CV Holdings, Inc. Update and Financial Statements For Year Ended December 31, 2015.

NEWPORT BEACH, Calif., April 25, 2016 /PRNewswire/ -- CV Holdings, Inc. (Other OTC: CVHL) (the "Company") today reported a net loss for the year ended December 31, 2015 of $(2,123,270) or $(0.05) per common share with a weighted average of 44,029,555 common shares issued and outstanding during 2015. Taking into account the December 31, 2015 balance of 48,704,098 common shares issued and outstanding and 14,137,095 warrants and stock options outstanding, the net loss was $(0.04) per diluted common share with 62,841,193 common shares outstanding on a fully diluted basis. The foregoing numbers do not include 22,788 shares of issued and outstanding redeemable preferred stock of the Company, none of which are convertible into shares of the Company's common stock.

The Net Loss of $(2,123,270) for the year ended December 31, 2015 was primarily due to: paid in kind dividends on preferred equity included in Net Interest Expense of $(1,721,779), general and administrative expenses of $(1,484,723) associated with maintaining personnel and infrastructure as a result of the significant increase of assets under management and legal fees associated with the joint venture announced in October 2015.

For comparative purposes, for the year ended December 31, 2014 the Company reported a net loss of $(959,261) or $(0.024) per common share with a weighted average of 39,294,748 common shares issued and outstanding during 2014. Taking into account the December 31, 2014 balance of 39,294,748 common shares issued and outstanding and 12,562,095 warrants and stock options outstanding, the net loss was $(0.018) per diluted common share. The foregoing numbers do not include 22,788 shares of issued and outstanding redeemable preferred stock of the Company, none of which are convertible into shares of the Company's common stock.

Liquidity

As of December 31, 2015, the Company had total unrestricted cash of $3,633,868 or approximately $0.08 per share, as compared to $ 3,110,611 of unrestricted cash, or $0.08 per share as of December 31, 2014. As of December 31, 2015 the Company also had $19,037,920 or approximately $0.43 per share of restricted cash from our transaction with certain entities affiliated with Tricadia Capital Management, LLC ("Tricadia" or the "Investor"). The restricted cash resulting from the investment by Tricadia is required to be utilized for investment purposes and other authorized uses only, rather than to support working capital needs. For the year ended December 31, 2015 the Company's primary sources of cash flow consisted of various fees it earned from its investment management activities in its non-performing residential loan business (the "NPL business"), as well as from return of principal from its investment in the same. Of the initial $20,000,000 funded by Tricadia, the Company has used $962,080 as of December 31, 2015. These funds have been allocated for the following authorized uses: expenses associated with the closing of the Tricadia transaction, the pursuit of other finance vertical investment opportunities and a $500,000 repayment of the Senior Preferred Stock (as defined below) by the Company.

As of December 31, 2015, the Company had recourse obligations totaling $1,675,000 representing the issuance of a Senior Preferred Stock (the "Senior Preferred") to its institutional partner ("NPL Investor") in its NPL business. Details of such investment were disclosed in our press release of October 6, 2014. The Company has the option to pay or accrue the 10% dividend on the Senior Preferred. The Company does not currently intend to issue any additional Senior Preferred to the NPL Investor. The Company also has the right to redeem the Senior Preferred under certain conditions.

The Company had a non-recourse promissory note obligation with an outstanding balance of approximately $2,138,093 as of December 31, 2015 down from $2,447,182 as of December 31, 2014. The original balance of the note was $5,000,000 as a result of the merger transaction with ClearVue Management, Inc. in 2013. The repayment of the note is directly tied to the repayment of co-investments and promoted interests and carries a fixed interest rate of 4% per annum.

In July 2014, a subsidiary entity issued a $1,700,000 promissory note to an unaffiliated third party secured by multiple deeds of trusts owned by the subsidiary. This note was fully repaid during August 2015 and all related security interests were released.

During 2015, LongVue Mortgage Capital, Inc. ("LongVue"), a wholly-owned subsidiary of CV Holdings, Inc., secured a working capital line of credit with a maximum borrowing limit of $1,000,000. The purpose of the line of credit is to provide liquidity for certain servicing advances associated with the servicing of NPLs held by the joint venture with Tricadia. The line of credit bears interest at 1.0% above prime, adjustable on a monthly basis, matures on August 20, 2016 and can be extended through August 20, 2020 providing no default(s) exist. The line of credit is secured by cash deposits held by the lender, although no restrictions on the cash deposits are in place. As of December 31, 2015, the outstanding balance on the line was $89,160 and LongVue was in compliance with all covenants associated with the credit agreement.

Tricadia Incremental Investment

Tricadia purchased on June 29, 2015, $20,000,000 of the Company's Non-Convertible Senior Preferred Stock, as described in the press release dated June 30, 2015. Tricadia's investment was the first purchase as part of a potential $50,000,000 funding commitment. The purpose of the Tricadia investment, as previously described in the June 2015 press release, is to provide capital to the Company to assist it in building additional finance company verticals within CV Holdings, Inc., as well as to provide co-investment capital to its NPL business, all as approved by Tricadia. The Company recently completed additional documentation associated with the incremental committed funding of up to $30,000,000 envisioned in the initial transaction. The Company and Tricadia entered into amendments to the Securities Purchase Agreement and Investor Rights Agreements (as amended, the "Transaction Documents"), effective as of February 29, 2016, to make certain changes to the structure of any further incremental investment by Tricadia. Pursuant to the Transaction Documents, any incremental investment by Tricadia would be funded under the following structure, which retains substantially similar net economic terms as the initial funding and is summarized below.

Pursuant to the Transaction Documents, all or a portion of any future investment by Tricadia may be in the form of the purchase of a newly created Senior Perpetual Preferred Stock of the Company (the "Perpetual Preferred"). The Perpetual Preferred shall automatically convert into shares of the Senior Preferred and common stock. The terms under which and how such conversion will take place is as follows:

The Company will have the option to pay or accrue a 15% dividend from closing through the three year anniversary of each issuance, and then may either continue to pay in cash at the rate of 10% and accrue an additional 5% per annum or accrue such dividend at the rate of 17% per annum until the Automatic Conversion Date as defined below. The incremental difference in the accrued rate between the Perpetual Preferred and the Senior Preferred (the "Accrued Incremental Dividend") can, at either party's election, be paid by the Company or requested to be delivered by Tricadia in shares of the Company's common stock, equal to 1% of the fully diluted equity of the Company (calculated as of the date of such closing, and with certain additional adjustments in the event of issuances by the Company prior to the date of such closing which result in dilution of the Investor's prior ownership) for every $1,000,000 of Perpetual Preferred purchased and so converted into Senior Preferred. The Company may redeem the Perpetual Preferred and/or the Senior Preferred issued in a particular closing, subject to certain approvals by the Investor, on and after the three year anniversary of such issuance. Tricadia will be entitled to similar corporate governance rights as those associated with the Senior Preferred.

If the full $30,000,000 of the Perpetual Preferred were to be issued to the Investor, the Investor would also own an additional 30% of the Company on a fully diluted basis after receipt of the shares of the Company's common stock as described in the aforementioned automatic conversion. In addition, the Investor will have pre-emptive rights allowing the Investor to purchase any new issuances of securities by the Company. No assurances can be given that the Investor will purchase shares of the Perpetual Preferred and/or additional shares of the Senior Preferred or that the Company will agree with the Investor on how to deploy any capital received in such purchase.

Although the Perpetual Preferred has a liquidation preference that is senior to the holders of common stock (and pari passu with other shares of the Company's outstanding preferred stock, including the Senior Preferred), other than with respect to the payment of the Accrued Incremental Dividend in the form of shares of the Company's common stock, the Perpetual Preferred is not convertible into shares of the Company's common stock, and therefore itself does not dilute the existing voting power of the holders of such shares. Nevertheless, any shares of the Company's common stock issued in conjunction with the aforementioned automatic conversion of the Accrued Incremental Dividend, will dilute the outstanding shares of the Company's common stock, as described below.

On a pro forma basis, assuming the full $30,000,000 investment is funded and the Accrued Incremental Dividend is paid in the form of shares of the Company's common stock, the Company's outstanding fully diluted shares of common stock would increase from the current fully diluted of 62,841,193 to 100,972,770 and the Investor will own approximately 50% of these shares. The number of shares issuable is subject to further change to reflect any additional issuances that increase the number of shares necessary to provide the Investor with 1% of the fully diluted capital stock of the Company per $1,000,000 invested.

Financial Reporting

Included in this press release is a summary of the audited consolidated balance sheet, statement of operations of CV Holding Inc. and its subsidiary entities as of December 31, 2015 and December 31, 2014 and a Management Discussion and Analysis Report prepared by the Company. The Company is also pleased to report that it has changed auditors to the firm of Squar Milner of Newport Beach, California.

Update on the Business

NPL Business

The Company's core business operation continues to be the investment and management of non-performing residential loans and REO properties, though the Company recently completed the formation of a new vertical relating to venture leasing, as described in further detail below. The Company invests in multiple real estate joint ventures it sponsors, which are primarily in the business of investing in NPLs. During 2015 the Company purchased portfolios of NPLs totaling $73,957,000 with $110,032,000 of unpaid principal balance secured by underlying real estate with market values in excess of $114,495,000. The Company, in its capacity as the sponsor of WestVue NPL Ventures, LLC, successfully completed its first securitization on November 6, 2015. The highlights of the securitization can be found in our press release of November 9, 2015. As of December 31, 2015, the Company's assets under management consisted of 794 loans with a purchase price of $116,021,000 with $206,269,733 of unpaid principal balance secured by underlying real estate with a market value of approximately $186,768,000. The Company successfully invested the original amount funded by the NPL Investor late in 2015.

New Verticals – VenSource Transaction

As stated earlier, the primary purpose of the capital invested and to be invested by Tricadia is to assist the Company in making investments in new or existing financial services platforms, as well as to supplementing the Company's co-investment obligations relating to its NPL business. The Company's strategy with respect to each potential new finance vertical is to help grow each business by leveraging its "general partner" type investment by raising both debt and incremental third party capital. The Company may choose to own either a majority or a minority position in any such new finance related vertical. Regardless of the choice, the pursuit of a growth strategy is designed to create enterprise value for the benefit of the Company's shareholders.

On April 7, 2015, as part of the strategy outlined above, the Company successfully closed on its first investment in a new finance vertical. The Company made a capital commitment to invest up to $15,000,000 which will be managed and overseen by a newly created joint venture entity between an affiliate of the Company and VenSource Capital LLC. The new joint venture entity will operate as VenSource Management, LLC ("VenSource Management") and will manage the Company's invested capital in a new entity indirectly owned entirely by the Company, VenSource Holdings, LLC ("VenSource Holdings") (such entities and transactions collectively, "VenSource JV") and will be based in Wilton, CT. VenSource JV is focused on the venture leasing business. The venture leasing business provides leases on critical equipment to venture backed companies in the high tech and bio tech/life sciences industry. Lessees are typically in their A or B rounds with proven revenue models and are backed by reputable venture capital firms. The principals of VenSource Capital LLC, who will manage the day to day operations of the VenSource JV, have a 30-year track record in the venture leasing and equipment leasing business and have an actively managed pipeline of opportunities, which are being reviewed in connection with the VenSource JV. VenSource JV will target opportunities which will typically be three year fully amortizing leases, priced to yield unlevered returns in the low to mid-teens including the value of the residuals.

Under the VenSource JV, the Company will own 50% of the operating management company, VenSource Management and 100% of the investment entity, VenSource Holdings. VenSource Holdings will pay VenSource Management, various management fees, as well as a success based performance fee. It is the Company's expectation that it will seek to raise additional third party capital to augment the Company's initial seed investment in VenSource Holdings.

There can be no assurances that the VenSource JV will be able identify adequate opportunities, invest its allocated capital and profitably run the aforementioned venture leasing business.

The VenSource JV, as well as other finance businesses the Company is currently exploring, may generate income that over time could cause the Company to cease to qualify as a REIT. The Company is in the process of evaluating such potential conversion to being taxed on a C-Corp basis in the future, as it analyzes the mix and character of its business. If such conversion were to take place the Company would avail itself of its significant existing net operating loss carryforward to the extent applicable and would retain some of its predecessor assets relating to its collaterized debt obligations in a subsidiary REIT.

Non-Core Discontinued Businesses

<u>Collateralized Debt Obligations</u>

In 2006 and 2007, the Company issued two different series of collateralized debt obligations ("CDOs"). The CDO bonds are non-recourse to the Company. The CDO bonds contain interest coverage and asset over-collateralization covenants that must be met in order for the Company to receive cash flow distributions from its investment in the CDOs as well as a portion of its collateral management fee. As previously announced, both CDOs have failed the over-collateralization tests. As a result of these failures, net cash flows (other than the senior collateral management, advancing agent and special servicing fees from CDO I and advancing agent fees from CDO II) from both CDOs continues to be diverted to pay down principal to the senior bondholders.

The Company's investment in CDO I (2006) at the time of its formation was $91.5 million. As of December 31, 2015, approximately $106,200,000 of outstanding third-party debt was senior to the Company's investment in CDO I. Such debt exceeds the market value as determined by the Company of CDO I's underlying assets. CDO I has realized losses totaling approximately $102,700,000 as of December 31, 2015. Several of the Company's remaining investments within this CDO are either in default or the Company has reasonable expectations that they will go into default. As a result, the Company does not expect to recover any of its $91,500,000 investment in CDO I. The Company continues to act as the collateral manager for CDO I and therefore continues to receive the senior collateral management, advancing agent and special servicing fees associated with CDO I.

The Company's investment in CDO II (2007) at the time of its formation was $120,000,000. As of December 31, 2015, $385,000,000 of outstanding third-party debt within CDO II was senior to the Company's investment. Such debt exceeds the market value as determined by the Company of CDO II's underlying assets. This CDO has realized losses well in excess of the Company's investment and the Company does not expect to recover any of its $120,000,000 investment in CDO II. In July 2009, the Company was removed as the collateral manager for CDO II by MBIA, the controlling class of CDO II bondholders.

Dividends

The Company suspended dividends on shares of its outstanding common stock since the fourth quarter of 2008, and dividends are expected to continue to be suspended for the foreseeable future.

Litigation

As of December 31, 2015, the Company did not have any litigation other than regular course of business litigation involving the NPL portfolios.

Financial Statements

Prior to the year ended December 1, 2010, the Company consolidated the CDOs into its financial statements. However, based on the guidance provided by the Consolidations Topic (Topic 810) of the Financial Accounting Standards Board Accounting Standards Codifications, when an entity that was previously consolidated as a variable interest entity, or VIE, has events which potentially change the primary beneficiary, the Company needs to evaluate whether or not the entity is still a VIE and therefore whether the entity should be shown as part of the Company's consolidated financial statements. As of December 31, 2010 and as of the date hereof, the Company had, and continues to have, no reasonable prospect or right to recover any of its investment in either or the CDOs discussed above, nor is it obligated to absorb any further CDO losses beyond its initial investment. As such, the Company no longer had the risks or rewards typically associated with ownership. Therefore, beginning as of December 2010, the Company was no longer the primary beneficiary of either CDO and does not include the CDO's assets, liabilities, revenues or expenses, as part of its financial statements. As a result, the accompanying consolidated financial statements do not consolidate the assets, liabilities, revenues or expenses of the CDOs. In years prior to 2010, the Company's consolidated financial statements included the assets, liabilities, revenues or expenses of the CDOs.

Below are summary audited financial statements of the Company including its Consolidated Statement of Operations, Balance Sheet and Cash Flow Statements.

CV Holdings, Inc.

Consolidated Balance Sheets

As of December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash	**$ 22,671,788**	$ 3,110,611
Management fees receivable from affiliates	**525,757**	126,849
Prepaid expenses and others assets	**210,552**	309,984
Investments in real estate assets	**2,395,379**	3,782,100
Investment in real estate joint venture	**3,982,368**	4,000,000
Investments in Opportunity Funds	**3,349,965**	3,703,204
Total assets	**$ 33,135,809**	$ 15,032,748
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	**$ 844,841**	$ 544,984
Due to affiliates, net	**71,321**	138,724
Line of credit	**89,160**	-
Note payable	**2,138,093**	1,110,244
Total current liabilities	**3,143,415**	1,793,952
Long-term note payable	**-**	2,447,182
Mandatorily redeemable senior preferred stock, net of unamortized discount of $102,472 and $74,132	**1,658,936**	913,368
Mandatorily redeemable senior non-convertible preferred stock, net of unamortized discount of $2,191,340	**18,583,957**	-
Total liabilities	**23,386,308**	5,154,502

Commitments and contingencies

Stockholders' equity		
CV Holdings, Inc. preferred stock, $1,000 par value; 50,000 shares authorized; 2,934 issued and outstanding at December 31, 2015 and December 31, 2014; liquidation preference of $3,496,685 and $3,263,849	**2,934,000**	2,934,000
Common stock, $0.01 par value; 100,000,000 shares authorized; 48,704,098 and 39,294,748 issued and outstanding at December 31, 2015 and December 31, 2014	**487,041**	392,947
Additional paid-in capital	**9,661,148**	7,214,450
Accumulated deficit	**(3,435,445)**	(1,312,175)
Total CV Holdings, Inc. stockholders' equity	**9,646,744**	9,229,222
Noncontrolling interests	**102,757**	649,024
Total stockholders' equity	**9,749,501**	9,878,246
Total liabilities and stockholders' equity	**$ 33,135,809**	$ 15,032,748

CV Holdings, Inc.

Consolidated Statements of Operations

For the Years Ended December 31, 2015 and 2014

	2015	2014
Revenue		
Real estate asset sales	**$ 2,129,900**	$ 3,292,457
Cost of real estate asset sales	**(2,131,120)**	(3,056,758)
Realized (loss) income on sale of real estate assets	**(1,220)**	235,699
Management fees from affiliates	**4,844,859**	2,853,574
(Loss) income from unconsolidated entities	**(254,911)**	1,207,724
Rent, mortgage and miscellaneous income	**25,002**	77,871
Total revenue	**4,613,730**	4,374,868
Operating expenses		
Salaries and related payroll costs	**3,948,726**	2,874,761
General and administrative costs	**1,484,723**	1,927,872
Property expenses	**66,315**	59,144
Total expenses	**5,499,764**	4,861,777
Net loss from operations	**(886,034)**	(486,909)
Unrealized (loss) gains from investments in real estate assets	**(42,314)**	122,721

Interest expense	**1,721,779**	236,624
Net loss before benefit for income taxes	**(2,650,127)**	(600,812)
Income tax (expense) benefit	**(24,061)**	224,554
Net loss	**(2,674,188)**	(376,258)
Less: net (loss) income attributable to noncontrolling interests	**(550,918)**	583,003
Net loss attributable to CV Holdings, Inc.	**$ (2,123,270)**	$ (959,261)

CV Holdings, Inc.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Net loss	**$ (2,674,188)**	$ (376,258)
Adjustment to reconcile net loss to net		
cash used in operating activities:		
Amortization of debt discount and financing costs	**364,033**	3,196
Unrealized loss (gain) on real estate assets	**42,314**	(122,721)
Realized loss (gain) on sale of real estate assets	**1,220**	(235,699)
Loss (income) from unconsolidated entities	**254,911**	(1,207,724)
Stock-based compensation	**113,556**	186,630
Changes in operating assets and liabilities:		
Management fees receivable from affiliates	**(398,908)**	333,776
Prepaid expenses and other assets	**(12,443)**	(46,401)
Accounts payable and accrued expenses	**1,400,308**	(73,329)
Due to affiliates, net	**(67,403)**	138,724
Repayment of note receivable	**121,000**	3,000
Net cash used in operating activities	**(855,600)**	(1,396,806)
Cash flows from investing activities		
Purchase and capitalization of real estate assets	**(786,713)**	(635,235)
Proceeds from sale of real estate investment assets	**2,129,900**	3,292,457
Purchases of investments in Opportunity Funds	**(1,151,006)**	(2,529,163)
Distributions received from investment in real estate joint venture	**17,632**	-
Distributions received from Opportunity Funds	**1,249,334**	849,915
Net cash provided by investing activities	**1,459,147**	977,974
Cash flows from financing activities		
Distributions to noncontrolling interests	**(5,351)**	(64,804)
Contributions to noncontrolling interests	**10,002**	-

Financing costs	**(337,111)**	-
Proceeds from note payable	**-**	1,700,000
Repayment of notes payable	**(1,419,333)**	(2,161,032)
Payments on common stock repurchase	**(79,737)**	-
Proceeds from issuance of mandatorily redeemable senior non-convertible preferred stock and common stock	**20,000,000**	-
Proceeds from issuance of equity warrants	**108,170**	77,328
Proceeds from issuance of mandatorily redeemable senior preferred stock	**1,091,830**	897,672
Redemptions of mandatorily redeemable senior preferred stock	**(500,000)**	-
Borrowings on line of credit	**207,925**	-
Payments on line of credit	**(118,765)**	-
Net cash provided by financing activities	**18,957,630**	449,164
Net increase in cash	**19,561,177**	30,332
Cash, beginning of year	**3,110,611**	3,080,279
Cash, end of year	**$ 22,671,788**	$ 3,110,611
Supplemental disclosure of cash flows information:		
Cash paid during the year for:		
Interest	**$ 162,291**	$ 172,999
Income taxes	**$ 15,661**	$ 29,393
Noncash financing activity		
Accrued dividends payable to senior preferred stock	**$ 1,100,451**	$ 12,500

About CV Holdings, Inc.

Prior to the merger with ClearVue Management, Inc. in 2013, we were a commercial real estate, specialty finance company primarily focused on managing a diversified portfolio of commercial real estate-related loans and securities. After the merger, in addition to performing our obligations in connection with our legacy assets in commercial real estate, we are primarily focused on growing our newly-acquired residential NPL business as well as evaluating other opportunities related to our core business.

Our common stock is currently quoted on the OTC Markets Group, or OTC Markets. While not a requirement, the OTC Markets encourages companies having their securities quoted thereon to provide adequate current information in accordance with its disclosure guidelines. We will evaluate the need to issue press releases containing information similar to such information disclosed herein. We do not undertake any obligation nor do we give any assurance that we will provide timely periodic disclosures or any public disclosure at all.

We elected to qualify as a real estate investment trust, or REIT, for U. S. federal income tax purposes commencing with the taxable year ended December 31, 2005. We intend to continue to qualify as a REIT. As a REIT, we generally will not be subject to U. S. federal income tax on that portion of our income that we distribute to our stockholders for so long as we continue to qualify as a REIT, which qualification require, among other things, that we distribute at least 90% of our annual "REIT taxable income" to our stockholders, after taking effect of any benefits provided by our net operating loss carry forward. We conduct our operations so as to not be or become regulated as an investment company under the Investment Company Act of 1940. The Company has not had federal taxable income since 2007 and does not expect any federal taxable income in the foreseeable future.

Forward-Looking Information and Other Information

This press release contains forward-looking statements based upon the Company's beliefs, assumptions and expectations of its future performance, taking into account all information currently available. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to the Company or are within its control. If a change occurs, the Company's business, financial condition, liquidity and results of operations may vary materially from those expressed in its forward-looking statements.

The factors that could cause actual results to vary from the Company's forward-looking statements include: the U.S. general economy; the Company's liquidity and ability to continue to cover its operating cash requirements; the Company's ability to redeem the outstanding shares of its preferred stock when and as its obligations to do so mature; the successful launch of the VenSource JV; the Company's future operating results; its business operations and prospects; availability, terms and deployment of short-term and long-term capital; availability of qualified employees; changes in interest rates; adverse development in the debt securities, credit and capital markets, adverse developments in the commercial finance and real estate markets; adverse developments in the venture capital business, adverse development in the leasing business, performance and financial condition of borrowers, lessees and corporate customers; any future litigation that may arise; the ultimate resolution of the Company's numerous defaulted loans; the performance of the Company's joint venture investments; the ability to continue to qualify as a REIT; the ability to continue as a going concern. The Company undertakes no obligation to publicly update or revise any of the forward-looking statements.

In addition, this press release contains summary financial information about the Company. This summary financial information does not represent the entire audited financial statements of the Company.

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