CV Holdings, Inc. Update and Financial Statements for Year Ended December 31, 2023

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NEWPORT BEACH, Calif., April 09, 2024 (GLOBE NEWSWIRE) -- CV Holdings, Inc. (OTC Pink Limited: CVHL) (the “Company”) today reported a net loss for the year ended December 31, 2023 of $(15,959,005) or $(0.25) per common share with weighted average common shares of 64,413,784 issued and outstanding during 2023. Taking into account the December 31, 2023 balance of 64,413,784 common shares issued and outstanding and 4,148,532 common shares issuable upon exercise of warrants outstanding, the net loss was $(0.23) per diluted common share based on 68,562,316 common shares outstanding on a fully-diluted basis. The net loss for the year ended December 31, 2023 was primarily due to interest expense on preferred equity of $12,860,976 as well as the Company’s provision for loan losses of $7,423,794 and interest expense on debt of $7,986,605. Salaries and related payroll expenses were $6,649,628 and general and administrative expenses were $4,518,766.

For comparative purposes, for the year ended December 31, 2022, the Company reported a net loss of $(11,844,043) or $(0.18) per common share with weighted average common shares of 64,413,784 issued and outstanding during 2022. Taking into account the December 31, 2022 balance of 64,413,784 common shares issued and outstanding and 6,922,774 common shares issuable upon exercise of warrants and stock options outstanding, the net loss was $(0.17) per diluted common share based on 71,336,558 common shares outstanding on a fully diluted basis. Interest expense on preferred equity during 2021 was $11,478,988, provision for loan losses was $4,297,028, interest expense on debt was $3,664,551, salaries and related payroll expenses were $5,244,937 and general and administrative expenses were $4,746,251.

Liquidity

As of December 31, 2023, the Company had unrestricted cash of $2,536,509, as compared to $10,958,353 of unrestricted cash as of December 31, 2022. The Company's primary sources of cash flow consisted of interest earned on equipment finance contracts held by its principal business, Centra Funding, LLC ("Centra").

As described below, the Company was unable to begin redeeming its Senior Non-Convertible Preferred Stock, the initial installment of which was required to be paid in June 2020, and this obligation was deferred for a period of one year. Since June 2021, this obligation has been deferred in six-month increments, most recently to June 30, 2024, in the sole discretion of Colborne (as defined below), the sole holder of the Company's preferred stock. As noted below, as of December 31, 2023, the liquidation preference of the Senior Non-Convertible Preferred Stock had reached approximately $115 million, and this amount continues to accrete additional dividends while it remains outstanding.

The Company remains unable to redeem the Senior Non-Convertible Preferred Stock as required, is unlikely to become able to do so for the foreseeable future and may never be able to do so. If the Company is unsuccessful in negotiating continued forbearance or a restructuring of these obligations, Colborne may, at its election, require that all outstanding shares of Colborne Preferred Stock (as defined below) be redeemed, including those which are not currently scheduled to be redeemed, or otherwise pursue remedies against the Company.

If Colborne were to pursue remedies, the Company could be required to take drastic measures, including the liquidation and winding down of its operations, and it is unclear how much, if any, value would be allocated to the Company's common stock as a result. There can be no assurance that Colborne will continue to forbear or agree to a restructuring of these obligations that would provide significant value to common stockholders, and, consequently, an investment in the common stock of the Company is highly risky and speculative.

Colborne Investment Update

Since its first investment in 2015, Colborne Brighton, LLC ("Colborne"), an entity formerly controlled by Corvid Peak Capital Management and currently managed by the Company's Chairman and Chief Executive Officer, has funded a total of $50,000,000 in capital, fulfilling its $50,000,000 commitment in the form of a $20,000,000 investment in the Company's Senior Non-Convertible Preferred Stock and a $30,000,000 investment in the Company's Senior Perpetual Preferred Stock (together the "Colborne Preferred Stock"). During 2021, the outstanding Senior Perpetual Preferred

Stock was converted automatically to Senior Non-Convertible Preferred Stock pursuant to its terms as described more fully in the Company's April 2016 press release. As of December 31, 2023, the Company had issued a total of 32,258,811 common shares to Colborne related to the Colborne Preferred Stock, and Colborne remained entitled to another 27,622,907 common shares upon redemption of its remaining Senior Perpetual Preferred Stock.

On a pro forma basis, assuming the full amount of common stock associated with the Colborne Preferred Stock is issued to Colborne, the Company's outstanding fully diluted shares of common stock would increase from the current fully diluted amount of 68,562,316 to 93,239,765, and Colborne will own, through Company-issued stock, approximately 50% of the total shares outstanding. The Company has also approved unrelated open-market third-party purchases by Colborne from third-party shareholders, which, combined with the aforementioned shares, will result in Colborne owning approximately 64% of the total shares outstanding.

The Company was required to begin redeeming the outstanding shares of Senior Non-Convertible Preferred Stock through cash payments to be made by the Company in equal quarterly installments over a two-year period beginning in June 2020. In June 2020, the Company informed Colborne that it did not have sufficient legally available funds to complete these redemptions and offered to discuss the remedies available to Colborne or other mutually acceptable options. In response, Colborne offered to toll the mandatory redemption for one year while reserving all the rights and remedies available to it, and to work with the Company on mutually acceptable alternatives. In June 2021, this obligation was deferred for an additional six months, was subsequently deferred in a series of additional six-month increments through June 30, 2024 and may be deferred further in six-month increments in the sole discretion of Colborne.

Important Reminder Regarding Transfer and Ownership Restrictions

Current and potential investors in the Company's common stock are reminded that the Company's Articles of Incorporation and Bylaws, each as amended and/or restated from time to time (collectively, the "Charter"), restrict beneficial ownership and constructive ownership and transfer of the Company's common stock for the purpose, among others, of the Company's maintenance of its ability to utilize the net operating loss carryovers, capital loss carryovers, general business credit carryovers, alternative minimum tax credit carryovers and foreign tax credit carryovers, as well as any "net unrealized built-in loss" within the meaning of section 382 of the Internal Revenue Code, of the Company or any direct or indirect subsidiary thereof ("tax benefits").

Among other restrictions, the Charter provides that no person may beneficially own or constructively own shares of the Company's common stock in excess of 4.9 percent (by value or by number of shares, whichever is more restrictive) of the outstanding shares of common stock of the Company or such other percentage determined by the board of directors unless such person is an excepted holder (in which case the excepted holder limit for such excepted holder shall be applicable). **As of the date hereof, this limitation is 3,156,275 shares.**

Any person who beneficially owns or constructively owns or attempts to beneficially own or constructively own shares of common stock which causes or will cause a person to beneficially own or constructively own shares of common stock in excess or in violation of the above limitation must immediately notify the Company, or in the case of such a proposed or attempted transaction, give at least fifteen (15) days prior written notice, and shall provide to the Company such other information as the Company may request in order to determine the effect, if any, of such transfer on the Company's ability to utilize its tax benefits.

If the restrictions on transfer or ownership are violated, the shares of common stock in excess or in violation of the above limitation (or any of the other ownership and transfer limitations set out in the Charter) will be automatically transferred to a trustee of a trust for the benefit of one or more charitable beneficiaries effective as of the close of business on the business day prior to the date of such transfer (or other event). In addition, the Company may redeem shares upon the terms and conditions specified by the board of directors in its sole discretion, refuse to give effect to such transfer on the books of the Company or institute proceedings to enjoin such transfer or other event if the board of directors determines that ownership or a transfer or other event may violate the restrictions described above. Furthermore, if the ownership restrictions above would be violated, or upon the occurrence of certain events, attempted transfers in violation of the restrictions described above may be void ab initio.

As noted above, from time to time, the Company has made or approved privately negotiated purchases of its common stock. Any shareholder wishing to sell common stock is encouraged to contact the Company.

Financial Reporting

Included in this press release are the audited consolidated balance sheets, statements of operations, and statements of cash flows of CV Holdings, Inc. and its subsidiary entities as of and for the years ended December 31, 2023 and December 31, 2022.

Update on the Business

Consolidated Update

During 2023, Centra, the Company's equipment finance business, continued to grow but its profitability decreased as a result of lower origination volumes, increased reserving for losses, certain one-time expenses and increases in its cost of funds (described more fully below). Progress was made on the resolution of the two remaining loans held by its commercial real estate loan joint venture, which were written down significantly in value during 2023. The Company has substantially completed the liquidation of its other businesses.

As of December 31, 2023, the Company had investments in approximately $148,000,000 of wholly owned equipment finance contracts and commercial real estate loans held indirectly through a joint venture of CV Capital Funding, LLC ("CVCF"), the Company's commercial real estate lending business. This compares with approximately $140,000,000 as of December 31, 2022. Approximately $141,000,000 of these investments as of December 31, 2022, were equipment finance contracts originated by Centra, as opposed to approximately $130,000,000 of such contracts at the end of the prior year.

From an operating cash flow standpoint, as shown in the following table, excluding the pay-in-kind dividends on the Colborne Preferred Stock, the Company had EBITDA of $(2,941,687) in the year ended December 31, 2023 compared to $(250,988) in the year ended December 31, 2022. The Company's income from operations increased by nearly 49% to $4,986,504 despite reduced origination volume at Centra, increased allowance for credit losses at Centra and in the CVCF joint venture, and certain one-time expenses. This increase in operating income was offset, however, by a substantial increase in Centra's cost of funds, reflected in interest on debt.
Centra's internalization of its servicing entailed staff increases which caused salaries and related payroll expenses to increase, offset by substantial reductions in general and administrative expenses related to third-party servicing.

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net loss	$ (15,959,005)	$ (11,844,043)
Interest expense on preferred equity	12,860,976	11,478,988
Taxes	97,928	44,616
Depreciation	58,414	69,451
EBITDA	(2,941,687)	(250,988)

During 2023, substantial progress was made on the resolution of the two remaining commercial real estate loans held in the CVCF joint venture, which is the only significant remaining CVCF asset other than cash. During the year, the Company recognized a significant impairment of its investment in the joint venture. As noted, the Company continued to grow

Centra and has substantially completed the winddown of the LongVue nonperforming residential mortgage business. Because the Company is focused on growing Centra, it has generally allocated capital received from asset sales and business winddowns to Centra.

The rise in interest rates during the first seven months of 2023 and accompanying economic uncertainty have weighed on Centra's profitability, reducing loan originations and interest income while substantially increasing the Company's cost of funds. Centra also experienced higher-than-anticipated losses in loans originated between 2021 and 2023 and increased allowance for credit losses accordingly.

In anticipation of falling interest rates in 2024 and opportunities offered by the retrenchment of certain of Centra's competitors, Centra expanded and simplified its range of credit offerings in early 2024, which is showing early signs of increasing the amount and quality of Centra's originations. The difficult operating environment in 2023, though, together with the continued growth of the amount owed on the Colborne Preferred Stock, which is senior to the Company's common shares, has created a dilutive effect to common stockholders. As noted above, additional dilution is likely if Colborne ceases to forbear and this leads to a restructuring of the Company.

The Company's primary deferred tax asset is the net operating losses ("NOL"s), consisting of approximately $494 million and $295 million for federal and state purposes, respectively, through December 31, 2023. The federal NOLs were generated primarily from 2008 through 2012, and the state NOLs were generated primarily in California, Connecticut and Massachusetts.

<u>Centra Funding, LLC</u>

On November 28, 2016, the Company, through a newly-formed subsidiary, Centra Funding, LLC closed on its acquisition of Centra Leasing, Inc., as more fully described in the Company's November 28, 2016 press release. Centra's business is focused on commercial "small ticket" equipment leases or finance contracts. Originations utilize a vendor-based model, employing direct vendor- and broker-focused sales staff. Centra's business is nationwide and spans multiple industries, with typical leases or finance contracts not exceeding $250,000.

Centra continued to grow during 2023, with net loans receivable increasing by approximately 9% year over year, but its profitability decreased, driven by several factors: (i) reduced origination volume which lowered interest income; (ii) approximately $2.3 million of additional allowance for credit losses with respect to loans originated between 2021 and 2023; (iii) approximately $270,000 of one-time expenses associated with the internalization of servicing of Centra's portfolio; and (iv) continual increases in Centra's cost of funds during the first seven months of the year. Centra increased its weighted average yield on new originations by approximately 0.6% during the year, partially offsetting the increase in its cost of funds.

Reserving was also increased during the year, and a non-cash charge to equity was incurred effective January 1, 2023, as a result of the Company's adoption during 2023 of the Financial Accounting Standards Board's current expected credit losses methodology (CECL) for estimating allowances for credit losses.

Centra successfully converted a substantial majority of its equipment finance contracts to fully internal servicing effective February 1, 2023. Over the course of the year, the number of contracts serviced by Centra's third party servicer was reduced to zero. The Company has continued to enhance its servicing capabilities and believes that internal servicing has been highly cost effective for Centra relative to outsourcing and has provided additional revenue opportunities.

As of December 31, 2023, Centra had $112,608,949 of borrowings and was in compliance with all covenants of its debt facility agented by an affiliate of Wells Fargo Bank. On January 26, 2024, Centra amended this facility to reflect changes to certain of the facility's terms (including certain covenants and definitions), extended its maturity date to April 30, 2026, and amended the Maximum Revolver Amount, as defined therein, to $160,000,000, which may be increased to $230,000,000.

Effective November 20, 2023, Centra redeemed the remaining notes of its securitization, Centra Funding 2021-1, in accordance with their terms. The loans held in the securitization were transferred to Centra's debt facility.

<u>CV Capital Funding, LLC</u>

On December 14, 2016, the Company established a commercial real estate bridge lending business, which operates under the name CV Capital Funding, LLC ("CVCF"). CVCF provided capital for a wide range of real estate asset classes on a nationwide basis, specializing in bridge loans secured by first mortgages on commercial real estate and other assets, Property types included: multi-unit residences, industrial, office, hospitality and other commercial properties.

Since inception, CVCF has originated 37 loans, totaling $120,948,500 in principal balance, principally through CVCF's joint venture with a real estate credit-oriented investment fund (the "CVCF-JV Partner") and on CVCF's own balance sheet. Effective January 1, 2022, all remaining CVCF personnel were transitioned to the CVCF-JV Partner, which assumed responsibility for administering the joint venture. During 2019, CVCF entered into a second joint venture with a different funding partner, but the partner proved unable to meet its fundraising objectives; CVCF acquired the partner's stake in 2020 and wound down the joint venture in 2021. Resolution of the remaining loans held on CVCF's balance sheet was completed during 2022.

The initial joint venture is also being wound down, and its two remaining assets are in the process of being resolved. In March 2024, one of the properties was sold at auction; this sale is expected to close in the second quarter of 2024. CVCF is engaged in a workout and relevant legal proceedings with respect to the other properties, which is anticipated to be resolved during 2024. The Company expects to wind down CVCF's activities after these two assets are resolved. CVCF recognized losses of $949,114 in 2023 with respect to its investment in the joint venture.

<u>Other Businesses</u>

The Company terminated its last servicing contract for non-performing residential loans and real estate owned properties as of June 15, 2019. The last asset was liquidated during 2021, and the related corporate entities are in the process of being dissolved. As previously disclosed, in 2022 the Company completed the winddown of its venture leasing business.

In 2006 and 2007, the Company issued two series of collateralized debt obligations ("CDOs"), described more fully in previous press releases. The CDO bonds are non-recourse to the Company. As previously announced, the company does not expect to recover any of its investment in either CDO, and since virtually all assets in both CDOs have been disposed of or written off, the CDOs are not expected to generate any meaningful future income to the Company.

Additional information is available at: www.cvhldgs.com.

Annual Meeting of Stockholders

On October 16, 2023, CV Holdings held an annual meeting of its stockholders. At such meeting James Crystal was elected director by a vote of the majority of the outstanding common shares of the Company.

Dividends

The Company has 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, 2023, the Company did not have any litigation.

Financial Statements

Below are summary audited financial statements of the Company including its consolidated balance sheets, statements of operations and statements of cash flows.

CV Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Cash	$ 2,536,509	$ 10,958,353
Restricted cash	-	686,773
Prepaid expenses and other assets	735,034	1,131,444
Loans receivable, net	141,196,625	129,880,749
Investment in real estate joint venture	3,937,969	3,937,969
Investments in Opportunity Funds	943,053	2,242,167
Total assets	$149,349,190	$148,837,455
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable, accrued expenses and other liabilities	$ 9,146,771	$ 8,835,004
Line of credit	112,608,949	87,196,953
Securitized debt, net of deferred financing costs	-	18,230,303
Mandatorily redeemable senior non-convertible preferred stock	115,150,855	102,526,928
Total liabilities	236,906,575	216,789,188
Commitments and Contingencies		
Stockholders' Deficit		
Common stock, $0.01 par value; 200,000,000 shares authorized; 64,413,784 issued and outstanding	644,136	644,136
Additional paid-in capital	10,295,229	10,295,229
Accumulated deficit	(98,496,750)	(78,891,098)
Stockholders' deficit	(87,557,385)	(67,951,733)
Total liabilities and stockholders' deficit	$149,349,190	$148,837,455

CV Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
Years Ended December 31, 2023 and 2022

	2023	2022
Revenues		
Interest income on loans receivable	$ 22,244,184	$ 17,343,688
Force placed insurance, early termination and other income	2,078,524	806,273

Management and servicing fees from affiliates	205,098	350,000
Loss from unconsolidated entities	(949,114)	(867,633)
Total revenues	23,578,692	17,632,328
Operating Expenses		
Salaries and related payroll	6,649,628	5,244,937
General and administrative	4,518,766	4,746,251
Credit loss expense	7,423,794	4,297,028
Total operating expenses	18,592,188	14,288,216
Income from operations	4,986,504	3,344,112
Interest Expense and Other		
Interest on senior non-convertible preferred stock	(12,860,976)	(11,478,988)
Interest on lines of credit and securitized debt	(7,986,605)	(3,664,551)
Total interest expense and other, net	(20,847,581)	(15,143,539)
Loss before income tax provision	(15,861,077)	(11,799,427)
Income Tax Provision	(97,928)	(44,616)
Net loss	$(15,959,005)	$(11,844,043)

CV Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Net loss	$ (15,959,005)	$ (11,844,043)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Cumulative effect from change in accounting principle	(3,646,647)	-
Credit loss expense	7,423,794	4,297,028
Depreciation	58,414	69,451
Amortization of debt discount and financing costs	460,184	486,270
Paid in-kind interest on mandatorily redeemable preferred stock	12,623,927	11,026,575
Loss from unconsolidated entities	949,114	867,633
Changes in operating assets and liabilities:		
Management and servicing fees receivable from affiliates	-	6,890
Prepaid expenses and other assets	272,334	(392,480)
Accounts payable, accrued expenses and other liabilities	311,769	948,531
Net cash provided by operating activities	2,493,884	5,465,855
Cash Flows From Investing Activities		
Acquisition of property and equipment	-	(53,018)
Funding of loans receivable	(112,187,559)	(117,222,489)
Principal payments on loans receivable	93,447,890	75,399,420
Purchases of investments in Opportunity Funds	(152,000)	-

Distributions from Opportunity Funds	502,000	-
Net cash used in investing activities	(18,389,669)	(41,876,087)
Cash Flows From Financing Activities		
Payments of deferred financing costs	(39,653)	(114,425)
Payments on securitized debt	(18,585,175)	(21,667,869)
Borrowings on line of credit	101,804,402	101,613,157
Payments on line of credit	(76,392,406)	(43,730,843)
Net cash provided by financing activities	6,787,168	36,100,020
Net decrease in cash and restricted cash	(9,108,617)	(310,212)
Cash and Restricted Cash, Beginning	11,645,126	11,955,338
Cash and Restricted Cash, Ending	$ 2,536,509	$ 11,645,126
Supplemental Disclosure of Cash Flows Information		
Cash paid during the year for:		
Interest	$ 7,172,164	$ 2,771,571
Income tax provision	$ 97,928	$ 44,616
Supplemental Disclosure of Noncash Investing and Financing Activities		
Deferred financing costs paid with borrowings on line of credit	$ 39,653	$ 114,425

About CV Holdings, Inc.

CV Holdings, Inc. is a specialty finance company with ownership in finance platforms across multiple businesses, including small-ticket equipment financing and commercial real estate bridge lending.

Our common stock is currently traded on the Pink® Open Market operated by OTC Markets Group, or OTC Markets. While not a requirement, 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 the 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 conduct our operations so as to not be or become regulated as an investment company under the Investment Company Act of 1940.

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. economy in general; the Company's liquidity and ability to continue to cover its operating cash requirements; the Company's ability to redeem or renegotiate the redemption of the outstanding shares of its preferred stock when and as its obligations to do so mature; the growth of its Centra business; the satisfactory resolution of the Company's commercial real estate loan portfolio; the Company's ability to raise and deploy capital in support of its current operations; 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, lessees and corporate customers; any future litigation that may arise; the ultimate resolution of the Company's defaulted loans; the performance of the Company's joint venture investments; the ongoing effects of the COVID-19 pandemic on the Company or the markets in which it operates; and the ability of the Company 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.

FOR FURTHER INFORMATION

AT CV HOLDINGS, INC.:

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