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Press Release

CV Holdings, Inc. Update and Financial Statements For Year Ended December 31, 2014.

Newport Beach, CA /PRNewswire/ -- CV Holdings, Inc. (Other OTC: CVHL) (the “Company”) today reported a net loss for the year ended December 31, 2014 of \$(959,261) or \$(0.02) 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 \$(0.02) per diluted common share.

The net loss for the year ended December 31, 2014 primarily resulted from general and administrative expenses associated with maintaining the personnel and infrastructure required to meet the Company’s growth goals. In addition, the Company incurred legal fees associated with the joint venture announced in October 2014.

For comparative purposes, for the year ended December 31, 2013 the Company reported a net loss of \$(2,377,503) or \$(0.07) per common share. Taking into account the 39,294,748 common shares issued and outstanding and 6,538,368 warrants and stock options outstanding, the 2013 net loss was \$(0.05) per diluted common share. The change in net loss as compared to prior year was primarily due to an increase in asset management fees due to an increase in assets under management.

Liquidity

As of December 31, 2014, the Company had \$3,110,611 of unrestricted cash, or approximately \$0.08 per share, as compared to \$3,080,279 of unrestricted cash, or \$0.08 per share, as of December 31, 2013. For the year ended December 31, 2014 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 (“NPL”) business, as well as from return of principal from the sale of real estate investment assets.

As of December 31, 2014 the Company has recourse obligations totaling \$913,368, representing the issuance of a Senior Preferred instrument (the “Senior Preferred”) to its institutional investor

partner (“Investor”) in its NPL business. As previously disclosed in the press release dated October 6, 2014, the Company entered into a joint venture (the “Joint Venture”) with an Investor to acquire NPLs. The proceeds of the Senior Preferred are used to meet the Company’s co-invest obligations in the Joint Venture. The Senior Preferred has the option to pay or accrue a 10% dividend and will be optionally redeemable by the Company under certain circumstances. To date the Senior Preferred has only paid dividends in kind. In addition, the Investor will have the right to demand a mandatory redemption at the fifth anniversary of the initial closing. Under certain circumstances the Investor could demand such redemption at the third anniversary of the initial closing. The Company has a non-recourse promissory note obligation with an outstanding balance of \$2,447,182 as of December 31, 2014, down from an original balance of \$5.0 million as a result of the merger transaction with ClearVue Management 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 trust owned by the subsidiary. The promissory note carries a monthly interest rate of 1% and as of December 31, 2014 the note had been paid down to a balance of \$1,110,244.

As the Company reinvests all available capital in an effort to drive it’s strategies for future success, there can be no assurance of any future distributions to stockholders.

Financial Reporting

Included in this press release are the audited consolidated balance sheets as of December 31, 2014 and 2013 and statements of operations for CV Holdings, Inc. and its subsidiary entities for the years ended December 31, 2014 and 2013.

Update on the Business

The Company’s core business operations are the investment and management of non-performing residential loans and REO properties. The Company invests in multiple real estate joint ventures it sponsors, which are primarily in the business of investing in NPLs. Since the merger of our Company, we have directly or indirectly invested \$4.8 million into joint ventures with institutional investors, including joint ventures closed through March 31, 2015. Such joint ventures have purchased portfolios of NPLs totaling \$80.3 million, representing underlying real estate market values in excess of \$125.5 million. It is the Company’s intention to continue to raise additional institutional and high net worth capital for our core business in addition to seeking synergistic business opportunities.

At the end of the fourth quarter of 2014 our Joint Venture closed on a \$100.0 million repo line, with a major investment bank, in conjunction with our Joint Venture’s investment of \$32.0 million to purchase a portfolio of NPLs. The purpose of the repo line will be to provide leverage to both increase the yield in our NPL investments as well as to position the Joint Venture to be an active participant in the NPL securitization market place. The repo line is a nonrecourse facility, except for certain customary “bad boy” carveouts, with the ability to borrow up to 65% against eligible assets.

Non-Core/Discontinued Businesses

Collateralized Debt Obligations

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, 2014, there was approximately \$115.0 million of outstanding third-party debt that is senior to the Company’s investment in CDO I. Such debt exceeds the market value as determined by the Company of the CDO’s underlying assets. CDO I has realized losses totaling approximately \$102.9 million as of December 31, 2014. 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 \$91.5 million 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 \$120.0 million. As of December 31, 2014, there was \$379.5 million of outstanding third-party debt within CDO II that is senior to the Company’s investment. Such debt exceeds the market value as determined by the Company of the CDO’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 \$120.0 million 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 since the fourth quarter of 2008, and dividends are expected to continue to be suspended for the foreseeable future.

Litigation Update

As of December 31, 2011, the Company had additional equity investments in two joint ventures. These joint ventures, sponsored by Kambiz Shahbazi are known as the KS-RFC Shiraz (“Shiraz”) joint venture and the KS-RFC GS (“GS”). Both joint ventures have been fully reserved for by the Company. The mortgages on the properties owned by the GS and Shiraz joint ventures were in default, and during the year ended December 31, 2012, all of the properties were foreclosed upon by their respective lenders. In September 2011, in another action, the Company was awarded a judgment in Massachusetts Superior Court totaling

\$5.5 million against certain affiliates of KS Partners, LLC seeking recovery for defaults on mezzanine loans made to two real estate portfolios.

The defendants filed a notice of appeal which was heard in court on January 9, 2014. The court ruled in favor of our company and the defendants chose not to appeal this final ruling. Despite this ruling in our favor, there can still be no assurance of any recovery from any judgment, or the timing of any such recovery.

Financial Statements

Prior to the year ended December 1, 2010, the Company consolidated the CDOs into its consolidated 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 the audited financial statements of the Company including its consolidated statement of operations, balance sheets and statements of cash flow.

CV Holdings, Inc.
Consolidated Statements of Operations
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenue		
Real estate asset sales	\$ 3,292,457	\$ 1,307,900
Cost of real estate asset sales	<u>(3,056,758)</u>	<u>(1,361,810)</u>
Realized income (loss) on sale of real estate assets	235,699	(53,910)
Management fees	2,853,574	1,717,233
Earnings in equity method investees	1,207,724	141,429
Rent, mortgage and miscellaneous income	<u>77,871</u>	<u>195,118</u>
Total revenue	<u>4,374,868</u>	<u>1,999,870</u>
Operating expenses		
Salaries and related payroll costs	2,874,761	2,732,940
General and administrative costs	1,917,607	1,702,377
Management and consulting fees	-	60,000
Property expenses	59,144	75,021
Depreciation	<u>10,265</u>	<u>11,882</u>
Total expenses	<u>4,861,777</u>	<u>4,582,220</u>
Net loss from operations	(486,909)	(2,582,350)
Unrealized gains from investments in real estate assets	122,721	40,968
Gain on merger	-	144,725
Net interest expense	<u>236,624</u>	<u>81,703</u>
Net loss before benefit for income taxes	(600,812)	(2,478,360)
Income tax benefit	<u>224,554</u>	<u>94,324</u>
Net loss	(376,258)	(2,384,036)
Less: net income (loss) attributable to noncontrolling interests	<u>583,003</u>	<u>(6,533)</u>
Net loss attributable to CV Holdings, Inc. and Subsidiaries	\$ (959,261)	\$ (2,377,503)

CV Holdings, Inc.
Consolidated Balance Sheets
As of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash	\$ 3,110,611	\$ 3,080,279
Management fees receivable, net	126,849	460,625
Income taxes receivable	25,118	69,528
Prepaid expenses	175,128	78,424
Note receivable, net of \$50,000 allowance for bad debt	97,000	100,000
Investments in real estate assets	<u>3,782,100</u>	<u>2,543,977</u>
Total current assets	7,316,806	6,332,833
Investment in real estate joint venture	4,000,000	4,000,000
Investments in Opportunity Funds	3,703,204	4,353,157
Property and equipment, net	<u>12,738</u>	<u>18,631</u>
Total assets	<u>\$ 15,032,748</u>	<u>\$ 14,704,621</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 102,639	\$ 142,613
Accrued expenses	442,345	505,200
Related party payable	138,724	-
Note payable	<u>1,110,244</u>	<u>-</u>
Total current liabilities	1,793,952	647,813
Long-term note payable	2,447,182	4,001,458
Mandatorily redeemable senior preferred stock, net of unamortized discount of \$74,132	<u>913,368</u>	<u>-</u>
Total liabilities	<u>5,154,502</u>	<u>4,649,271</u>
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, 2014 and 2013; liquidation preference of \$3,263,894 and \$3,029,174, respectively	2,934,000	2,934,000
Common stock, \$0.01 par value; 100,000,000 shares authorized; 39,294,748 issued and outstanding at December 31, 2014 and 2013	392,947	392,947
Additional paid-in capital	7,214,450	6,950,492
Accumulated deficit	<u>(1,312,175)</u>	<u>(352,914)</u>
Total CV Holdings, Inc. and Subsidiaries stockholders' equity	9,229,222	9,924,525
Noncontrolling interests	<u>649,024</u>	<u>130,825</u>
Total stockholders' equity	<u>9,878,246</u>	<u>10,055,350</u>
Total liabilities and stockholders' equity	<u>\$ 15,032,748</u>	<u>\$ 14,704,621</u>

CV Holdings, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Net loss	\$ (376,258)	\$ (2,384,036)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation	10,265	11,882
Amortization of debt discount	3,196	-
Unrealized gain on real estate assets	(122,721)	(40,968)
Realized (gain) loss on sale of real estate assets	(235,699)	53,910
Earnings in equity method investees	(1,207,724)	(141,429)
Deferred taxes	-	(16,740)
Allowance for bad debt	-	50,000
Stock-based compensation	186,630	266,194
Gain on merger	-	(144,725)
Increase (decrease) in cash resulting from changes in assets and liabilities:		
Management fees receivable, net	333,776	(322,907)
Prepaid expenses	(96,704)	653
Accounts payable	(39,974)	54,804
Accrued expenses	(33,355)	204,069
Related party payable	138,724	-
Repayment of note receivable	3,000	-
Income taxes receivable/payable, net	44,410	169,903
Net cash used in operating activities	<u>(1,392,434)</u>	<u>(2,239,390)</u>
Cash flows from investing activities		
Acquisition of property and equipment	(4,372)	(8,902)
Purchase and capitalization of real estate assets	(635,235)	(368,821)
Proceeds from sale of real estate investment assets	3,292,457	1,307,900
Cash received in merger	-	4,892,685
Purchases of investments in Opportunity Funds	(2,529,163)	(1,490,000)
Distributions received from Opportunity Funds	849,915	1,327,829
Net cash provided by investing activities	<u>973,602</u>	<u>5,660,691</u>
Cash flows from financing activities		
Distributions to noncontrolling interests	(64,804)	(25,673)
Distributions to former investors of subsidiary	-	(249,891)
Proceeds from note payable	1,700,000	-
Payments on notes payable	(2,161,032)	(998,542)
Proceeds from issuance of equity warrants	77,328	-
Proceeds from issuance of mandatorily redeemable senior preferred stock	897,672	-
Payments on line of credit	-	(750,000)
Net cash provided by (used in) investing activities	<u>449,164</u>	<u>(2,024,106)</u>
Net increase in cash	30,332	1,397,195
Cash, beginning of year	3,080,279	1,683,084
Cash, end of year	<u>\$ 3,110,611</u>	<u>\$ 3,080,279</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 172,999	\$ 81,828
Income taxes	<u>\$ 29,393</u>	<u>\$ 13,000</u>

About CV Holdings, Inc.

Prior to the merger, 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 will be 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 if we continue to qualify as a REIT, including distributing at least 90% of our annual “REIT taxable income” to our stockholders. 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 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; performance and financial condition of borrowers 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 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.