CV Holdings, Inc. Update and Financial Statements for Year Ended December 31, 2024

Your publication date and time will appear here. | Source: CV Holdings, Inc.

Share

NEWPORT BEACH, Calif., April 04, 2025 (GLOBE NEWSWIRE) -- CV Holdings, Inc. (OTC Pink Limited: CVHL) (the "Company") today reported a net loss for the year ended December 31, 2024 of $(18,153,285) or $(0.28) per common share with weighted average common shares of 64,413,784 issued and outstanding during 2024. All outstanding warrants expired during 2024, and accordingly the net loss was also $(0.28) per diluted common share based on 64,413,784 common shares outstanding on a fully-diluted basis. The net loss for the year ended December 31, 2024 was primarily due to interest expense on preferred equity of $14,457,898 as well as the Company's credit loss expense of $8,952,270 and interest on lines of credit and securitized debt of $8,717,228. Salaries and related payroll expenses were $7,597,857 and general and administrative expenses were $4,003,317.

For comparative purposes, for the year ended December 31, 2023, the Company reported a net loss 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. Interest expense on preferred equity during 2023 was $12,860,976, credit loss expense was $7,423,794, interest on lines of credit and securitized debt was $7,986,605, salaries and related payroll expenses were $6,649,628 and general and administrative expenses were $4,518,766.

Liquidity

As of December 31, 2024, the Company had unrestricted cash of $2,688,388, as compared to $2,536,509 of unrestricted cash as of December 31, 2023. he Company's primary sources of cash flow consisted of interest and other income 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, 2025, 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, 2024, the liquidation preference of the Senior Non-Convertible Preferred Stock had reached approximately $129 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 Tiptree Advisors 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 ursuant to its terms as described more fully in the Company's April 2016 press release.

As of December 31, 2024, Colborne owned a total of 32,258,811 shares of common stock of the Company, obtained through (i) the issuance by the Company of common shares to Colborne related to the Colborne Preferred Stock and (ii) unrelated open-market third-party purchases by Colborne approved by the Company, representing in total approximately 50.1% of the Company's issued and outstanding common stock.

As of December 31, 2024, Colborne remained entitled to require the issuance of another 27,622,907 common shares in connection with 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 64,413,784 to 92,036,691, and Colborne would own approximately 65% of the Company's issued and outstanding common stock.

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, 2025 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, 2024 and December 31, 2023.

Update on the Business

Consolidated Update

During 2024, Centra, the Company's equipment finance business, modestly increased the size of its portfolio and would have returned to profitability but for higher interest expense and increased reserving for losses in respect of loans originated in 2021 and 2022. After receiving a cash distribution from the Company's commercial real estate loan joint venture, the Company wrote off the remaining value of its investment in the joint venture. The Company has completed the liquidation of its other businesses.

As of December 31, 2024, the Company had investments in approximately $147,000,000 of wholly owned equipment finance contracts originated by Centra. This compares with 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, as of December 31, 2023.

As shown in the following table, the Company's income from operations increased by 2.6% to $5,117,310 despite reduced origination volume and increased allowance for credit losses at Centra, the writedown of the remaining investment in the CVCF joint venture and certain one-time expenses in connection with Centra's acquisition of a team and technological platform from a competitor. This increase in operating income was offset by an increase in Centra's interest expense in 2024 due to increases in its average debt balance and the average applicable interest rate. Excluding the pay-in-kind dividends on the Colborne Preferred Stock, the Company had EBITDA of $(3,599,918) in the year ended December 31, 2024 compared to $(2,941,687) in the year ended December 31, 2023.

	Year Ended December 31, 2024	Year Ended December 31, 2023
Income from operations	$ 5,117,310	$ 4,986,504
Interest on lines of credit and securitized debt	$ (8,717,228)	$ (7,986,605)
Net loss	$(18,153,285)	$(15,959,005)
Interest expense on preferred equity	14,457,898	12,860,976
Taxes	95,469	97,928
Depreciation	-	58,414
EBITDA	(3,599,918)	(2,941,687)

During 2024, CVCF sold a property that had been the collateral for one of the two remaining loans in the joint venture and foreclosed upon and sold at auction the two properties that had been the collateral for the other an. The foreclosure and auction of the latter two properties are in litigation, and the Company has written down its remaining investment in the joint venture. As noted, the Company continued to grow Centra in 2024 and has generally allocated capital received from asset sales and business winddowns to Centra.

Centra expanded and simplified its range of credit offerings in early 2024. The performance of loans originated in 2023 and 2024 currently appears to Centra's management to be materially better than that of the loans originated in 2021 and 2022, and broadly consistent in aggregate with the performance of loans originated by Centra prior to 2021. The net loss in 2024, 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 $502 million and $299 million for federal and state purposes, respectively, through December 31, 2024. 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 $400,000.

Centra continued to grow during 2024, with net contracts receivable increasing by approximately 4.4% year over year, but posted a net loss of $(1,130,162), driven by several factors: (i) modestly reduced origination volume which lowered interest income; (ii) approximately $3.8 million of additional allowance for credit losses with respect to loans originated in 2021 and 2022; (iii) one-time expenses associated with the acquisition of a team and technological platform from a competitor; and (iv) an increase in Centra's interest expense due to increases in its average debt balance and the average applicable interest rate.

The Company believes that the additional reserving for loans originated during 2021 and 2022 is largely completed. The performance of loans riginated after 2022 has thus far been significantly better overall and appears to be generally in line with pre-2021 loan cohorts taken as a whole. No assurance can be given, however, as to the ultimate performance of Centra's portfolio.

Centra continued to build up its servicing capabilities during 2024 and increased its force-placed insurance, early termination and other income by approximately 22% year over year. Centra increased its investment in its technological platforms in 2024, and acquired one such platform, along with associated sales and other staff, from a competitor in May 2024.

As of December 31, 2024, Centra had $121,516,637 of borrowings and was in compliance with all covenants of its debt facility agented by an affiliate of Wells Fargo Bank.

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. Effective January 1, 2022, all remaining CVCF personnel were transitioned to the CVCF-JV Partner, which assumed responsibility for administering the joint venture.

The joint venture is being wound down. In April 2024, a property that had secured one of the two remaining loans was sold at auction and net proceeds distributed. CVCF also foreclosed on and sold the two properties that had secured the other remaining loan; the former owner of these properties has engaged in extensive litigation with respect to this process, which is ongoing. Over the course of 2024, the Company wrote off its remaining investment in the joint venture, resulting in a net loss of $(323,053) for the year.

Other Businesses

The Company terminated its last servicing contract for non-performing residential loans and real estate owned properties as of June 15, 2019. The st asset was liquidated during 2021, and the related corporate entities were dissolved during 2024. 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 14, 2024, 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, 2024, the Company was not directly involved in 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, 2024 and 2023

	2024	2023
Assets		
Cash	$ 2,688,388	$ 2,536,509

Prepaid expenses and other assets	780,718	735,034
Contracts receivable, net	147,443,465	141,196,625
Investment in real estate joint venture	3,937,969	3,937,969
Investments in Opportunity Funds	-	943,053
Total assets	$ 154,850,540	$149,349,190
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable, accrued expenses and other liabilities	$ 9,884,442	$ 9,146,771
Line of credit	121,516,637	112,608,949
Mandatorily redeemable senior non-convertible preferred stock	129,128,088	115,150,855
Total liabilities	260,529,167	236,906,575
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
Other comprehensive income - derivative instruments	32,043	-
Accumulated deficit	(116,650,035)	(98,496,750)
Stockholders' deficit	(105,678,627)	(87,557,385)
Total liabilities and stockholders' deficit	$ 154,850,540	$149,349,190

CV Holdings, Inc. and Subsidiaries

Consolidated Statements of Operations

Years Ended December 31, 2024 and 2023

	2024	**2023**
Revenues		
Interest income on loans receivable	$ 23,257,567	$ 22,244,184
Force-placed insurance, early termination and other income	2,536,240	2,078,524
Management and servicing fees from affiliates	200,000	205,098
Loss from unconsolidated entities	(323,053)	(949,114)
Total revenues	25,670,754	23,578,692
Operating Expenses		
Salaries and related payroll	7,597,857	6,649,628
General and administrative	4,003,317	4,518,766
Credit loss expense	8,952,270	7,423,794
Total operating expenses	20,553,444	18,592,188
Income from operations	5,117,310	4,986,504

Interest Expense and Other		
Interest on senior non-convertible preferred stock	(14,457,898)	(12,860,976)
Interest on lines of credit and securitized debt	(8,717,228)	(7,986,605)
Total interest expense and other, net	(23,175,126)	(20,847,581)
Loss before income tax provision	(18,057,816)	(15,861,077)
Income Tax Provision	(95,469)	(97,928)
Net loss	$(18,153,285)	$(15,959,005)

CV Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Net loss	$ (18,153,285)	$ (15,959,005)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Credit loss expense	8,952,270	7,423,794
Depreciation	-	58,414
Amortization of debt discount and financing costs	363,410	460,184
Paid in-kind interest on mandatorily redeemable preferred stock	13,977,233	12,623,927
Loss from unconsolidated entities	323,053	949,114
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	325,351	272,334
Accounts payable, accrued expenses and other liabilities	737,673	311,769
Net cash provided by operating activities	6,525,705	6,140,531
Cash Flows From Investing Activities		
Funding of loans receivable	(112,532,623)	(115,834,206)
Principal payments on loans receivable	97,333,512	93,447,890
Purchases of investments in Opportunity Funds	-	(152,000)
Distributions from Opportunity Funds	620,000	502,000
Net cash used in investing activities	(14,579,111)	(22,036,316)
Cash Flows From Financing Activities		
Payments of financing costs	(702,403)	(39,653)
Payments on securitized debt	-	(18,585,175)
Borrowings on line of credit	113,733,572	101,804,402
Payments on line of credit	(104,825,884)	(76,392,406)
Net cash provided by financing activities	8,205,285	6,787,168
Net increase (decrease) in cash and restricted cash	151,879	(9,108,617)

Cash, Beginning	2,536,509	11,645,126
Cash, Ending	$ 2,688,388	$ 2,536,509
Supplemental Disclosure of Cash Flows Information		
Cash paid during the year for:		
Interest, net of cash received from derivative instrument	$ 8,230,510	$ 7,172,164
Income tax provision	$ 95,469	$ 97,928

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 state 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.:

Jim Crystal
jcrystal@cvhldgs.com