initial TOWNS tokens minted and received in the DUNA Treasury, the cost basis is the total number of TOWNS tokens deposited in the treasury multiplied by the FMV of each token determined by a
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valuation specialist in a token valuation report, for which ordinary income was recognized during Q3 2025.

All such token dispositions are reported to the IRS (e.g. on Form 8949 and Schedule D of the corporate tax return) detailing the asset, date acquired, date disposed, proceeds, basis, and resulting gain or loss. From a financial reporting perspective, the act of disbursing tokens is similarly treated as realizing any built-in gain/loss on those tokens. This ensures the financial statements reflect the economic impact of using appreciated assets to fund expenses.

Expense Recognition (Use of Token Sale Proceeds)

The second part of the transaction is recording the expense for which the tokens were used. The accounting and tax treatment depends on what the expense relates to, which must be evaluated by the nature of each disbursement to determine the proper classification:

- If the expenditure is in furtherance of Towns Lodge’s operational mission (development, community growth, etc.), it will generally be a business expense. For U.S. tax, most ordinary and necessary business expenses are deductible under IRC §162(a). For financial statements, it will be recorded as an expense in the appropriate category (e.g. “Grants expense” or “Legal expense”).
- If the expenditure is of a type that is not deductible for tax, such as lobbying and political spending or payment of U.S. federal income tax, then no tax deduction is taken even though it’s recorded as an expense in the financial books.
- Each expense is considered on a case-by-case basis, but they fall into common categories. In the current reporting period, the primary use of funds was for general and administrative purposes.

Below we outline the major expense categories that Towns Lodge is expected to incur, with their typical tax treatment:

Major Expense Categories and Tax Treatment

Grants Program

In its current construction, the Towns Protocol Grants Program is run by the River Eridanus Association to provide resources to developers, researchers, community initiatives, or other recipients that contribute to Towns Protocol’s growth and development; however, governance is not prohibited from making awards grants or other dispositions in furtherance of the DUNA or the protocol.

Tax Treatment: Tokens disbursed as grants are treated as ordinary business expenses if they further the DUNA’s operations. These are deductible under IRC §162(a) as they are aimed at maintaining or expanding the Towns ecosystem, which is the core purpose of the DUNA.

Financial Reporting: Recorded as “Grant expenses” on the income statement in the period they are approved and distributed.

General & Administrative (G&A)

G&A covers the day-to-day expense overhead of operating the DUNA. This includes routine expenses such as software subscriptions, governance administration, treasury custody management, accounting/bookkeeping services, coordinator stipends, governance tooling, compliance and treasury management services, etc. These are the routine costs of keeping Towns Lodge functional and are not tied to specific product development.

Tax Treatment: G&A expenses are deductible business expenses under IRC §162(a) as ordinary and necessary costs of operating the DUNA. Even as a nonprofit, the DUNA can deduct these operational costs since they directly support its activities.

Financial Reporting: Recorded as “General & Administrative Expenses” in the period incurred.

Legal

Legal expenses encompass costs for attorneys, legal filings, regulatory compliance, and any counsel retained to advise the DUNA. This includes fees for setting up the DUNA’s legal structure, drafting contracts (e.g. grant agreements), obtaining regulatory advice, and any litigation or legal defense if it arises. Essentially, this is the budget for navigating laws and regulations, ensuring the DUNA’s activities are lawful.

Tax Treatment: Legal and professional fees that are directly related to the DUNA’s operations are deductible under IRC §162(a) as ordinary and necessary expenses. (An exception would be if any portion is for something non-deductible, but generally legal fees for business purposes are deductible.)

Financial Reporting: Recorded as “Legal Expenses” on the income statement.

Political Contributions & Lobbying

This category captures any spending aimed at influencing legislation, regulation, or public policy. It could include hiring lobbyists or advocacy firms, making donations to industry advocacy organizations, or funding grassroots campaigns to educate policymakers. Transparency is critical here because these expenses can be controversial and have special tax rules. These expenses are expected to be occasional and purpose-specific (not routine operations).

Tax Treatment: Not deductible. U.S. tax law expressly disallows deductions for lobbying and political expenditures (IRC §162(e)). If Towns Lodge spends treasury funds on lobbying efforts or political contributions, those costs cannot reduce its taxable income.

Financial Reporting: Recorded as “Lobbying Expense” or “Political Contribution” in the financial statements as an expense, which will reduce book income, but with a note that it is non-deductible for U.S. tax purposes.

DUNA Operations

These are expenses related to running and compensating committees of the DUNA. Although Towns Lodge is a decentralized community, certain limited authorizations of authority are formalized. For example, the DUNA may appoint a committee with authorizations defined by governance proposal. Operational costs could include salaries or stipends for committee members, auditors, or other agents that the DUNA engages to perform work.

Tax Treatment: These operational costs are deductible business expenses (IRC §162(a)), since they are ordinary and necessary for the DUNA to function. Paying people to execute the DUNA’s decisions is a fundamental expense of running the organization.

Financial Reporting: Recorded as “DUNA Operations” or similar expense category in the financials.

Research & Development (R&D)

R&D expenses are investments in innovation, future growth, and major improvements to the Towns Protocol and ecosystem. This covers spending on developing new features or products, experimenting with upgrades, auditing new protocol versions, scalability research, and academic collaborations. Unlike routine maintenance, R&D is about building the future of Towns Protocol, work that may not have guaranteed success but could significantly advance the protocol if successful. Towns Lodge may fund internal committees or external developers/researchers to undertake such projects (often via grants).

Tax Treatment: Generally, R&D costs can be deductible as ordinary business expenses (or subject to special R&D capitalization rules under IRC §174).

Financial Reporting: Recorded as “Research & Development” or similar expense category in the financials.

Sales and Marketing

This category includes spending to promote Towns Protocol and grow its user base and community. Even a decentralized project benefits from outreach and marketing to drive adoption. These expenses can cover advertising campaigns, branding and design work, sponsorships of events or hackathons, community meetups, educational content creation, and programs to incentivize usage.

Tax Treatment: Marketing and promotional expenses are deductible under IRC §162(a) as ordinary business expenses. They are akin to advertising costs, which are routinely deductible.

Financial Reporting: Recorded as “Sales and Marketing Expenses” in the financial statements.

Security (Audits & Bug Bounties)

Security is paramount for a blockchain protocol. This category covers expenditures to ensure the security of Towns Protocol's smart contracts and infrastructure. It includes the cost of external security audits, code review engagements, ongoing monitoring services, and bug bounty programs to reward responsible disclosure of vulnerabilities. Essentially, any funds spent to identify, prevent, or mitigate security risks fall in this bucket.

Tax Treatment: Security expenses are deductible business expenses under IRC §162(a). They are ordinary and necessary costs of maintaining a secure protocol operation. Investing in audits and bounties is akin to an insurance or quality assurance expense.

Financial Reporting: Recorded as "Security Expenses" or included under a broader engineering expense category in the financial statements.

Income Taxes

For financial reporting purposes, Administrator Services records income tax provisions as follows:

- **Current Tax Liabilities/Assets:** Based on taxable income or loss for the year, the DUNA will estimate the federal and applicable state corporate income tax due for that year. A liability is recorded for taxes expected to be paid, or an asset if there are tax refunds due to overpayments or net operating losses that can be carried forward.
- **Deferred Tax Assets/Liabilities:** These reflect future tax impacts from temporary differences between book accounting and tax accounting. The primary source of temporary differences for Towns Lodge is likely unrealized gains or losses on Designated Tokens. For example, Towns Lodge's TOWNS treasury appreciates in value on the books (creating an unrealized gain that increased book income in the period), but U.S. tax law does not tax that gain until the tokens are sold. This creates a deferred tax liability, which is a future tax due when the gain is realized from sale of the appreciated TOWNS tokens. Conversely, if the DUNA had an expense that is recognized now for book but only deductible later for tax, that would create a deferred tax asset (i.e., future tax savings). Administrator Services evaluates these differences each period and records deferred taxes accordingly.

The net effect is that the financial statements' income tax expense reflects both current taxes and deferred taxes. This gives a clearer picture of the DUNA's total tax position.

In addition, Administrator Services records federal and applicable state deferred tax assets or liabilities, as appropriate, to reflect estimated future tax effects arising from temporary differences - primarily those related to unrealized gains or losses on Designated Tokens.

U.S. tax law expressly disallows tax deductions for amounts paid for current federal income tax.

Balance Sheet Presentation

On the balance sheet, Towns Lodge's crypto assets are classified as marketable property. This classification is due to their high liquidity – TOWNS can be readily converted to cash at observable market prices. The treasury's tokens are reported at FMV as of the balance sheet date. Unrealized gains or losses from revaluing these tokens to fair value are recognized in the income statement each period. This is in line with accrual accounting and reflects economic reality, but it does create the deferred impacts mentioned above.

All Designated Tokens, (currently TOWNS and ETH), that the DUNA holds will appear as assets on the balance sheet. The TOWNS tokens held within the treasury are a significant asset – the Towns Lodge treasury holds roughly \$18.2 million in TOWNS tokens as of December 31, 2025, which are subject to market fluctuations. Using fair value accounting means the balance sheet always shows the latest market value of the treasury.

Fair Value of Designated Tokens

At each reporting date, Administrator Services determines the fair value of each Designated Token in the DUNA's treasury. The carrying value of these tokens on the balance sheet is updated to the spot price as of the last second (23:59:59 Mountain Time) of the period multiplied by the quantity of tokens held.

Using observable spot prices ensures the valuation is objective and current. Any change in value from the previous period's valuation is recognized as an unrealized gain or loss in the income statement. If TOWNS' price rose during the quarter, the gain increases net income. If the price fell, an unrealized loss would reduce net income.

In summary, the balance sheet presentation provides a clear picture of the fair market value of Towns Lodge's tokens holdings by listing its treasury at fair value. The consistent fair value policy, combined with the accounting and tax policies above, provides transparency and accuracy in how Towns Lodge reports its financial position and performance. Each practice, from accrual accounting, to recognizing only designated tokens, to detailed expense categorization, is geared toward clear, conservative financial reporting and compliance with U.S. tax laws.

Part II - Financial Information

ITEM 4. Balance Sheet (unaudited) – For Informational Purposes Only

<i>(in thousands of USD)</i>	
	<u>As of December 31, 2025</u>
Assets	
<i>Current assets:</i>	
Cash and cash equivalents	93
TOWNS tokens	18,201
Prepaid expenses	0.3
<i>Total current assets</i>	<u>18,294</u>
Total assets	<u>18,294</u>
Liabilities	
<i>Current liabilities:</i>	
Income tax payable	(67)
Accrued expenses	(12)
<i>Total current liabilities</i>	<u>(79)</u>
<i>Non-current liabilities:</i>	
Deferred tax liabilities	(3,772)
<i>Total non-current liabilities</i>	<u>(3,772)</u>
Total liabilities	<u>(3,851)</u>
Equity	
Retained earnings	(14,443)
Total equity	<u>(14,443)</u>
Total liabilities and equity	<u>(18,294)</u>

Assets:

As of December 31, 2025, Towns Lodge had \$93 thousand in cash, 3 billion TOWNS tokens, valued at \$18.2 million and \$280 in prepaid expenses.

The initial token grant from River Eridanus Association to the Towns Lodge Treasury was 3.993 billion TOWNS tokens, but after true up, the remainder of the tokens were returned to the River Eridanus Association.

Cash and cash equivalents include cash held in a business checking account. The cash on hand is to be used to fund Towns Lodge's operating activities.

The prepaid expense balance relates to upfront payments to Cowrie – Administrator Services for DUNA administration services (2-year contract term).

Liabilities:

As of December 31, 2025, Towns Lodge had \$79 thousand in current liabilities (due within a year) and \$3.8 million in non-current liabilities.

Current liabilities are comprised of \$12 thousand of service payments due to a vendor for token custody and \$67 thousand due to the Internal Revenue Service (IRS) to cover estimated tax liabilities.

The non-current liabilities relate to deferred income tax on unrealized gains. Towns Lodge had \$18.0 million in unrealized gain on the value of TOWNS token holdings in its Treasury at December 31, 2025. This unrealized gain is excluded from the taxable income calculation because the appreciated tokens have not been sold by the DUNA. Applying the federal income tax rate of 21% to the unrealized gains results in deferred income tax of \$3.8 million at December 31, 2025.

Equity:

Retained Earnings represent the cumulative net profits of Towns Lodge. Each period, they roll forward pursuant to the following formula: Beginning Retained Earnings + Net Income (or – Net Loss) = Ending Retained Earnings. For the current period, Beginning Retained Earnings are \$44.7 million and Net Loss for the 3 months ended December 31, 2025, is \$30.2 million per **Item 5. Statement of Income**, resulting in Ending Retained Earnings of \$14.4 million.

Vendor Purchase Obligations:

As of December 31, 2025, Towns Lodge has \$109 thousand unpaid purchase obligations to a vendor for token custody services (3-year term). These represent unpaid amounts due under contract to a vendor.

ITEM 5. Statement of Income (unaudited) – For Informational Purposes Only

<i>(in thousands of USD)</i>	Three Months Ended December 31, 2025	Year Ended December 31, 2025
Revenue		
Treasury receipt of TOWNS tokens	-	240
Other revenue	1	121
Total revenue	1	361
Net revenue	1	361
Expenses		
<i>Operating expenses:</i>		
General & administrative	(15)	(38)
Charitable contribution	(1)	(1)
Total operating expenses	(16)	(39)
Total expenses	(16)	(39)
Operating income/loss	(15)	322
Other income/expenses		
Interest received	0.1	0.1
Unrealized gain/(loss)	(38,237)	17,961
Total other income/expenses	(38,237)	17,961
Pre-tax book income	(38,252)	18,283
Tax expenses		
Deferred income tax benefits (expenses)	8,030	(3,772)
Current income tax benefits (expenses)	3	(68)
Total tax expenses	8,033	(3,840)
Net Income (loss)	(30,219)	14,443

Summary of Operating Activities:

Towns Lodge recognized operating revenue of \$1 thousand and \$361 thousand for the three-month and year-to-date periods ended December 31, 2025, respectively. The \$1 thousand for the three-month period includes a \$0.6 thousand contribution of 7 million TOWNS tokens at the pre-launch valuation from Here Not There, Inc. (the protocol's developer company) to fund initial Towns Lodge operations; the TOWNS token was transferred at issuance to Cowrie – Administrator Services, but has been reflected in these financial statements as a payment from Towns Lodge for DUNA administration services, consistent with the contractual terms of that relationship. Since Cowrie's service contract is two years, half of the payment (i.e., \$0.3 thousand) was deducted in the current year, and half was recorded as a prepaid expense that will be deducted in 2026. The \$361 thousand

comprises \$240 thousand in TOWNS Tokens received in the DUNA Treasury post-minting, and \$121 thousand in receipts from Here Not There, Inc. to fund initial Towns Lodge operations (which includes the 7 million TOWNS tokens transferred at issuance to Cowrie – Administrator Services for DUNA administration services). Interest income from cash reserves held in a bank account was \$0.1 thousand for the quarter and year-to-date period.

Expenses for the three-month and year-to-date periods ended December 31, 2025, were \$16 thousand and \$39 thousand, respectively. The \$16 thousand for the three-month period primarily comprises \$15 thousand for token custody services and \$1 thousand accrued for DUNA administration services that is a charitable contribution in lieu of direct compensation for tax return preparation services. The \$39 thousand for the year-to-date period comprises \$18 thousand for token custody services, \$1 thousand accrued for DUNA administration services that is a charitable contribution in lieu of direct compensation for tax return preparation services and \$20 thousand for governance management services (covers a 12-month period); the governance services meet a U.S. tax exception called the “recurring items exception,” which allows the full amount to be expensed in the period paid, rather than being included on the balance sheet as a Prepaid asset.

Towns Lodge had unrealized gains of \$18.0 million on TOWNS treasury tokens for the year-to-date period ended December 31, 2025, but an unrealized loss of \$38.2 million for the three-month period between October 1, 2025, and December 31, 2025, due to a decline in the TOWNS token’s value during the quarter. These unrealized amounts are excluded from taxable income because the tokens have not been sold.

Towns Lodge's taxable income (loss) for the three-month and year-to-date periods ended December 31, 2025 was a loss of \$15 thousand (\$1 thousand realized revenue and other income less \$16 thousand expenses) and income of \$322 thousand (\$361 thousand revenue and other income less \$39 thousand expenses), respectively.

Income Taxes:

Income taxes comprise current and deferred amounts.

Current income tax applies the 21% federal rate to current taxable income or loss (realized income or loss less deductible expenses). For the quarter, a taxable loss of \$15 thousand results in an estimated current income tax benefit of approximately \$3 thousand. For the year-to-date period, taxable income of \$322 thousand results in an estimated current income tax expense of approximately \$68 thousand.

Deferred income tax reflects the expected tax on unrealized gains or losses and will be recognized in a future period when the TOWNS tokens are sold. For the quarter, Towns Lodge's \$38.2 million unrealized loss results in a deferred income tax benefit of approximately \$8 million at the 21% rate. For the year ended December 31, 2025, Towns Lodge's \$18 million unrealized gain results in a deferred income tax expense of approximately \$3.8 million at the 21% rate.

ITEM 6. Statement of Digital Assets (unaudited) – For Informational Purposes Only

Three Months Ended December 31, 2025

(in thousands of tokens and USD)

Wallet ID	Designated Token	Beg. Bal. 10/01/2025	Current Period Additions	Transfers	Current Period Reductions	End. Bal. 12/31/2025	USD FMV	USD Cost Basis
A - DUNA Treasury: 0x9ef8E565eD176b17B3df9CBAff6 0B42E7C509BE5	TOWNS	3,000,000	-	-	-	3,000,000	\$ 18,201	\$ 240
B - Temporary DUNA Treasury: 0x25c1D2EF1d81623Ef9B626c991 b88Bc846f7a441	TOWNS	-	-	-	-	-	\$ -	\$ -
						3,000,000	\$ 18,201	\$ 240

Year-to-Date Period Ended December 31, 2025

(in thousands of tokens and USD)

Wallet ID	Designated Token	Beg. Bal. 01/01/2025	Current Period Additions	Transfers	Refund/ Returned	End. Bal. 12/31/2025	USD FMV	USD Cost Basis
A - DUNA Treasury: 0x9ef8E565eD176b17B3df9CBAff6 0B42E7C509BE5	TOWNS	-	-	3,000,000	-	3,000,000	\$ 18,201	\$ 240
B - Temporary DUNA Treasury: 0x25c1D2EF1d81623Ef9B626c991 b88Bc846f7a441	TOWNS	-	3,993,000	(3,000,000)	(993,000) *	-	\$ -	\$ -
						3,000,000	\$ 18,201	\$ 240

* Returned to the River Eridanus Association



Account Holdings - DIGITAL ASSETS AND FIAT

Starting Account Holdings as of December 1, 2025

Asset Type	Symbol	Quantity
Towns	TOWNS	3000000000
Total Holdings		

Ending Account Holdings as of December 31, 2025

Asset Type	Symbol	Quantity
Towns	TOWNS	3000000000
Total Holdings		

Note:

The Statement of Digital Assets is a standardized, supplemental report that summarizes Towns Lodge’s digital asset positions and activity. It rolls forward wallet token balances from the beginning of the period to the end of the period, and it also provides fair market value and cost basis figures by wallet. This information allows the reader to understand the potential tax consequences of future dispositions from the DUNA Treasury.

ITEM 7. Bank Account Reconciliation (unaudited) – For Informational Purposes Only

10/1/2025	Bank Beginning Balance	\$ 96,500
	<i>Deposits and Additions:</i>	
Various	Interest Income	\$ 186
	<i>Withdrawals:</i>	
		\$ -
10/31/2025	Anchorage Digital Bank	(3,500)
12/31/2025	Bank Ending Balance	\$ 93,186
12/31/2025	GL Ending Balance	\$ 93,186



Direct Inquires To Customer Service
 Meow Technologies Inc.
 support@meow.com
 https://meow.com/

Account Statement Account Number XXXXXXXXXX

Towns Lodge
 3306 Kelley dr
 Suite 1100
 CHEYENNE, WY 82009

Beginning Date Dec 1, 2025
 Ending Date Dec 31, 2025

Summary for December 2025

	Beginning Balance	\$93,147.82
	Interest Paid	\$38.28
	Deposits	\$0.00
	Withdrawals	\$0.00
	Fees	\$0.00
	Ending Balance	\$93,186.10

Transactions

Date	Description	Deposits	Withdrawals	Balance
2025-12-05	DEPOSIT for book transfer from Meow Interest Accrual, Grasshopper Bank, N.A. *5310 NOVEMBER 2025 MEOW REWARDS	\$38.28		\$93,186.10