SHANNONDELL, INC. /SHANNONDELL AT VALLEY FORGE
DISCLOSURE STATEMENT
January 1, 2026

THE ISSUANCE OF A CERTIFICATE OF AUTHORITY DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT OF SHANNONDELL, INC./SHANNONDELL AT VALLEY FORGE BY THE PENNSYLVANIA DEPARTMENT OF INSURANCE, NOR IS IT EVIDENCE OF, NOR DOES IT ATTEST TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET OUT IN THE DISCLOSURE STATEMENT.

An index is included on page 1

SHANNONDELL AT VALLEY FORGE
10000 Shannondell Drive
Audubon, PA 19403
(610) 728-5200

SHANNONDELL, INC. / SHANNONDELL AT VALLEY FORGE

DISCLOSURE STATEMENT

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Residence and Care Agreement(s)

SECTION I

SUMMARY OF DISCLOSURE STATEMENT

The following is a summary of the information presented in this Disclosure Statement:

1. **THE FACILITY**: Shannondell at Valley Forge
   10000 Shannondell Drive
   Audubon, PA 19403.

2. **THE PROVIDER**: Shannondell, Inc.
   10000 Shannondell Drive
   Audubon, PA 19403.

3. **ADMISSIONS CONTACT**: Director of Marketing/Sales
   Shannondell at Valley Forge
   10000 Shannondell Drive
   Audubon, PA 19403
   Telephone: (610) 728-5211

4. **DESCRIPTION OF FACILITY**: Shannondell at Valley Forge ("Shannondell" or "Facility") is located in suburban Lower Providence Township, Montgomery County, Pennsylvania at 10000 Shannondell Drive, Audubon, PA 19403. The first phase ("Phase I") of the community includes 502 apartments and opened in March of 2003. A Health Care Center (HCC) known as The Meadows at Shannondell ("Meadows" or "Phase V") opened in January of 2006. As of December 31, 2025, Phase I consisted of 502 independent living units and a community center. There are seven buildings in Phase I, all buildings were completed by the end of 2005. As of December 31, 2025, Phase II consisted of 604 independent living units and a community center. There are six buildings in Phase II, all buildings were completed by the end of 2018. The Provider has

entered into management agreements with Dell Retirement Services, Inc. (DRS) to manage independent living operations and Meadows Management, Inc. (MMI) to manage the Health Care Center (HCC) operations. The Facility has received its Certificate of Authority from the Commonwealth of Pennsylvania Department of Insurance. The Facility is currently structured as a taxable entity and does not claim tax-exempt status under the Internal Revenue Code.

5. **REQUIREMENTS**: Admission is open to individuals who are at least 55 years of age.

6. **AFFILIATIONS**: Shannondell, Inc. is not affiliated with any religious, fraternal, charitable or other nonprofit organization.

7. **CURRENT RESIDENT POPULATION**: As of December 31, 2025, there were approximately 1,621 residents at the Facility. Applications and reservations are being accepted for units and future phases as they become available.

8. **FEES**: The following is a sample of the Entrance Fee and Monthly Fee for a typical one bedroom apartment:

FEE	SINGLE OCCUPANCY	DOUBLE OCCUPANCY
Entrance Fee	$415,000	$415,000
Monthly Fee	$3,000	$4,250

SHANNONDELL, INC./SHANNONDELL AT VALLEY FORGE

DISCLOSURE STATEMENT

BACKGROUND

Shannondell at Valley Forge ("Shannondell" or "Facility") is a Continuing Care Retirement Community (CCRC) that is being developed by Shannondell, Inc. ("the Provider") on a 95 acre site located along Egypt Road in Lower Providence Township, Montgomery County, Pennsylvania. The address of the Facility is 10000 Shannondell Drive, Audubon, PA 19403. Shannondell, Inc. is a Pennsylvania business corporation with its principal office at 10000 Shannondell Drive, Audubon, PA 19403. Shannondell, Inc. is not affiliated with a religious, charitable or other nonprofit organization.

Shannondell, Inc. Board of Directors is vested with the authority to govern and manage the affairs of the community. The names and business addresses for the Officers and Directors are attached as Exhibit A. Shannondell, Inc. has entered into management agreements with Dell Retirement Services, Inc. (DRS) and Meadows Management, Inc. (MMI).

DESCRIPTION

Shannondell at Valley Forge is located in suburban Lower Providence Township, Montgomery County, Pennsylvania. The Facility is located at 10000 Shannondell Drive, Audubon, PA 19403. As of December 31, 2025, the first phase of the community includes seven buildings consisting of 502 independent living units and a community center. The second phase of the community includes six buildings consisting of 604 independent living units and a community center. A Health Care Center (HCC) known as The Meadows at Shannondell ("Meadows" or "Phase V") opened its first building in January 2006 and second building in August of 2016. The two Meadows buildings include a total of 120 Skilled Care Beds, 127 Personal Care Beds and 34 Dementia/Memory Care Beds. Phase three of the facility is currently under construction with the first building consisting of 104 independent living units scheduled to be finished in the Fall of 2026.

A variety of different apartment models are offered. Apartment unit types include studio, one and two bedrooms with one bath; two bedrooms with 1½ or 2 bathrooms; 2 bedrooms and den with 2 bathrooms. Each apartment includes a full kitchen, with cabinetry, refrigerator, stove/oven unit, microwave oven and dishwasher.

Each apartment will also include:

- Wall-to-wall carpeting
- Quality laminate & vinyl flooring in kitchens and bath(s)
- Storage space
- Appliances
- Individual temperature control (Thermostat)

SERVICES – INDEPENDENT LIVING

Services are provided in accordance with the terms of the Shannondell at Valley Forge Residence and Care Agreement, a copy of which is attached. Services provided by Shannondell at Valley Forge and included in the Monthly Service Fee:

- Buildings and Common Areas – Shannondell at Valley Forge will maintain all community buildings and common areas, including lawns, walkways and driveways including snow removal.
- Emergency Call System and Security – All Residences will be equipped with an emergency call system by which Residents can contact personnel who will be available to respond to calls 24 hours a day, seven days a week. Any medical services which may be provided in response to an emergency call will be billed to Residents separately by the provider of such services.
- Housekeeping – Shannondell at Valley Forge will be responsible for the housekeeping in all public areas. In addition, housekeeping will be provided for each Residence, once every other week. Additional housekeeping services are available for an additional fee.
- Maintenance and Repair – Shannondell at Valley Forge will be responsible for all necessary maintenance and repairs of property and equipment owned by Shannondell.

- Meals – Meals will be available in the dining room(s). The Monthly Fee includes twenty (20) meals per month per person residing in the Residence. Additional meals including meals for guests are available for an additional fee.
- Programs and Activities – Social, educational, cultural, recreational and wellness activities are available for those that wish to participate. There may be an additional charge for certain special activities offered outside of Shannondell at Valley Forge.
- Real Estate Taxes – The Monthly Fee includes any real estate taxes which may be applicable to the Residence (including an apportionment of the real estate taxes for other areas of Shannondell at Valley Forge).
- Transportation – Scheduled transportation is provided to local shopping centers and medical facilities.
- Trash and Garbage – Shannondell at Valley Forge will provide trash and garbage removal for trash and items brought to designated collection sites.
- Utilities – Water, Sewer and electricity are included in the Monthly Fee. Each Residence will be cable, internet and telephone ready. The cost of cable, internet and telephone services are the Residents responsibility.

SERVICES – HEALTH CARE CENTER

Services are provided in accordance with the terms of the Health Care Center Residence and Care Agreements, copies of which are attached. The Health Care Center requires the payment of a Security Deposit. The Security Deposit is refundable pending the final payment in full by the Resident for all outstanding charges after the Health Care apartment is vacated. Health Care Center residents pay a Monthly Service Fee for actual services rendered. Services provided by the Healthcare Center included in the Monthly Service Fee include:

- Buildings and Common Areas – Shannondell at Valley Forge will maintain all community buildings and common areas, including lawns, walkways and driveways including snow removal.
- Emergency Call System and Security – All Residences will be equipped with an emergency call system by which Residents can contact personnel who will be available to respond to calls 24 hours a day, seven days a week. Any medical services which may be

provided in response to an emergency call will be billed to Residents separately by the provider of such services.

- Meals – Three (3) meals per day will be provided. Additional meals including meals for guests are available for an additional fee.
- Programs and Activities – Social, educational, cultural, recreational and wellness activities are available for those that wish to participate. There may be an additional charge for certain special activities offered outside of Shannondell at Valley Forge.
- Real Estate Taxes – The Monthly Fee includes any real estate taxes which may be applicable to the Residence (including an apportionment of the real estate taxes for other areas of Shannondell at Valley Forge).
- Transportation – Scheduled transportation is provided to local shopping centers and medical facilities. A separate fee may be charged for these services.
- Trash and Garbage – Shannondell at Valley Forge will provide trash and garbage removal.
- Utilities – Water, Sewer and electricity are included in the Monthly Fee. Each Residence will be cable, internet and telephone ready. The cost of cable, internet and telephone services are the Residents responsibility.
- Sections II and Exhibit 2a of the Residence and Care Agreement provide additional details concerning these services as well as optional service items that are available for additional charges.

Shannondell Residents requiring temporary or long-term nursing care or personal care will receive priority admission to the Personal Care/Memory Care/Nursing Facilities at the Meadows and/or Rehab at Shannondell. If a bed at the Meadows and/or Rehab at Shannondell is not available at the time that resident(s) have a need for such care and services Shannondell will arrange for the resident's transfer to the Personal Care, Memory Care or Nursing Facility of the Resident's choice or to the facilities with which Shannondell will maintain transfer agreements. Services provided at the Meadows and/or Rehab at Shannondell are provided at an additional charge. Additional details concerning the nursing and personal care services are included in Section IV of the Residence and Care Agreement.

ENTRANCE FEES AND MONTHLY SERVICE FEES

Residents of Shannondell at Valley Forge pay a one-time, 90% or 80% refundable Entrance Fee and a recurring Monthly Service Fee. Upon reservation of an apartment and execution of the Residence and Care Agreement, future Residents pay a deposit of $15,000. The remainder is due prior to occupancy. No interest is paid on deposits.

Residents of the Health Care Center are required to pay a Security Deposit. The Security Deposit is 100% refundable pending the final payment in full by the Resident for all outstanding charges after the Health Care Unit is vacated. Health Care Center residents pay a Monthly Service fee for actual services rendered.

Section VII of the Residence and Care Agreement provide details and procedures concerning the Refund of the Entrance Fee.

A current schedule of Entrance Fees and Monthly Service Fees is attached as Exhibit B. It is expected that the Monthly Service Fee will be increased periodically to cover increases in the cost of providing services to residents as well as for other reasons specified in Section VI of the Residence and Care Agreement.

SOURCES AND APPLICATION OF FUNDS

The total estimated costs to construct and develop Phase I, Phase II and Phase V of Shannondell at Valley Forge is estimated to be approximately $380 million. Exhibit C includes a description of these project costs as well as the projected sources of funds. Financing for Phase I, Phase II and Phase V of the Project has been provided primarily through a construction loan (the "Construction Loan") M&T Bank ("the Bank"). Advances under the Construction Loan are being used for the purpose of constructing Phase II and Phase V of the Project. The total Entrance Fees which can be expected to be received for Phase I and Phase II of the community are estimated at $380 million.

SECTION II

Projected Revenues and Expenses: Exhibit D presents the projected revenues and expenses for the Facility for the next year. Initial working capital was funded through the Construction Loan to cover projected start-up costs and operating losses.

Independent Auditor's Report: Provided as an attachment to this Disclosure Statement.

Financial Statements Year Ended December 31, 2025: Provided as an attachment to this Disclosure Statement.

The Chief Executive Officer (CEO) and/or Senior Executive Officer (SEO) of Shannondell at Valley Forge or their designated appointee will be available to meet with you and/or your advisors to discuss the financial information presented in this Disclosure Statement or to respond to your questions.

EXHIBIT A

SHANNONDELL, INC.

Board of Directors and Officers

James A Sorom
Shannondell, Inc
Chief Executive Officer
10000 Shannondell Drive
Audubon, PA 19403

Scott R. Darrenkamp
Shannondell, Inc
Senior Executive Officer
10000 Shannondell Drive
Audubon, PA 19403

David S. Rittenhouse
Shannondell, Inc
President
[redacted]

Jim Sorom, CEO of Shannondell at Valley Forge. As CEO, Mr. Sorom is responsible for the overall operations of Shannondell at Valley Forge. Mr. Sorom has more than 46 years of experience in retirement housing, management, marketing and development. Prior to joining Shannondell, Mr. Sorom was Senior Vice President of Operations for CRSA a nationally recognized firm specializing in the senior housing industry. CRSA develops, markets and operates communities all across the United States. As part of Mr. Sorom's responsibilities, with CRSA he was involved in the development and/or opening operations of 25 plus retirement communities across the country. Before joining Shannondell in 1999, he worked for CRSA for 20 years.

Scott Darrenkamp, SEO and Director of Finance at Shannondell at Valley Forge. Mr. Darrenkamp is responsible for the oversight and management of the Finance and Accounting functions at Shannondell at Valley Forge as well as providing support for the overall operations at Shannondell. Mr. Darrenkamp has more than 32 years of experience in accounting and business/operations management. Prior to joining Shannondell, Mr. Darrenkamp worked for Genesis Health Ventures, Inc. Genesis is a provider of short-term post-acute, rehabilitation, skilled nursing and long-term care services. Genesis operates skilled nursing centers and assisted/senior living residences across the United States. As a part of Mr. Darrenkamp's responsibilities with Genesis, he was involved with accounting management and corporate wide financial statement consolidation and review. He joined Shannondell in 2003.

Dave Rittenhouse, President of Shannondell Inc. As President, Mr. Rittenhouse is responsible for all corporate, governmental, and licensing affairs. Mr. Rittenhouse has been with Shannondell since 1999.

EXHIBIT B

RANGE OF STARTING ENTRANCE FEES AND MONTHLY SERVICE FEES

STUDIO

Entrance: $199,000 / Monthly: $2,260

1 BEDROOM

Entrance: $295,000 - $575,000 / Monthly: $2,600 - $3,600

1 BEDROOM & DEN

Entrance: $450,000 - $575,000 / Monthly: $3,250 - $3,500

2 BEDROOM

Entrance: $450,000 - $680,000 / Monthly: $3,350 - $4,600

2 BEDROOM & DEN

Entrance: $615,000 - $990,000 / Monthly: $4,675 - $5,935

SECOND PERSON FEE

Entrance: None / Monthly $1,250

HEALTHCARE CENTER

Skilled – Entrance Fee: None / Daily $730 plus Ancillary Charges

Personal Care – Entrance Fee: None / Monthly: $7,000 - $11,500 plus Ancillary Charges

Personal Care – Second Person Fee: $2,150 plus Ancillary Charges

Memory Care – Entrance Fee: None / Monthly: $9,500 plus Ancillary Charges

EXHIBIT C

SOURCES AND APPLICATION OF FUNDS

	PHASE I	PHASE II	PHASE V	Total
SOURCES OF FUNDS:				
Construction Loan	$123,556,000	$189,972,000	$65,946,000	$379,474,000
TOTAL SOURCES OF FUNDS	$123,556,000	$189,972,000	$65,946,000	$379,474,000
USES OF FUNDS:				
Construction costs	$78,311,778	$131,763,000	42,325,000	$252,399,778
Architectural	$2,825,330	$2,406,000	1,565,000	$6,796,330
Furniture and equipment	$3,152,388	$4,785,000	5,974,000	$13,911,388
Other project costs	$4,434,645	$10,142,000	3,498,800	$18,075,445
Permits and fees	$2,968,316	$4,477,000	1,455,000	$8,900,316
Connection fees	$1,618,224	$2,476,000	2,112,000	$6,206,224
Contingency	$5,067,452	$7,213,000	2,136,200	$14,416,652
Construction supervision	$499,334	$1,400,000	250,000	$2,149,334
Marketing and organizational costs	$11,724,404	$8,915,000	2,086,000	$22,725,404
TOTAL PROJECT RELATED COSTS	110,601,871	173,577,000	61,402,000	345,580,871
Funded interest	3,590,275	11,450,000	3,125,000	$18,165,275
Working capital	5,676,714	250,000	494,000	$6,420,714
Legal fees	706,838	390,000	150,000	$1,246,838
Financing costs	2,980,302	4,305,000	775,000	$8,060,302
TOTAL FINANCING RELATED COSTS	12,954,129	16,395,000	4,544,000	33,893,129
TOTAL USES OF FUNDS	$123,556,000	$189,972,000	$65,946,000	$379,474,000

EXHIBIT D

PROJECTED REVENUES AND EXPENSES

	2026
Operating Revenues:	
Residential Units	53,491,943
HCC	43,393,642
All Other	944,688
Loan Interest Income	17,410,000
Total Operating Revenue	115,240,273
Operating Expenses:	
Administration	10,522,620
Facilities Costs	4,872,000
Marketing	2,879,736
Housekeeping	2,188,595
Environmental Services	8,580,921
Security	660,440
Food Service	11,597,415
Activities	1,762,287
Fitness	508,475
HCC	41,022,195
Lease Payments	19,615,447
Total Operating Expenses	104,210,131
Operating Income (Loss)	11,030,142

EXHIBIT E

SCHEDULE OF ENTRANCE FEE AND MONTHLY SERVICE FEE INCREASES

RANGE OF STARTING ENTRANCE FEES & MONTHLY SERVICE FEES

	2024		2025		2026	
Type of Unit	Entrance Fee	Monthly Fee	Entrance Fee	Monthly Fee	Entrance Fee	Monthly Fee
Studio	$199,000	$2,100	$199,000	$2,185	$199,000	$2,260
One Bedroom	$295,000	$2,400	$295,000	$2,500	$295,000	$2,600
One Bedroom & Den	$350,000	$3,000	$450,000	$3,125	$450,000	$3,250
Two Bedroom	$385,000	$3,100	$450,000	$3,225	$450,000	$3,350
Two Bedroom & Den	$575,000	$4,200	$615,000	$4,365	$615,000	$4,675
Second Person Fee	$0	$1,160	$0	$1,205	$0	$1,250
HCC – Personal Care/Memory Care	$0	$6,430 / $10,395	$0	$6,800 / $11,000	$0	$7,000 / $11,500
HCC – Skilled		$658 / Day		$678 / Day		$730 / Day

PRICES ARE SUBJECT TO CHANGE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and
Stockholder of Shannondell, Inc.
Audubon, Pennsylvania

Qualified Opinion

We have audited the accompanying financial statements of Shannondell, Inc. (a Pennsylvania corporation) which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects on the accompanying financial statements of the matter described in the Basis for Qualified Opinion section of our report, the 2025 financial statements referred to above present fairly, in all material respects, the financial position of Shannondell, Inc. as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Draft

As more fully described in the notes to the financial statements, the Company's financial statements do not include the accounts of the three lessors of real estate to the Company that the Company has determined are variable interest entities and in which the Company holds a variable interest and is the primary beneficiary. In our opinion, the Company's financial statements should include the accounts of three Lessors of real estate to conform with accounting principles generally accepted in the United States of America. It is not practicable to determine the effects of this departure from generally accepted accounting principles on the financial position, results of operations, and cash flows of Shannondell, Inc.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Shannondell, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Prior Period Financial Statements

The financial statements as of December 31, 2024, were audited by Kimmel, Lorah & Associates, LLP, who merged with Stephano Slack LLC as of January 1, 2026, and whose report dated April 28, 2025, expressed a qualified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Shannondell, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

Draft

- 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 Shannondell, Inc.'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 Shannondell, Inc.'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.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of Shannondell, Inc. and the Commonwealth of Pennsylvania Insurance Department and is not intended to be and should not be used by anyone other than those specified parties.

Stephano Slack LLC

April 30, 2026
Wayne, Pennsylvania

Draft

SHANNONDELL, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

Draft

SHANNONDELL, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

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SHANNONDELL, INC.
BALANCE SHEETS
December 31, 2025 and 2024

ASSETS

	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	$ 8,621,324	$ 10,831,849
Assets limited as to use - restricted cash:		
Statutory liquid reserves	245,811	273,884
Entrance fee escrow account balance	100,668	100,388
Total cash, cash equivalents and restricted cash	8,967,803	11,206,121
Accounts receivable, net of allowance for credit losses of $203,000	9,689,596	9,796,094
Advances, short-term	6,000,000	4,000,000
Entrance fees receivable on settled units	620,450	857,536
Prepaid management company charges	12,725,409	10,721,011
TOTAL CURRENT ASSETS	38,003,258	36,580,762
RIGHT-OF-USE ASSETS - operating, net of accumulated amortization	162,164,282	55,163,650
DEFERRED INCOME TAX BENEFITS, net of valuation allowance	1,025,788	2,856,340
NOTES RECEIVABLE	444,282,526	420,478,085
TOTAL ASSETS	$ 645,475,854	$ 515,078,837

LIABILITIES AND STOCKHOLDER'S DEFICIT

Draft

CURRENT LIABILITIES		
Current portion of operating lease liabilities	$ 15,662,636	$ 20,040,973
Current portion of accrued rent	28,621,009	26,603,016
Accounts payable to management companies	-	1,029,742
Accounts payable to others	298,807	425,987
Corporate net income taxes payable	237,714	148,375
Refundable waiting list deposits	737,500	772,500
Deposits on unoccupied units	1,545,004	570,000
Entrance fee refunds to prior residents	3,061,340	1,760,625
Meadows refundable security deposits	18,265,058	18,263,314
Accrued settlement payable	4,400,000	4,400,000
TOTAL CURRENT LIABILITIES	72,829,068	74,014,532
OPERATING LEASE LIABILITIES, long-term	146,967,161	35,122,677
ACCRUED RENT, long-term	129,157	557,855
REFUNDABLE ENTRANCE FEES	429,004,027	413,788,456
TOTAL LIABILITIES	648,929,413	523,483,520
STOCKHOLDER'S DEFICIT		
Common stock, Class A Voting, $1.00 par value;		
1,000,000 shares authorized, 500 shares issued and outstanding	500	500
Common stock, Class B Nonvoting, $1.00 par value;		
1,000,000 shares authorized, no shares issued and outstanding	-	-
Accumulated deficit	(3,454,059)	(8,405,183)
TOTAL STOCKHOLDER'S DEFICIT	(3,453,559)	(8,404,683)
TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT	$ 645,475,854	$ 515,078,837

See accompanying notes.

SHANNONDELL, INC.
STATEMENTS OF INCOME AND ACCUMULATED DEFICIT
For the Years Ended December 31, 2025 and 2024

	2025	2024
REVENUES		
Resident services		
Independent living facility	$52,483,773	$49,990,243
Meadows assisted living, dementia, and nursing facility	40,097,540	37,945,773
Total resident services	92,581,313	87,936,016
Miscellaneous revenue	529,503	473,838
TOTAL REVENUES	93,110,816	88,409,854
EXPENSES		
Rent expense	20,804,861	20,281,753
Bank service charges	315,216	218,798
Credit loss expense	203,000	-
Fees charged by management companies:		
Administrative expense	14,567,106	13,493,954
Management company management fees	6,421,677	6,116,010
Dining	15,435,778	15,296,163
Nursing and therapy	16,595,237	15,987,259
Maintenance	6,572,775	5,903,984
Marketing	4,999,715	4,109,031
Facilities cost fee	6,203,710	5,878,830
Utilities	3,626,773	3,443,888
Housekeeping	3,388,070	3,151,037
Activities	2,261,830	2,045,949
Security fee	623,869	564,345
Non-operating fees	2,050,053	1,714,475
TOTAL EXPENSES	104,069,670	98,205,476
INCOME FROM OPERATIONS BEFORE OTHER INCOME (EXPENSE) AND PROVISION FOR INCOME TAXES	(10,958,854)	(9,795,622)
OTHER INCOME (EXPENSE)		
Interest income	18,128,244	17,108,372
Loss on settlement	-	(4,400,000)
NET INCOME BEFORE PROVISION FOR INCOME TAXES	7,169,390	2,912,750
PROVISION FOR INCOME TAXES		
Current	(387,714)	(148,375)
Deferred tax benefit (expense) of operating loss carryforwards, net of valuation allowance	(1,830,552)	(906,487)
PROVISION FOR INCOME TAXES	(2,218,266)	(1,054,862)
NET INCOME	4,951,124	1,857,888
ACCUMULATED DEFICIT AT BEGINNING OF YEAR	(8,405,183)	(10,263,071)
ACCUMULATED DEFICIT AT END OF YEAR	$ (3,454,059)	$ (8,405,183)

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See accompanying notes.

SHANNONDELL, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,951,124	$ 1,857,888
Adjustments to reconcile net income to net cash provided by operating activities		
Non-cash operating lease cost	465,515	-
Allowance for credit loss expense	203,000	-
(Increase) decrease in assets:		
Accounts receivable	(96,502)	(55,581)
Advances, short-term	(2,000,000)	(4,000,000)
Entrance fees receivable on settled units	237,086	(165,500)
Prepaid expenses	-	149,844
Prepaid management company charges	(2,004,398)	(3,619,267)
Deferred income tax benefits, net of valuation allowance	1,830,552	906,487
Increase (decrease) in:		
Accounts payable to management companies	(1,029,742)	(1,041,886)
Accounts payable to others	(127,180)	240,018
Corporate net income taxes payable	89,339	(220,922)
Entrance fee refunds payable to prior residents	1,300,715	105,100
Meadows refundable security deposits	1,744	1,584,974
Accrued settlement payable	-	4,400,000
Accrued rent payable	1,589,295	1,531,703
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,410,548	1,672,858
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in notes receivable	(42,554,491)	(39,669,145)
Repayment of notes receivable	18,750,050	18,750,050
NET CASH USED BY INVESTING ACTIVITIES	(23,804,441)	(20,919,095)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in refundable waiting list deposits, net	(35,000)	60,000
Increase (decrease) in deposits on unoccupied units	975,004	(75,000)
Increase in refundable entrance fees	15,215,571	14,506,783
NET CASH PROVIDED BY FINANCING ACTIVITIES	16,155,575	14,491,783
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(2,238,318)	(4,754,454)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	11,206,121	15,960,575
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 8,967,803	$11,206,121
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ -	$ -
Income taxes paid	$ 298,375	$ 369,297
Cash paid during the year for operating leases	$ 16,601,447	$16,601,447
Non-cash investing and financing activities:		
Right-of-use assets - operating leases, beginning of year (lease modifications)	$ 121,940,645	$ -
Lease liabilities - operating leases, beginning of year (lease modifications)	$ 122,515,644	$ -

Draft

See accompanying notes.

THE COMPANY AND NATURE OF OPERATIONS

Shannondell, Inc. (the "Company") is a Pennsylvania for-profit Corporation located at 10000 Shannondell Drive, Audubon, Pennsylvania. The Company is a premier provider of retirement community living services on its 95-acre campus in Montgomery County, Pennsylvania. Since the Company started in 2003, the campus has expanded to eleven independent living resident buildings, two community center buildings and a health care center. The eleven independent living resident buildings consist of 1,106 independent living units. The Meadows Health Care Center (the "Meadows") consists of two buildings which include a total of 120 skilled care beds, 140 personal care beds and 34 dementia/memory care beds. The Company is home to approximately 1,600 residents as of December 31, 2025 and 2024, one of the largest such facilities in the region.

The Company provides studio, one- and two-bedroom dwelling units in eleven different multi-family housing buildings to its senior citizen residents. The model for the residents utilized by the Company is to offer residency for life subject to the terms and conditions contained in the Residence and Care Agreement, which results in Entrance Fees paid minus a five percent Vacancy Fee being refundable. This differs from a Fee Simple Deed which grants outright ownership, by limiting the resident's occupancy of the dwelling unit to just their lifetime with no beneficial remainder interest at death.

Residency is typically initiated upon reservation of an apartment and execution of the Residence and Care Agreement and payment of a refundable $15,000 deposit. When the Resident dwelling unit is available, settlement occurs, and the remainder of the Entrance Fee is then due, and the unit then becomes available for occupancy. Residents may reside in their dwelling unit for the balance of their life or until they terminate the Residence and Care Agreement. The Entrance Fee paid minus a Vacancy Fee ranging between five and twenty percent as elected by the resident is refundable upon the reassignment and receipt of a new Entrance Fee for the Resident dwelling unit after the Resident no longer resides at the Shannondell facility. Residents pay a monthly fee which can vary by the size of the dwelling, the number of occupants, meal plan and other care services that each individual Resident has selected. The monthly fee may be increased from time to time upon thirty days' advance notice to the residents.

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The Meadows provides assisted living care to Residents who no longer have the capability to remain in their dwelling unit. Meadows residents pay monthly fees for actual services rendered on an individual basis. Independent living unit Residents who move to the Meadows Health Care Center pay no Security Deposit because their Independent Living Unit entrance fee is held as security until they no longer live at Shannondell. New Residents who move to the Personal Care and Dementia Care facilities pay a refundable Security Deposit that is equal to the equivalent of one month's estimated service fees.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Variable Interest Entities Guidance

The Company has evaluated its relationships with certain affiliated lessor entities (the "Lessor Entities") in accordance with ASC 810, *Consolidation*. The Company has determined that these entities are variable interest entities ("VIEs") and that the Company is the primary beneficiary due to its role as a co-borrower on the entities' debt and its exposure to the variability of returns.

The accompanying financial statements do not include the accounts of the Lessor Entities which consist of Audubon Farms, L.P. and its wholly owned subsidiary, AF II, LLC, AF5, LLC and OMAF, LLC (see "Operating Leases", "Credit Risk" and "Concentrations" notes). Management has determined that consolidation of these entities would be required to conform with accounting principles generally accepted in the United States of America.

The Company has not consolidated the Lessor Entities because the information necessary to apply consolidation accounting, including certain financial information of the Lessor Entities, is not currently available. Accordingly, the effects of this departure on the accompanying financial statements have not been determined.

Revenue Recognition

The Company follows the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". As such, the Company elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price, and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

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Application Fees

Application fees for independent living units, which are not refundable, are recognized as income in the period in which the Residence and Care Agreement is signed.

Advertising

The Company expenses advertising costs and other promotional expenses as they are incurred. Marketing expense was $4,999,715 and $4,109,031 in 2025 and 2024, respectively.

Cash, Cash Equivalents and Restricted Cash

The Company follows ASU 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, and restricted cash in the statement of cash flows. As a result, entities no longer present transfers between cash and cash equivalents and restricted cash in the statement of cash flows. The ASU requires changes in the Company's restricted cash to be classified as either operating activities, investing activities or financing activities in the Statement of Cash Flows, depending on the nature of the activities that gave rise to the restriction.

For the purpose of reporting cash in the statements of cash flows, the Company considers all unrestricted highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Assets Limited As To Use - Restricted Cash

Assets limited as to use - restricted cash are required by the Pennsylvania Continuing Care Provider Registration and Disclosure Act (Act 82) and consist of amounts escrowed for refundable entrance fee deposits on unoccupied units, plus interest thereon, of $100,668 and $100,388 at December 31, 2025 and 2024, respectively; and a statutory minimum liquid reserve relative to residents with continuing care contracts of $245,811 and $273,884 at December 31, 2025 and 2024, respectively. Assets limited as to use that are required for obligations classified as current liabilities are reported as current assets.

Accounts and Entrance Fees Receivable

Trade accounts receivable and entrance fees receivable on settled units are reported at the amount of principal outstanding. Amounts receivable from residents are secured by refundable entrance fees on independent living units, which are applied when the entrance fees become refundable, and by security deposits equal to approximately one month's fees of residents in the Meadows' assisted living Personal Care and Dementia Care facilities. Accounts receivable was $9,689,596 and $9,796,094 at December 31, 2025 and 2024, respectively. Entrance fees receivable was $620,450 and $857,536 at December 31, 2025 and 2024, respectively. On a periodic basis, management evaluates its accounts receivable and establishes an allowance for credit losses based on relevant available information about past events, current conditions, and reasonable and supportable forecast information. Historical credit loss experience provides a basis for the estimate of expected credit losses. An account is written off when it is determined that all collection efforts have been exhausted. At December 31, 2025, the allowance for credit losses was $203,000.

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Notes Receivable

Notes receivable is stated at unpaid principal balances. The borrower may borrow up to $450,000,000 on a revolving basis, with a maturity due date of December 31, 2027. Based on management's assessment of Audubon Farms, L.P.'s ("AFLP") credit history and current relationship with AFLP, it has concluded that realization losses on loan balances outstanding at year-end will be immaterial. Accordingly, notes receivable is reported at the amount of principal outstanding. Interest on loans is recognized at a fixed 4% over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. The balance due to the Company was $444,282,526 and $420,478,085 at December 31, 2025 and 2024, respectively.

In addition to accounts receivable, the Company evaluates its notes receivable for expected credit losses in accordance with ASC 326. The Company's notes receivable are primarily due from an affiliated entity and are secured by a perfected first lien security interest in underlying lease agreements. Based on management's assessment of the borrower's historical performance, financial condition, collateral value, and current economic conditions, management has concluded that an allowance for expected credit losses on notes receivable is not necessary as of December 31, 2025 and 2024.

Measurement of Credit Losses on Financial Instruments

The Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Company adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. Financial assets held by the Company that are subject to ASU 2016-13 include accounts receivable and notes receivable.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Deposits On Unoccupied Units

Entrance Fee deposits on unoccupied units, paid by a resident upon entering into a Residence and Care Agreement, are held in escrow pursuant to the Pennsylvania Continuing Care Provider Registration and Disclosure Act (Act 82) and are reported as a current liability, Deposits On Unoccupied Units, in the accompanying financial statements until such time as they are released from escrow pursuant to the provisions of the Pennsylvania Continuing Care Provider Registration and Disclosure Act (Act 82) or the unit is available for occupancy. The cash being escrowed is reported in current assets as Assets Limited As To Use - Restricted Cash and Cash Equivalents. The footnote earlier provides additional information relative to the escrowed funds. Balances as of December 31, 2025 and 2024 were $1,545,004 and $570,000, respectively.

Refundable Entrance Fees

The Entrance Fees paid by residents are accounted for and reported as a liability pursuant to FASB ASC 954-430 Deferred Revenue standards, as amended in accordance with Accounting Standards Update ("ASU") No. 2012-01 *Health Care Entities* (Topic 954). The Residence and Care Agreement provides that Residents are entitled to a refund of the Entrance Fee after termination of the Resident's Residence and Care Agreement in an amount equal to the Entrance Fee paid minus a five percent to twenty percent Vacancy Fee to cover the reasonable costs of cleaning and refurbishing the residence and general restoration of the residence to its original condition. A Resident will be paid any refund to which the Resident is entitled under the Residence and Care Agreement upon the reassignment of the Residence and the receipt of the new Entrance Fee for the Residence after the Resident no longer resides at the Shannondell facility. Balances as of December 31, 2025 and 2024 were $429,004,027 and $413,788,456, respectively.

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Obligation to Provide Future Services

Pursuant to the independent living unit's Resident and Care Agreement, Monthly Fees are charged to the residents from the date the dwelling is available for occupancy. The Monthly Fees may be increased or decreased by the Company, on an unlimited basis, upon written thirty-day notice to Residents. There were fifteen and seventeen residents as of December 31, 2025 and 2024, respectively, at the Meadows facility with a continuing care contract. As of December 31, 2025 and 2024, the Meadows operating budget shows negative results of operations for the years 2026 through 2029.

The Company has evaluated its obligation to provide future services to residents with continuing care contracts in accordance with ASC 954-430. Management considered the terms of the resident agreements, projected operating results, and anticipated future cash flows.

Based on this evaluation, management has concluded that the present value of the cost of providing future services does not exceed the related deferred revenue and future fees expected to be collected. Accordingly, no liability for the obligation to provide future services has been recorded as of December 31, 2025 and 2024.

Fair Value of Financial Instruments

As required by the *Fair Value Measurement* Topic of FASB Accounting Standards Codification No. 820 ("FASB ASC 820"), the carrying amounts for cash, accounts receivable, advances - short term, prepaid management company charges, and accounts payable to others approximate their fair value because of their short-term maturity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The tax provision differs from amounts that would be calculated by applying federal statutory rates to income before income taxes primarily because of deferred taxes being recognized, net of a valuation allowance, for operating losses that are available to offset future taxable income. The Company adopted ASC 2015-17, *Balance Sheet Classification of Deferred Taxes,* and has presented its deferred tax asset as noncurrent on the balance sheet.

With few exceptions, the Company is no longer subject to U.S. federal or Pennsylvania state income tax examinations by tax authorities for years before 2022.

Leases

The Company adopted the provisions of "Accounting Standards Codification Topic 842 *Leases* (ASC 842)" using the modified retrospective transition method as of the effective date. For contracts entered into on or after the effective date, at the inception of a contract, the Company considers all relevant facts and circumstances to assess whether the contract represents a lease by determining whether the contract conveys the right to control the use of an identified asset, either explicitly or implicitly, for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and lease liability for all financing and operating leases with terms greater than twelve months.

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The Company elects the practical expedients that allow lease and non-lease components to be accounted for as a single lease component for lessees and lessors, to not recognize operating lease right-of-use assets and operating lease liabilities related to short-term leases, and to utilize the existing risk-free discount rate for purposes of calculating the right-of-use assets and operating lease liabilities. The practical expedients above are elected by class of underlying assets and the Company has applied the practical expedients to all asset classes. The right-of-use assets are amortized on a straight-line basis over the lease term and are tested for impairment in a manner consistent with the other long-lived assets held by the Company.

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that reconcile to the total of cash, cash equivalents and restricted cash presented in the statement of cash flows as of December 31, 2025 and 2024, respectively.

	2025	2024
Cash and cash equivalents	$8,621,324	$10,831,849
Assets limited as to use - restricted cash:		
Statutory liquid reserves	245,811	273,884
Entrance fee escrow account balance	100,668	100,388
Total cash, cash equivalents and restricted cash per the financial statements	$8,967,803	$11,206,121

STATUTORY LIQUID RESERVES

The Company has been advised by its legal counsel that, with the exception of just a few resident contracts, pursuant to the Pennsylvania Continuing Care Provider Registration and Disclosure Act (Act 82) its resident contracts are not continuing care contracts and it is not required to establish and maintain statutory liquid reserves due to the provisions contained in its resident and care agreement whereby no commitment has been made to provide future nursing services, medical services or other health-related services to the residents, even though the resident contract provides for holding a resident's entrance fee for more than one year, until it is fully refundable when the next resident's entrance fee is paid for that independent living unit, and it also provides for priority entrance to a nursing home facility when needed in the future.

There were fifteen and seventeen residents as of December 31, 2025 and 2024, respectively, at the Meadows facility with continuing care contracts and therefore the statutory liquid reserves as of December 31, 2025 and 2024 are calculated as follows:

	2025	2024
Meadows facility subsequent year's operating expense budget	$44,082,195	$40,277,072
Applicable statutory percentage	10%	10%
10% of projected annual operating expenses	4,408,220	4,027,707
Percent of continuing care contracts *(rounded)*	5.576%	6.800%
Statutory liquid reserve requirement *(rounded)*	$ 245,811	$ 273,884

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ADVANCES, SHORT-TERM

At December 31, 2025, the Company was due an advance of $6,000,000 from Dell Retirement Services, one of its management companies. These funds were repaid on January 15, 2026.

At December 31, 2024, the Company was due an advance of $4,000,000 from Dell Retirement Services, one of its management companies. These funds were repaid on January 3, 2025.

CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash balances in financial institutions, prepaid management company charges, notes receivable from AFLP, accounts receivable from Residents or their health insurance and Entrance Fees receivable, in the future, pursuant to Residence and Care Agreements, which are from the Residents or their responsible party. The Resident's Entrance Fees serves as collateral. Prepaid management company charges will be repaid by offsetting future management company charges. Notes receivable from AFLP are secured by a perfected first lien security interest on personal property which consists of a lease agreement between Fast Phase, LLC and AFLP dated September 13, 2001, as amended September 1, 2016, for an additional term ending September 13, 2031. Management believes the concentration of credit risk is minimal due to the nature of the receivables.

The Company maintains cash balances at various financial institutions located in Pennsylvania. Accounts at each institution are insured by the U.S. Federal Deposit Insurance Corporation up to $250,000. The Company had cash on deposit with a single financial institution amounting to $9,009,844 and $11,187,587 at December 31, 2025 and 2024, respectively. The Company has not experienced any losses on these funds.

LONG-TERM NOTES RECEIVABLE

On January 3, 2003, the Company entered into a loan agreement with the borrower AFLP in the amount of $65,000,000. As of December 31, 2017, there were four amendments to the loan agreement and the fourth amendment increased the loan amount to $325,000,000 bearing interest at a rate of prime plus two percentage points. On August 1, 2018, the fifth amendment increased the loan amount to $365,000,000 bearing interest at a rate of three percent (3%). On August 1, 2019, the sixth amendment retained the loan amount at $365,000,000 and increased the interest rate to a rate of four percent (4%) retroactively to January 1, 2019. The loan is secured by a perfected first lien security interest on the lease agreement dated September 13, 2001 between Fast Phase, LLC (Lessor) and AFLP (Lessee), which lease term ends September 13, 2031. The loan provides for the Company to extend credit to AFLP on a revolving credit basis. Effective April 1, 2022, the seventh amendment extended the maturity date to December 31, 2027 at which time AFLP is required to repay the unpaid principal balance and interest. Effective December 31, 2023, the eighth amendment increased the loan amount to $450,000,000, with all other terms remaining the same. The Company has Notes Receivable with AFLP in the amount of $444,282,526 and $420,478,085 as of December 31, 2025 and 2024, respectively.

ACCRUED SETTLEMENT PAYABLE

On March 17, 2025, the Company reached a settlement in a lawsuit for which it has agreed to escrow $4,400,000 to be paid for claims processed by plaintiffs, as well as their legal fees. This amount is included in the accrued settlement payable balance as of December 31, 2025 and 2024. No amounts have been paid as of the date of these financial statements.

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RELATED PARTIES

The Company engages in various transactions with related parties, including entities under common ownership or control. These entities include Audubon Farms, L.P. ("AFLP"), Dell Retirement Services, Inc. ("DRS"), Meadows Management, Inc. ("MMI"), and certain affiliated lessor entities.

These relationships include management service arrangements, financing arrangements, lease agreements, and guarantees. Amounts due to and from related parties and the related transactions are disclosed in the accompanying financial statements and notes. Management believes that the terms of these arrangements are consistent with those that would be obtained in arm's-length transactions.

FEES CHARGED BY MANAGEMENT COMPANIES

The Company has entered into a management agreement with Dell Retirement Services, Inc. ("DRS"), of Audubon, Pennsylvania, effective October 1, 2002, as revised December 21, 2025, and ending December 31, 2030. Pursuant to the management agreement, DRS will manage and provide all services and supplies necessary for the operation of the continuing care retirement community facility of the Company, except for the Meadows, and will invoice the Company on a monthly basis for all costs and expenses, in arrears, of the Company operations, plus six and one half percent (6.5%) of the greater of all reimbursable expenses or gross revenue. In addition, the Company shall pay a Base Management Fee of $15,000 per month to DRS. Therefore, the Company will not directly incur any costs of operations on its own behalf.

During the year 2025, DRS invoiced the Company a total of $44,540,241 and the Company paid DRS a total of $51,316,308, resulting in a prepaid management company charges balance of $6,776,067 as of December 31, 2025. During the year 2024, DRS invoiced the Company a total of $40,993,067 and the Company paid DRS a total of $47,918,753, resulting in a prepaid management company charges balance of $6,925,686 as of December 31, 2024. If at any time management terminates the agreement, the Company is then required to pay certain minimum amounts pursuant to the contract.

FEES CHARGED BY MANAGEMENT COMPANIES, CONTINUED

The Company has entered into a management agreement with Meadows Management, Inc. ("MMI"), of Audubon, Pennsylvania, effective February 1, 2005, as revised December 20, 2025, and ending December 31, 2030. Pursuant to the management agreement, MMI will manage and provide all services and supplies necessary for the operation of the Meadows facility. MMI will invoice the Company on a monthly basis a Base Management Fee of $12,000 per month plus six and one-half percent (6.5%) of all operating revenues generated by the Facility. Therefore, the Company will not directly incur any costs of operations of the Meadows facility on its own behalf.

During the year 2025, MMI invoiced the Company a total of $38,206,351 and the Company paid MMI a total of $44,155,693, resulting in a prepaid management company charges balance of $5,949,342 as of December 31, 2025. During the year 2024, MMI invoiced the Company a total of $36,711,859 and the Company paid MMI a total of $41,549,070, including the prior year payable of $1,041,886, resulting in a prepaid management company charges balance of $3,795,325 as of December 31, 2024.

At December 31, 2023, certain building improvements and equipment were purchased by DRS and MMI totaling $1,029,742, which had yet to be repaid by Shannondell as of December 31, 2024. Reimbursement of these costs was paid during the year ended December 31, 2025.

INCOME TAXES

The provision for income taxes consists of the following components:

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	2025	2024
Current:		
Federal	$ 48,807	$ -
State	338,907	148,375
Total current	387,714	148,375
Deferred expense (benefit):		
Federal	1,577,981	592,296
State	252,571	314,191
Total deferred	1,830,552	906,487
Total	$ 2,218,266	$ 1,054,862

The tax effects of temporary differences that give rise to significant portions of deferred tax assets consists of the following:

	2025	2024
Deferred income tax assets:		
Net operating loss carryforwards		
Federal	$ 1,012,621	$ 2,364,386
State	1,005,311	1,257,882
	2,017,932	3,622,268
Less: Valuation allowance	992,144	765,928
Net deferred income tax assets	1,025,788	2,856,340
Deferred income tax liabilities	-	-
Net deferred tax assets	$ 1,025,788	$ 2,856,340
Net increase (decrease) during the year in valuation allowance	$ 226,216	$ 11,777

INCOME TAXES, CONTINUED

Realization of deferred tax assets associated with the net operating loss carryforwards is dependent upon generating sufficient taxable income prior to their expiration. A valuation allowance to reflect management's estimate of the temporary deductible differences that may expire prior to their utilization totaling $992,144 and $765,928 has been recorded at each year ended December 31, 2025 and 2024, respectively.

At December 31, 2025, the Company had federal net operating loss carryforwards of $4,822,003 which do not expire. The Company also had state net operating loss carryforwards of $15,926,726 which expire at various dates from 2026 to 2041. Deferred tax assets, net of any valuation allowance, are recognized for net operating losses because the benefit is more likely than not to be realized. The following table reflects the net operating losses available by year.

Year	Federal	State
2026	$ -	$ 3,698,184
2027	-	1,425,892
2028	-	-
2029	-	4,464,407
2030	-	654,564
2031	-	-
2032	-	-
2033	-	-
2034	-	-
2035	-	-
2036	-	-
2037	-	-
2038	-	383,943
2039	435,113	912,846
2040	3,407,104	3,407,104
2041	979,786	979,786
	$ 4,822,003	$15,926,726

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The Company believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

OPERATING LEASES

The Company has entered into lease agreements for the multi-family housing buildings, community buildings and land located on site. The leases are under one- to fifteen-year non-cancelable operating leases. Either party may terminate each lease at the end of said term by giving notice thereof at least ninety (90) days prior to the expiration date, but in default of such notice, each lease continues upon the same terms and conditions for a further period of five years. A summary of the operating leases is as follows:

	Term (Years)	Expiration Date	Annual Rent
Land (approximately 24.72 acres)	10	December 31, 2035	$ 667,500
Community Center Building A	9	December 31, 2035	$ 1,000,000
Community Center Building B	9	December 31, 2035	$ 1,000,000
Meadows Building	15	June 30, 2031	$ 2,760,000
Meadows Land	15	June 30, 2031	$ 300,000
Resident Buildings A and C	10	December 31, 2035	$ 1,332,500
Resident Building B	9	December 31, 2035	$ 1,920,000
Resident Building D	9	December 31, 2035	$ 1,620,000
Resident Building E	10	December 31, 2035	$ 666,250
Resident Building F	9	December 31, 2035	$ 1,380,000
Resident Building G	10	December 31, 2035	$ 1,380,000
Resident Building H	9	December 31, 2035	$ 1,875,000
Resident Building I	10	December 31, 2035	$ 2,264,400
Resident Building J	15	July 31, 2031	$ 2,264,400
Resident Building K	10	December 31, 2035	$ 1,380,000

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The leases require the Company to pay all maintenance, insurance, utilities and taxes on the leased property. The combined total accrued unpaid rent was $28,750,166 and $27,160,871 at December 31, 2025 and 2024, respectively.

The incremental borrowing rate used to calculate the present value of these leases was 4.0%. The weighted average interest rate is 4.0% and weighted average lease term is 9.273 years as of December 31, 2025. The weighted average interest rate was 4.0% and weighted average lease term was 4.385 years as of December 31, 2024. For the years ended December 31, 2025 and 2024, rent expense for real estate under operating leases was $20,804,861 and $20,281,753, respectively.

The future maturities of the operating lease liabilities as of December 31, 2025 are as follows:

Year Ending December 31,	Amount
2026	$ 21,810,050
2027	21,810,050
2028	21,810,050
2029	21,810,050
2030	21,810,050
Thereafter	85,279,150
Total lease payments	194,329,400
Less: Imputed interest	(31,699,603)
Total lease liabilities	$ 162,629,797

COMMITMENTS AND CONTINGENCIES

Loan Guarantees

Through April 21, 2023, the Company was a party to several loan agreements as a co-borrower and guarantor. On April 21, 2023, the loans were consolidated into one loan for which the Company remained a co-borrower and guarantor. The co-borrowers have allocated all of the debt to Audubon Farms, L.P. ("AFLP") and therefore the debt is all on AFLP's balance sheet. The current structure provides for debt service payments which are accounted for as Notes Payable in the financial statements of AFLP. The co-borrowers named in the loan agreements are AFLP, the Company, Oaks Mills AF, LLC, AF5, LLC and AFII LLC (the "Co-borrowers"). The amount of the guarantee is $97,855,143 and $99,157,595 as of December 31, 2025 and 2024, respectively.

Dennis L.P. has guaranteed the repayment of the loans. Interest on the loans was 6.11% and 6.70% as of December 31, 2025 and 2024, respectively. The Borrowers have entered into an interest rate swap agreement within the meaning of 12 U.S.C. 1821 (e)(8) and 11 U.S.C. 101(53B), from time to time as amended, the ISDA Master Agreement and the related confirmations. The agreement was set to mature February 1, 2025, and was replaced on April 21, 2023 with a new ISDA Master Agreement that matures on November 1, 2029. The agreement had a notional amount of $97,855,143 and a net market value at December 31, 2025 without accruals of $(370,169). The agreement had a notional amount of $99,157,595 and a net market value at December 31, 2024 without accruals of $2,302,857. Substantially all of the co-borrowers' assets are pledged as security for these loans.

On December 18, 2024, the Company was a party to a loan agreement as a guarantor. The loan of $49,698,500, from three lenders, will be used for the construction of Resident Building L ("RB12"). The co-borrowers named in the loan agreement are SWD 101, LLC, WNR 38, LLC, and AF3, LLC ("Co-borrowers - RB12"). The co-borrowers-RB12 have allocated all of the debt to AF3, LLC ("AF3") and therefore the debt will be recorded on AF3's balance sheet. Amounts drawn on the loan amounted to $17,029,014 and $0 as of December 31, 2025 and 2024. Draws submitted after year-end totaled $5,287,733.

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Oaks Mills AF, LLC, AF5, LLC, and Audubon Farms, L.P. are part of a tiered structure of which Dennis L.P. is the parent. Dennis L.P. is a party to various loan agreements relative to which it has pledged all of its assets as security for the debt.

Letters of Credit

AFLP, the Company, Oaks Mills AF, LLC, and AF5, LLC had no outstanding irrevocable letters of credit as of December 31, 2025 and 2024, respectively.

The Company has not recorded a liability related to these guarantees as management believes the likelihood of performance under the guarantees is remote.

EVALUATION OF SUBSEQUENT EVENTS

As required by the *Subsequent Events* Topic of the FASB Accounting Standards Codification No. 855 ("FASB ASC 855"), the Company has evaluated those events and transactions that occurred from January 1, 2026 through April 30, 2026, the date the financial statements were available to be issued. No material events or transactions have occurred during this period which would render these financial statements to be misleading.