CV Holdings, Inc.

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FOR FURTHER INFORMATION
AT CV HOLDINGS, INC.:
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Press Release

CV Holdings, Inc. Update and Financial Statements for Year Ended December 31, 2020

NEWPORT BEACH, Calif., May 7, 2021 (GLOBE NEWSWIRE) -- CV Holdings, Inc. (Other OTC:CVHL) (the "Company") today reported a net loss for the year ended December 31, 2020 of $(16,197,585) or $(0.26) per common share with weighted average common shares of 62,018,156 issued and outstanding during 2020. Taking into account the December 31, 2020 balance of 64,413,784 common shares issued and outstanding and 7,172,774 warrants and stock options outstanding, the net loss was $(0.23) per diluted common share based on 71,586,558 common shares outstanding on a fully-diluted basis.

The net loss for the year ended December 31, 2020 was primarily due to interest expense on preferred equity of $11,612,792, as well as general and administrative expenses of $3,523,434 and provision for loan losses of $3,831,435. For comparative purposes, for the year ended December 31, 2019, the Company reported a net loss of $(11,897,585) or $(0.19) per common share with a weighted average of common shares issued and outstanding of 61,213,784. The interest expense on preferred equity during 2019 was $9,899,471, administrative expenses were $3,008,666, and provision for loan losses was $1,355,201. Taking into account the December 31, 2019 balance of 61,213,784 common shares issued and outstanding and 8,072,774 warrants and stock options outstanding, the net loss was $(0.17) per diluted common share based on 69,286,558 common shares outstanding on a fully-diluted basis.

Liquidity

As of December 31, 2020, the Company had unrestricted cash of $11,651,923, as compared to $16,724,938 of unrestricted cash as of December 31, 2019. The Company's primary sources of cash flow consisted of interest earned on equipment finance contracts, loans, mortgages and other investments held by its various businesses, namely Centra Funding, LLC ("Centra"), CV Capital Funding, LLC ("CVCF") and VenSource Holdings, LLC ("VenSource") as well as broker and other income. Additionally, the Company earned various fees from its investment management activities in its non-performing residential loan business ("LongVue"), as well as from return of principal from its investment in the same. As of March 31, 2021, the Company had unrestricted cash of $15,124,923.

As of March 31, 2021, the Company and its subsidiaries (including the CVCF-JV as described further below) had bank line commitments of $56,300,000, of which approximately $38,600,000 remained undrawn, and each such entity was in compliance with all of its covenants.

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 obtained a deferment of this obligation for one year. The Company is also required to begin redeeming its Senior Perpetual Preferred Stock in 2022. As noted below, as of March 31, 2021, the combined liquidation preference of the Senior Non-Convertible Preferred Stock and the Senior Perpetual Preferred Stock had reached approximately $87.8 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 well as the Senior Perpetual 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 (as defined below) 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 may 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, 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 (together the "Colborne Preferred Stock"). As of December 31, 2020, the Company had issued a total of 21,945,365 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 $30,000,000 Colborne Senior Perpetual Preferred Stock investment will be subsequently converted into Colborne Senior Non-Convertible Preferred Stock and associated common stock (as more fully described in the Company's April 2016 press release), the Company's outstanding fully-diluted shares of common stock would increase from the current fully diluted amount of 71,586,558 to 99,209,465, 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, when combined with the aforementioned shares, will result in Colborne owning approximately 65% of the total shares outstanding.

The Company is required to redeem 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.

As of March 31, 2021, the Senior Non-Convertible Preferred Stock had an accrued liquidation preference of $60,779,125. Additionally, the two tranches of the Company's Senior Perpetual Preferred Stock, which had a combined accrued liquidation preference of $26,997,774 as of March 31, 2021, are required to be redeemed by the Company in equal quarterly installments between 2022 and 2024.

Impact of the COVID-19 Pandemic

Shortly after the pandemic began to spread widely in the United States in March 2020, the Company was forced to postpone a planned securitization transaction for Centra. A material number of Centra's customers and CVCF's commercial real estate obligors requested and received limited deferments of their payment obligations, and a modestly-increased number of Centra's obligors relative to expectations are, or are expected to be, in default. Additionally, certain of CVCF's real estate obligors are in default. During the second and third quarters, originations were substantially below budget, although Centra saw a significant recovery in volume and improved yields in the fourth quarter and a substantial majority of its customers who requested and received deferments returned to normal payments. Throughout the crisis, the Company engaged in constructive dialogues with its lenders and remained in compliance with the terms of its credit facilities.

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, 2020 and December 31, 2019.

Update on the Business

Consolidated Update

During 2020, the Company continued to grow and develop Centra, its equipment finance business, and to manage the ongoing liquidation of its VenSource portfolio. In May 2020, as previously disclosed, the two former co-Chief Executive Officers left the Company, and the Company generally ceased originating commercial real estate loans, while continuing to service the loans it holds on balance sheet and in its joint venture with a real estate credit-oriented investment fund.

As of December 31, 2020, the Company had investments in (through Centra, CVCF, two CVCF JVs and certain mortgages owned directly, and the remaining VenSource portfolio) approximately $102,000,000 in equipment finance contracts, loans and mortgages across all such investments. This compares with approximately $139,000,000 as of December 31, 2019. 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 $(4,628,113) in the year ended December 31, 2020 compared to $(1,703,541) in the year ended December 31, 2019. This difference was principally attributable to the increase in provision for loan losses. As of March 31, 2021, loans, mortgages or equipment finance contracts totaled approximately $106,400,000. In general, it is the Company's expectation that, as loans grow, administrative expenses as a percentage of revenues will decline, driving the Company toward positive EBITDA.

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net loss	$ (16,197,535)	$ (11,897,585)
Interest expense on preferred equity	11,612,792	9,899,471
Unrealized (gain) loss on derivative instruments	(160,596)	202,982
Taxes	46,880	26,434
Depreciation	70,346	65,157
EBITDA	(4,628,113)	(1,703,541)

During the year, the Company made significant progress in the growth of Centra and the winddown of the CVCF, VenSource and LongVue portfolios. Because the Company is focused on growing Centra, it has allocated capital received from the winddown of these portfolios to Centra. While the Company is pleased with the progress made on all these fronts in 2020, the COVID-19 pandemic significantly disrupted all of the Company's businesses, reducing loan originations and causing a number of loans to become impaired and unable to meet their obligations in full. This exacerbated the already-slower-than-planned growth at the Company, due to the start-up nature of its businesses and the cessation of new originations at CVCF. The foregoing, 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.

Centra Funding, LLC

On November 28, 2016, the Company, through a newly-formed subsidiary, Centra Funding, LLC closed on its acquisition of Centra Leasing, Inc., which was more fully described in the 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 for less than $100,000.

Centra's debt facility with an affiliate of Wells Fargo Bank allows Centra to borrow up to 85% of eligible collateral under its borrowing base. As of December 31, 2020, Centra had $44,593,953 of borrowings under this line.

A significant number of Centra's customers required payment deferments due to the COVID-19 pandemic. During the year, Centra worked closely with Wells Fargo to create a flexible deferment structure that enabled customers to stretch out payments while maintaining the same contracted yield and balance owed to Centra. More than 90% of the customers who received deferments have resumed making normal payments or paid off their contracts.

On March 16, 2021, Centra closed its $58,375,000 term securitization with an institutional investor. The Company used its proceeds from this securitization to pay down its line of credit and to support future originations and business operations. Concurrent with the securitization, the debt facility was decreased to $20,000,000 and the maturity was extended to July 1, 2021. The Company is currently negotiating a potential renewal of the debt facility.

Centra continued to originate new business throughout the year while certain of its competitors stopped or sharply reduced originations. As a result, Centra believes it has been able to originate high-quality assets at elevated yields. As of March 31, 2021, Centra had closed on transactions totaling approximately $118,300,000 since inception and had an active backlog of greater than $13,800,000 of approved transactions.

CV Capital Funding, LLC

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 provides capital for a wide range of real estate asset classes on a nationwide basis. CVCF specializes in offering bridge loans secured by first mortgages on commercial real estate and other assets, Property types for consideration include: multi-unit residences, industrial, office, hospitality and other commercial properties.

From inception through March 31, 2021, CVCF had closed on 37 loans, totaling $120,948,500 in principal with a total outstanding amount of $42,450,000, principally through CVCF's joint venture with a real estate credit-oriented investment fund (the "CVCF-JV Partner" and for the joint venture, the "CVCF-JV") and on CVCF's own balance sheet. During 2019, CVCF entered into a similar JV with a second funding partner, but the partner proved unable to meet its fundraising objectives. Accordingly, on March 5, 2020, CVCF acquired the partner's stake for a net price of $6,848,345 and has been winding down the joint venture.

As noted above, the economic impact of the COVID-19 pandemic caused a significant number of CVCF's obligors to request payment deferments or forbearances, which CVCF evaluated on a case-by-case basis. A small number of obligors are in default, and CVCF is engaged in workouts and relevant legal proceedings where appropriate, coordinating closely with its bank lenders.

The pandemic also reduced the demand from the CVCF-JV partner to fund loans originated by CVCF. As a result, concurrently with the departure of the two former co-Chief Executive Officers, the Company determined generally to cease originating new loans and to reallocate capital to Centra and other businesses. Through a combination of payoffs and note sales, the aggregate principal balance of loans serviced by CVCF was reduced by approximately 43% from March 31, 2020 to March 31, 2021 and certain personnel were transitioned to the CVCF-JV Partner. CVCF was profitable in 2020, and the Company anticipates resolving the remaining loans serviced by it by end-2022.

Discontinued Businesses

As of March 31, 2021, the Company's remaining portfolio of venture leases and loans formerly managed by its VenSource joint venture totaled $460,000 and was performing satisfactorily.

The Company terminated its last servicing contract for non-performing residential loans and real estate owned properties as of June 15, 2019 and is providing certain administrative functions on a cost-plus basis to assist its previous institutional investor in liquidating a small number of remaining assets.

In 2006 and 2007, the Company issued two different 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 given that virtually all assets in both CDOs have been disposed of or written off, the CDOs are not expected to generate any meaningful income to the Company in the future.

Additional details on the Company's businesses are available by visiting our website at: www.cvhldgs.com.

Annual Meeting of Stockholders

On November 16, 2020, 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 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, 2020, 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, 2020 and 2019

	2020	2019
ASSETS		
Cash	$ 11,651,922	$ 16,724,938
Management and servicing fees receivable from affiliates	54,153	33,378
Prepaid expenses and others assets	619,598	980,064
Loans receivable, net	68,931,762	66,531,261
Investment in real estate joint venture	3,937,969	3,937,969
Investments in opportunity funds	3,981,740	5,401,701
Total assets	$ 89,177,144	$ 93,609,311
LIABILITIES AND DEFICIT		
Current Liabilities		
Accounts payable, accrued expenses and other liabilities	$ 1,485,880	$ 1,701,567
Lines of credit	44,593,953	36,805,041
Total current liabilities	46,079,833	38,506,608
Mandatorily redeemable senior non-convertible preferred stock	47,372,075	38,564,068
Mandatorily redeemable senior perpetual preferred stock	39,433,168	37,461,947
Total liabilities	132,885,076	114,532,623
Commitments and Contingencies		
Stockholders' Deficit		
Common stock, $0.01 par value; 200,000,000 shares authorized; 64,413,784 and 61,213,784 issued and outstanding for December 31, 2020 and 2019, respectively	644,136	612,136
Additional paid-in capital	10,295,229	9,747,964
Accumulated deficit	(54,647,297)	(38,449,762)
Total CV Holdings, Inc. stockholders' deficit	(43,707,932)	(28,089,662)
Noncontrolling interests	-	7,166,350
Total deficit	(43,707,932)	(20,923,312)
Total liabilities and deficit	$ 89,177,144	$ 93,609,311

CV HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the Years Ended December 31, 2020 and 2019

	2020	2019
REVENUES		
Interest income on loans receivable	$ 8,232,828	$ 9,033,407
Broker and other income	648,097	772,649
Management and servicing fees from affiliates	498,281	685,301
Income from unconsolidated entities	626,697	331,856
Total revenues	10,005,903	10,823,213
OPERATING EXPENSES		
Salaries and related payroll	5,258,024	5,513,022
General and administrative	3,523,432	3,008,666
Provision for loan losses	3,831,435	1,355,201
Total operating expenses	12,612,891	9,876,889
(LOSS) INCOME FROM OPERATIONS	(2,606,988)	946,324
INTEREST EXPENSE AND OTHER		
Interest on senior perpetual preferred stock	(6,351,691)	(5,129,541)
Interest on senior non-convertible preferred stock	(5,261,101)	(4,769,930)
Interest on lines of credit	(2,333,353)	(2,460,777)
Unrealized gain (loss) on derivative instruments	160,596	(202,982)
Total interest expense and other	(13,785,549)	(12,563,230)
LOSS BEFORE INCOME TAX PROVISION	(16,392,537)	(11,616,906)
INCOME TAX PROVISION	(46,880)	(26,434)
NET LOSS	(16,439,417)	(11,643,340)
Less: net (loss) income attributable to noncontrolling interests	(241,882)	254,245
NET LOSS ATTRIBUTABLE TO CV HOLDINGS, INC.	$ (16,197,535)	$ (11,897,585)

CV HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (16,439,417)	$ (11,643,340)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for loan losses	3,831,435	1,355,201
Depreciation	70,346	65,157
Impairment of Investment in Mintaka	116,471	-
Amortization of debt discount and financing costs	585,291	807,532
Paid in-kind interest on mandatorily redeemable preferred stock	11,085,189	9,348,335
Unrealized loss on derivative instruments	(160,596)	202,982
Loss (gain) from unconsolidated entities	(626,697)	(331,856)
Changes in operating assets and liabilities:		
Management and servicing fees receivable from affiliates	(20,775)	13,264
Prepaid expenses and other assets	115,536	(98,701)
Accounts payable, accrued expenses, and other liabilities	(55,091)	(110,474)
Due to affiliates	-	(1,125,000)
Net cash used in operating activities	(1,498,308)	(1,516,900)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(65,655)	(27,094)
Funding of loans receivable	(76,554,640)	(134,294,948)
Principal payments on loans receivable	70,322,704	124,801,509
Investments in opportunity funds	-	(722,606)
Distributions from investment in real estate joint venture	-	72,692
Distributions from opportunity funds	2,046,658	786,999
Net cash used in investing activities	(4,250,933)	(9,383,448)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to noncontrolling interests	(6,924,468)	(1,127,621)
Contributions from noncontrolling interests	-	6,924,468
Borrowings on lines of credit	40,273,000	76,680,732
Payments on lines of credit	(32,672,307)	(64,449,725)
Net cash provided by financing activities	676,225	18,027,854
Net (decrease) increase in cash	(5,073,016)	7,127,506
CASH - beginning of year	16,724,938	9,597,432
CASH - end of year	$ 11,651,922	$ 16,724,938
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for:		
Interest	$ 2,004,126	$ 2,206,527
Income taxes	$ 46,880	$ 26,434
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of senior perpetual preferred stock to senior non-convertible preferred stock	$ 4,380,470	$ -
Issuance of common stock in connection with conversion of senior perpetual preferred stock	$ 579,265	$ -
Deferred financing costs paid through borrowings on line of credit	$ 188,219	$ 179,167
Investments in opportunity funds	$ -	$ 2,222,594

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 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 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. economy in general; the effects of the COVID-19 pandemic on the Company or the markets in which it operates; 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 and CVCF businesses; 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; adverse developments in the equipment finance business; adverse development in the venture capital business; 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; and 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.