CV Holdings, Inc.

FOR IMMEDIATE RELEASE

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, 2021

NEWPORT BEACH, Calif., May 4, 2022 (GLOBE NEWSWIRE) -- CV Holdings, Inc. (OTC Pink Limited:CVHL) (the "Company") today reported a net loss for the year ended December 31, 2021 of $(12,399,758) or $(0.19) per common share with weighted average common shares of 64,413,784 issued and outstanding during 2021. Taking into account the December 31, 2021 balance of 64,413,784 common shares issued and outstanding and 7,172,774 warrants and stock options outstanding, the net loss was $(0.17) 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, 2021 was primarily due to interest expense on preferred equity of $11,529,709, as well as salaries and related payroll expenses of $5,026,138, general and administrative expenses of $3,398,403, provision for loan losses of $2,004,301 and loss from unconsolidated entities of $793,465.

For comparative purposes, for the year ended December 31, 2020, the Company reported a net loss of $(16,439,417) 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. Interest expense on preferred equity during 2020 was $11,612,792, salaries and related payroll expenses were $5,258,024, administrative expenses were $3,523,434, provision for loan losses was $3,831,435 and gain from unconsolidated entities was $626,697.

Liquidity

As of December 31, 2021, the Company had unrestricted cash of $11,268,565, as compared to $11,651,922 of unrestricted cash as of December 31, 2020. 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, 2022, the Company had unrestricted cash of $8,510,328.

As of March 31, 2022, the Company and its subsidiaries (including the CVCF joint venture described further below) had bank line commitments of $55,000,000, of which approximately $13,610,000 remained undrawn, and each such entity was in compliance with all of its covenants. On April 12, 2022, the above bank line commitments were increased to $80,000,000.

In March 2021, Centra completed its first securitization of equipment finance receivables, involving approximately $69 million of equipment finance agreements. As of March 31, 2022, approximately $33,600,000 of securitized debt, net of deferred financing costs, remained outstanding, and the securitization vehicle 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 this obligation was deferred for a period of one year. In June 2021, this obligation was deferred again for an additional six months, was subsequently deferred through June 30, 2022, and may be deferred further in six-month increments in the sole discretion of Colborne (as defined below), the sole holder of the Company's preferred stock. As noted below, as of March 31, 2022, the liquidation preference of the Senior Non-Convertible Preferred Stock had reached approximately $94.2 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, 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 the terms described more fully in the Company’s April 2016 press release. As of December 31, 2021, 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 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 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 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 through June 30, 2022 and may be deferred further in six-month increments in the sole discretion of Colborne.

As of March 31, 2022, the Senior Non-Convertible Preferred Stock had an accrued liquidation preference of $94,194,854.

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, 2021 and December 31, 2020.

Update on the Business

Consolidated Update

During 2021, Centra, the Company's equipment finance business, attained profitability while continuing to grow its portfolio and diversify its funding sources. The Company made substantial progress in reducing the size of its commercial real estate loan portfolio. Additionally, the Company is close to completing the liquidation of its venture loan and lease business and its non-performing mortgage business.

As of December 31, 2021, the Company had investments in (through Centra, CVCF, a CVCF joint venture and certain mortgages owned directly, and the remaining VenSource portfolio) approximately $98,000,000 in equipment finance contracts, loans and mortgages across all such investments. This compares with approximately $102,000,000 as of December 31, 2020. Approximately $87,000,000 of these investments as of December 31, 2021 were equipment finance contracts originated by Centra, as opposed to approximately $59,000,000 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 $(859,439) in the year ended December 31, 2021 compared to $(4,628,113) in the year ended December 31, 2020. This difference was principally attributable to a reduced provision for loan losses due to better-than-projected loan loss experience, partially offset by a loss from unconsolidated entities. As of March 31, 2022, loans, mortgages or equipment finance contracts totaled approximately $101,800,000. The Company achieved positive EBITDA (unaudited) on a consolidated basis in the first quarter of calendar 2022.

	Year Ended December 31, 2021	Year Ended December 31, 2020
Net loss	$ (12,399,758)	$ (16,197,535)
Interest expense on preferred equity	11,529,709	11,612,792
Unrealized gain on derivative instruments	(42,386)	(160,596)
Taxes	(2,252)	46,880
Depreciation	55,248	70,346
EBITDA	(859,439)	(4,628,113)

During the year, the Company continued to make 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 continued to allocate capital received from the winddown of these portfolios to Centra.

While the Company is pleased with the progress made on all these fronts in 2021, the COVID-19 pandemic continued to disrupt all of the Company's businesses, reducing loan originations and causing a number of loans to remain impaired and unable to meet their obligations in full. Although loan originations at Centra began to rise significantly in spring 2020, the pandemic has delayed the planned growth trajectory of the Company. 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 not exceeding $250,000.

Centra was profitable throughout 2021 and ended the year with net loans receivable approximately 50% higher than at year-end 2020. Centra was also able to maintain the elevated yields that it has been achieving on new originations since mid-2020, while loan losses remained muted. As of March 31, 2022, Centra had originated loans totaling approximately $182,600,000 since inception and had an active backlog of approximately $27,000,000 of approved transactions.

As of December 31, 2021, Centra had $29,314,639 of borrowings and was in compliance with all covenants of its debt facility with an affiliate of Wells Fargo Bank. During 2021, in connection with the securitization described below, this facility was amended and restated, certain of its terms were changed and its maturity date was extended to August 27, 2024. On April 12, 2022, the facility was amended and restated, certain terms were changed and the maximum revolver amount was increased to $80,000,000.

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. As of December 31, 2021, the outstanding balance of securitized debt was $39,484,436, net of deferred financing costs, and the Company was in compliance with all covenants under the indenture agreement.

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 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. During 2019, CVCF entered into a similar JV with a second 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.

The other joint venture is also being wound down, and the loans in it and on CVCF's balance sheet are all in the process of being resolved. Certain obligors are in default, and CVCF is engaged in workouts and relevant legal proceedings where appropriate, coordinating closely with its bank lenders. During 2021, CVCF recognized losses of $803,677, including an unrealized loss of $652,268 on one of the remaining loans in the joint venture. As of March 31, 2022, five loans remained, with a total outstanding amount of $22,027,383. Capital released as loans are resolved is being reallocated to Centra and other businesses. Effective January 1, 2022, all remaining CVCF personnel were transitioned to the CVCF-JV Partner, which assumed responsibility for administering its joint venture with CVCF.

<u>Other Businesses</u>

In March 2022, the last remaining VenSource loan paid off and the business is being dissolved.

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. The last asset was liquidated during 2021, and the related corporate entities are in the process of being dissolved.

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 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 25, 2021, 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, 2021, 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, 2021 and 2020

	2021	2020
ASSETS		
Cash	$ 11,268,565	$ 11,651,922
Restricted cash	686,773	–
Management and servicing fees receivable from affiliates	6,890	54,153
Prepaid expenses and other assets	713,506	619,598
Loans receivable, net (Note 3)	92,354,708	68,931,762
Investment in real estate joint venture	3,937,969	3,937,969
Investments in Opportunity Funds	3,109,800	3,981,740
Total assets	$ 112,078,211	$ 89,177,144
LIABILITIES AND DEFICIT		
Current Liabilities		
Accounts payable, accrued expenses and other liabilities	$ 7,886,473	$ 1,485,880
Lines of credit	29,314,639	44,593,953
Securitized debt, net of deferred financing costs	39,484,436	–
Mandatorily redeemable senior non-convertible preferred stock (Note 6)	91,500,353	47,372,075
Mandatorily redeemable senior perpetual preferred stock (Note 6)	–	39,433,168
Total liabilities	168,185,901	132,885,076
Commitments and Contingencies (Note 9)		
Stockholders' Deficit (Note 8)		
Common stock, $0.01 par value; 200,000,000 shares authorized; 64,413,784 issued and outstanding for both years December 31, 2021 and 2020	644,136	644,136
Additional paid-in capital	10,295,229	10,295,229
Accumulated deficit	(67,047,055)	(54,647,297)
CV Holdings, Inc. stockholders' deficit	(56,107,690)	(43,707,932)
Noncontrolling interests	–	–
Total deficit	(56,107,690)	(43,707,932)
Total liabilities and deficit	$ 112,078,211	$ 89,177,144

CV HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2021 and 2020

	2021	2020
REVENUES		
Interest income on loans receivable	$ 11,552,461	$ 8,232,828
Broker and other income	845,626	648,097
Management and servicing fees from affiliates	166,479	498,281
(Loss) income from unconsolidated entities	(793,465)	626,697
Total revenues	11,771,101	10,005,903
OPERATING EXPENSES		
Salaries and related payroll	5,026,138	5,258,024
General and administrative	3,398,403	3,523,432
Provision for loan losses	2,004,301	3,831,435
Total operating expenses	10,428,842	12,612,891
INCOME (LOSS) FROM OPERATIONS	1,342,259	(2,606,988)
INTEREST EXPENSE AND OTHER		
Interest on senior perpetual preferred stock (Note 6)	(3,283,579)	(6,351,691)
Interest on senior non-convertible preferred stock (Note 6)	(8,246,130)	(5,261,101)
Interest on lines of credit and securitized debt (Note 5)	(2,256,946)	(2,333,353)
Unrealized gain on derivative instruments (Note 5)	42,386	160,596
Total interest expense and other, net	(13,744,269)	(13,785,549)
LOSS BEFORE INCOME TAX PROVISION	(12,402,010)	(16,392,537)
INCOME TAX (BENEFIT) PROVISION	2,252	(46,880)
NET LOSS	(12,399,758)	(16,439,417)
Less: net loss attributable to noncontrolling interests	–	(241,882)
NET LOSS ATTRIBUTABLE TO CV HOLDINGS, INC.	$ (12,399,758)	$ (16,197,535)

CV HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (12,399,758)	$ (16,439,417)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for loan losses	2,004,301	3,831,435
Depreciation	55,248	70,346
Impairment of investment in Mintaka	–	116,471
Amortization of debt discount and financing costs	477,873	585,291
Paid in-kind interest on mandatorily redeemable preferred stock (Note 6)	11,137,721	11,085,189
Unrealized gain on derivative instruments	(42,386)	(160,596)
Loss (income) from unconsolidated entities	793,465	(626,697)
Changes in operating assets and liabilities:		
Management and servicing fees receivable from affiliates	47,263	(20,775)
Prepaid expenses and other assets	572,867	115,536
Accounts payable, accrued expenses and other liabilities	368	(55,091)
Net cash provided by (used in) operating activities	2,646,962	(1,498,308)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(58,388)	(65,655)
Funding of loans receivable	(79,036,690)	(76,554,640)
Principal payments on loans receivable	53,609,443	70,322,704
Distributions from Opportunity Funds	78,475	2,046,658
Net cash used in investing activities	(25,407,160)	(4,250,933)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of deferred financing costs	(1,141,508)	–
Distributions to noncontrolling interests	–	(6,924,468)
Borrowings on securitized debt	58,375,000	–
Payments on securitized debt	(18,890,564)	–
Borrowings on lines of credit	56,532,719	40,273,000
Payments on lines of credit	(71,812,033)	(32,672,307)
Net cash provided by financing activities	23,063,614	676,225
Net increase (decrease) in cash and restricted cash	303,416	(5,073,016)
CASH AND RESTRICTED CASH – beginning of year	11,651,922	16,724,938
CASH AND RESTRICTED CASH – end of year	$ 11,955,338	$ 11,651,922

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, 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. 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 business; the Company's ability to resolve satisfactorily its 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; 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.