DVL, Inc. and Subsidiaries

Consolidated Financial Report
December 31, 2023

DVL, Inc. and Subsidiaries

Contents

Independent Auditor's Report

Board of Directors
DVL, Inc.

Opinion
We have audited the consolidated financial statements of DVL, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Blue Bell, Pennsylvania
April 24, 2024

DVL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2023
(in thousands)

ASSETS

Investments		
Equity interests in real estate	$	8,324
Real estate held for sale		840
Real estate (net of accumulated depreciation and amortization of $2,699)		7,406
Residual interests in securitized portfolios		2,318
Cash - unrestricted		1,595
Cash and cash equivalents - restricted		7,995
U.S treasury securities (available-for-sale)		5,824
Economic Redevelopment Grant receivable		2,314
Operating lease - right of use asset		521
Other assets and deferred charges		1,572
Total assets	$	38,709

CONTINUED

DVL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2023
(in thousands except share data)
(continued)

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Secured debt	$	3,513
Accrued liabilities, accounts payable and security deposits		1,839
Operating lease - right of use liability		575
Total liabilities		5,927
Commitments and contingencies		
Shareholders' equity:		
Common stock, $0.01 par value, authorized - 12,000 shares; issued and outstanding - 5,310 shares		-
Additional paid-in-capital		95,972
Accumulated deficit		(63,392)
Accumulated other comprehensive loss		(27)
Total shareholders' equity before non-controlling interest in consolidated subsidiary		32,553
Non-controlling interest in consolidated subsidiary		229
Total equity after non-controlling interest in consolidated subsidiary		32,782
Total liabilities and equity	$	38,709

See notes to consolidated financial statements

DVL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDING DECEMBER 31, 2023
(in thousands)

Income:		
Gains from equity interests in real estate	$	2,102
Gain on sale of real estate held for sale		498
Rental income		1,418
Interest income - residual interests		425
Management fees		205
Interest income		1,075
Other income		125
		5,848
Operating expenses:		
General and administrative		3,240
Property operating expenses and interest expense (including depreciation and amortization of $320)		878
Legal, professional and management fees		1,760
		5,878
Net loss		(30)
Net income attributable to non-controlling interest in consolidated subsidiary		85
Net loss attributable to Company	$	(115)

DVL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
YEAR ENDING DECEMBER 31, 2023
(in thousands)

Net loss attributable to Company	$	(115)
Other comprehensive income loss:		
Unrealized losses arising during the period on U.S treasury securities (available-for-sale)		(27)
Total other comprehensive loss		(27)
Total comprehensive loss	$	(142)

See notes to consolidated financial statements

DVL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
YEAR ENDING DECEMBER 31, 2023
(in thousands except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	Shares	Amount						
Balance - January 1, 2023	5,373	$ -	$ 96,289	$ (63,277)	$ -	$ 33,012	$ 955	$ 33,967
Issuance of Common Shares	40	-	95	-	-	95	-	95
Purchase and retirement of shares	(103)	-	(412)	-	-	(412)	-	(412)
Capital activity relating to non-controlling interest	-	-	-	-		-	(811)	(811)
Total other comprehensive loss	-	-	-	-	(27)	(27)	-	(27)
Net income (loss)	-	-	-	(115)	-	(115)	85	(30)
Balance - December 31, 2023	5,310	$ -	$ 95,972	$ (63,392)	$ (27)	$ 32,553	$ 229	$ 32,782

See notes to consolidated financial statements

DVL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDING DECEMBER 31, 2023
(in thousands)

Cash flows from operating activities:		
Net loss	$	(30)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Gains from equity interests in real estate		(2,102)
Gain on sale of real estate held for sale		(498)
Non-cash stock compensation		95
Accrued interest on Economic Redevelopment Grant		(303)
Depreciation and amortization		368
Amortization of prepaid financing costs		118
Change in operating assets and liabilities:		
Net decrease in other assets and deferred charges		86
Net increase in accrued liabilities, accounts payable and security deposits		305
Collections of Economic Redevelopment Grant receivable		1,388
Principal collections on residual interests		1,681
Net cash provided by operating activities		1,108
Cash flows from investing activities:		
Distributions from equity interest in real estate		3,998
Net proceeds from real estate held for sale		7,224
Additions to real estate held for sale		(135)
Contributions to equity interest in real estate		(1,813)
Additions to real estate		(1,872)
Purchases of U.S treasury securities (available-for-sale)		(5,851)
Net cash provided by investing activities		1,551
Cash flows used in financing activities:		
Principal payments on secured debt - real estate held for sale		(2,760)
Principal payments on secured debt		(74)
Purchase and retirement of common stock		(412)
Redemption of non-controlling interest		(811)
Net cash used in financing activities		(4,057)
Net decrease in cash - unrestricted and cash - restricted		(1,398)
Cash - unrestricted and cash - restricted, beginning of period		10,988
Cash - unrestricted and cash - restricted, end of period	$	9,590
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$	164
Reconciliation to cash-unrestrictd and cash-restricted:		
Cash - unrestricted	$	1,595
Cash and cash equivalents - restricted		7,995
	$	9,590

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

a) THE COMPANY: DVL, Inc. is a Delaware corporation. DVL is a commercial real estate company, which is primarily, through subsidiaries, engaged in (a) the direct and indirect ownership of real estate and mortgages, (b) the ownership of residual interests in securitized portfolios, and (c) the performance of real estate asset management and administrative services. All references to "DVL," "we," "us," "our," or the "Company" refer to DVL, Inc. and its consolidated subsidiaries.

DVL's investments consist primarily of direct and indirect ownership in real estate and residual interests in securitized portfolios. DVL's subsidiaries are consolidated for accounting purposes. All material inter-company transactions and accounts are eliminated in consolidation.

b) REVENUE RECOGNITION: The Company earns revenue from several business activities, i) Earnings from equity interest in real estate, ii) Gains on sales of real estate held for sale, iii) Rental income, iv) Interest income, v) Interest income on economic redevelopment grant receivable, and vi) Management fees.

i) The Company reports its investments in Residential LLC and UWS LLC (Notes 1c and 2) under the equity method of accounting. The Company's pro-rata share of; i) net investment income or loss, ii) net realized gain or loss, and iii) unrealized gain or loss on investments, are recognized in the Company's consolidated statement of operations as net income (loss) from equity interest in real estate, with a corresponding change to the carrying value of the investment.

Residential LLC and UWS LLC present their investments at fair value. Their policy is to mark-to-market its investments on an annual basis, and treat itself as an investment company for accounting purposes. As a result, amounts ultimately realized may differ from the fair values presented at the measurement date, differences of which could be material to these consolidated financial statements. See notes 1c and 2 for additional disclosures on the equity investment in Residential LLC and UWS LLC.

Dividends received are treated as a reduction of the investment account and evaluated as either a return on the investment or return of the investment in evaluating the classification on the consolidated statement of cash flows.

ii) Gains on sale of real estate held for sale are recognized when each individual condominium unit is sold (Note 2). Direct and indirect costs related to the acquisition, renovation, and upgrade of the units are capitalized, and allocated to each individual unit's cost basis, based on their relative anticipated sales value.

iii) Rental income is recognized on a straight-line basis in income as rent except for rent from real estate held for sale which is recorded at the contractual rent. DVL records potential rents in the period in which all contingencies are resolved.

iv) Interest income is recorded on the effective interest method.

v) Interest income on the economic redevelopment grant receivable is recognized on the effective interest method and carried using a net present value with a discount rate of 10% of future projected cash flows.

vi) Management fees are earned for performing certain accounting and bookkeeping services for affiliated limited partnerships and other entities and are recognized as earned.

c) EQUITY INTEREST IN REAL ESTATE: In 2018, and separately in 2023, the Company made investments to obtain initial minority ownerships in two limited liability real estate entities, Residential LLC and UWS LLC. Because the Company has the ability to exert influence over the real estate entities but does not have power to control the entities, the Company accounts for its investments in these real estate entities under the equity method of accounting whereby the Company's share of the net income or loss of the investments are recognized as a component of net income in the Company's consolidated statement of operations with a with a corresponding change to the carrying value of the investments. Dividends received from the investments are treated as a reduction of the investments account and evaluated as either return on the investments or return of investment in evaluating the classification on the consolidated statement of cash flows. The limited liability real estate entities present its investments at fair value and treat itself as an investment company for accounting purposes. The fair value of its investments in real estate are estimated based on the price that would be received upon a sale of the assets in an orderly transaction with marketplace participants at the annual measurement date. Market prices for such investments may be volatile and not be readily ascertainable. As a result, amounts ultimately realized may differ from the fair values presented, differences which could be material to these consolidated financial statements.

d) REAL ESTATE: Land, buildings, building and tenant improvements are stated at cost, net of accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets (5 to 40 years).

e) REAL ESTATE HELD FOR SALE: Real estate expected to be sold is not depreciated and is measured at the lower of its carrying amount or fair value less costs to sell, and is presented separately in the consolidated balance sheet. Real estate held for sale is reviewed by management for impairment annually. A gain for any subsequent increase can be recognized to the extent it is not in excess of the cumulative impairment loss. Renovation and indirect costs associated with the real estate held for sale, are being capitalized during the held for sale period and will be applied to the costs basis upon sale of the units (Note 2).

f) NON-CONTROLLING INTEREST: Represents a minority shareholder's ownership interest in the Company's subsidiary, RH Interest, Inc. The non-controlling interest in its subsidiary is reported as a separate component of equity in the consolidated balance sheet. The Company reports both net income or loss attributable to the non-controlling interest and net income or loss attributable to the Company's common shareholders on the face of the consolidated statement of operations. The Company's equity interest in RH Interest, Inc. is 80.1% and the non-controlling stockholder's interest is 19.9%. This is reflected in the consolidated statement of shareholders' equity (Note 2).

g) IMPAIRMENT OF REAL ESTATE INVESTMENTS: Long-lived assets are evaluated for impairment whenever events or changes in circumstances have indicated that an asset may not be recoverable and are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest charges) is less than the carrying value of the assets, the assets will be written down to the estimated fair value and such loss is recognized in income from operations in the period in which the determination is made.

An impairment charge is inherently subjective and is based upon management's best estimate of current conditions and assumptions about expected future conditions. The Company may provide for impairments in the future and such impairments could be material.

h) RESIDUAL INTERESTS: Residual interests represent the estimated discounted cash flow of the differential of the total interest to be earned on the securitized receivables and the contractual servicing fee. Since these residual interests are not subject to prepayment risk, they are accounted for as investments held-to-maturity and are carried at amortized cost using the effective interest method. Permanent impairments are recorded immediately through results of operations. Favorable changes in future cash flows are recognized through results of operations as interest over the remaining life of the retained interest.

i) ALLOWANCE FOR CREDIT LOSSES: The adequacy of the allowance for losses is determined through a periodic review of each asset. Specific loss reserves are provided as required based on management's evaluation of the underlying collateral or each asset. DVL's allowance for losses generally are based upon the value of the collateral underlying each asset and its carrying value.

j) PREPAID FINANCING: Prepaid financing costs are deferred and amortized over the term of the respective debt using the effective interest method. Prepaid financing costs on interest-only loans are amortized using the straight-line method over the term of the financing and are netted against the related liability.

k) FEDERAL INCOME TAXES: All subsidiaries are included in DVL's consolidated federal income tax return. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Guidance on accounting for uncertainties in income taxes addresses the determination of whether tax benefits claimed on a tax return should be recorded in the financial statements. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. The guidance for accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. With few exceptions, the Company is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2020.

l) FAIR VALUE OF FINANCIAL INSTRUMENTS: Financial instruments held by the Company include its equity interest in real estate, cash, U.S treasury securities (available-for-sale), accrued expenses, accounts payable and secured debt. The fair values of cash, accrued expenses and accounts payable approximate their current carrying amounts due to their short-term nature. Secured debt approximates fair value due to its short-term nature. See Note 3 for discussions on residual interests.

Generally accepted accounting principles ("GAAP") establishes a fair value hierarchy for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy is described as follows:

Level 1 - Valuations are based on unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Valuations are based on quoted prices for similar but not identical assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or other quoted prices that are observable inputs.

Level 3 - Valuations are based on information that is unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Company's U.S treasury securities (available-for-sale) are deemed Level 1 and its equity interest in real estate investment is deemed to be Level 3.

m) USE OF ESTIMATES: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The allowance for credit losses is subject to significant change in the near term.

n) UNRESTRICTED CASH AND CASH EQUIVALENTS: The Company considers all highly-liquid investments with original purchase maturity dates of three months or less to be cash equivalents.

o) RESTRICTED CASH AND CASH EQUIVALENTS: The Company considers cash required for capital improvements, satisfaction of certain liquidity guarantee requirements (Note 8), or cash it cannot access without any legal or contractual consequences to be restricted.

p) U.S. TREASURY SECURITIES (AVAILABLE-FOR-SALE): The Company considers the U.S. Treasury Securities as marketable securities and are reported at fair value on the consolidated balance sheet, with unrealized gains or losses reported as a separate component of stockholders' equity in accumulated other comprehensive loss.

q) CONCENTRATION OF CREDIT RISK: The Company has concentration of credit risk in cash, residual interests, and its Economic Redevelopment Grant. The risk associated with the residual interests is mitigated by the large number of insurance companies from which the payments are due. The Company's Economic Redevelopment Grant ("ERG") receivable is from the State of New Jersey Economic Development Authority. All amounts due are to be paid from the collection of sales taxes from tenants, subject to the annual appropriation by the State of New Jersey to fund grants under the ERG program. The Company maintains cash with several banking institutions, which amounts at times may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The amount that is federally insured is subject to the FDIC limit of $250 per financial institution, per ownership category.

r) RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS: In June 2016, the Financial Accounting Standard Board (FASB) issued ASU 2016-13, Financial Instruments Credit Losses. Accounting Standard Update (ASU) 2016-13 (Topic 326), replaces the incurred loss impairment methodology in current generally accepted accounting principles with an expected credit loss methodology and requires consideration of a broader range of information to determine credit loss estimates. Financial assets measured at amortized cost will be presented as the net amount expected to be collected by using an allowance for credit losses. Purchased credit deteriorated loans will receive an allowance account at the acquisition date that represents a component of the purchase price allocation. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses, with such allowance limited to the amount by which fair value is below amortized cost.

The Company reviewed its financial guarantees, described in note 8, and has determined that they have an expected immaterial credit loss. Therefore, the adoption of this standard did not have a material impact on the financial statements.

The Company conducted a review of its residual interest portfolio (Note 1i and Note 3) using a weighted average remaining maturity (WARM) method and determined that it would be appropriate to assume that they have an expected immaterial credit loss. Under such method, the Company utilizes average annual charge-off rates and remaining life to estimate the allowance for credit losses (ACL), along with adjustments by expected payments and prepayments.

The Company conducted a review of its U.S treasury securities (available-for-sale) and determined that it would be appropriate to assume that they have an expected immaterial credit loss. This zero-credit loss assumption applies to debt issuances of the U.S. Treasury and agencies and instrumentalities of the United States government.

The Company will continuously monitor any changes in economic conditions, credit downgrades, changes to explicit or implicit, and any other relevant information that would indicate potential credit deterioration and prompt the Company to reconsider its credit loss assumptions.

2. Investments

Equity Interests in Real Estate

In December 2018, DVL made an investment into an entity ("Residential LLC") in exchange for an initial 30% ownership interest. The remaining interest in Residential LLC is held by affiliates of NPO Management, LLC ("NPO"), and others who originated the transaction (the "Manager"). The Company was permitted to invest in Residential LLC at the same cost basis and other terms as the Manager, in exchange for the Company providing liquidity and required guarantees (see Note 8 for a detailed description of the guarantees). The Manager has agreed to contribute on a pro-rata basis, to the extent any guarantees are called on. Upon realization by the Company of a specified return on its investment, the Manager is entitled to a portion of the Company's share of future distributions. Residential LLC is considered a variable interest entity ("VIE") due to various guarantees and fee arrangements. The Company does not have the power to direct the activities that most significantly impact the economic performance of the VIE and, consequently, is not the primary beneficiary of the VIE. Accordingly, the Company does not consolidate the VIE. The Company's interest in Residential LLC is subject to repurchase by the Manager under certain circumstances.

During 2023, the Company invested a total of $1,813 in Residential LLC and a new entity ("UWS LLC") for the entities to purchase both equity interest and a mortgage loan secured by a retail condominium and to purchase a separate commercial condominium. The Company was permitted to invest in this transaction on the same terms as the Manager who originated the transaction. Upon realization by the Company of a specified return on its investment in UWS LLC, such Manager will be entitled to a portion of the Company's share of future distributions.

As of December 31, 2023, the Company's equity interest in real estate consists of interests in entities which own five government subsidized low-income housing tax credit ("LIHTC") housing properties and certain developable land parcels in Brooklyn, New York, and interests in entities that own a mortgage loan secured by a retail condominium and a separate commercial condominium, both located in New York, New York. The carrying value of these investments at December 31, 2023 were $8,324.

Real Estate

DVL's real estate properties consist of (i) an approximately 89,000 square foot building and approximately 4,000 square foot outparcel building both on approximately eight acres of land in Kearny, New Jersey (the "Kearny Properties"), and (ii) an approximately 97,000 square foot shopping center on approximately eight acres of land in Del-Rio, Texas, (the "Del-Rio Property"). Both properties are classified as real estate in the consolidated balance sheet.

Summary of Real Estate at December 31, 2023, (in thousands):

	Real Estate Total
Land and land improvements	$ 801
Buildings and building improvements	8,145
Tenant improvements	1,159
	10,105
Less: Accumulated depreciation	2,699
Total	$ 7,406

The Company leases space at the properties to various tenants under lease terms that include escalation provisions, renewal options and obligations of the tenants to reimburse certain property operating expenses. One such tenant includes an early termination right, subject to provisions in the lease.

The Company's commercial leases may include lease income related to such items as, real estate taxes, insurance, common area maintenance and utilities. The Company has elected the practical expedient to treat these variable lease payments that do not depend on an index or a rate as a single lease component because the amenities cannot be leased on their own and the timing and pattern of revenue recognition are the same. As such, the Company presents the lease component and the non-lease components as a single component in the revenue section of the statement of operations within rental income.

The remaining aggregate future minimum fixed lease payments under non-cancellable leases for the Real Estate, as of December 31, 2023 are as follows (in thousands):

Year Ending	Real Estate
2024	$ 1,407
2025	1,296
2026	1,296
2027	1,296
2028	1,219
Thereafter	6,303
	$ 12,817

Real Estate Held for Sale

In December 2021, CB Condo Holdings, LLC ("CB Condo"), a single member LLC owned by the Company's subsidiary, RH Interests, Inc., ("RH") acquired 28 residential condominium units (the "CB Property") within a 46-unit condominium portfolio located in Madison, New Jersey, for $8,750, inclusive of a $6,500 mortgage. Concurrent with the acquisition, the Company's subsidiary, RH, sold 19.9% of its shares to an affiliate of NPO Management LLC, ("Pembroke CB"), who originated and managed the transaction. All capital was funded 80.1% by the Company and 19.9% by Pembroke CB. For the year ended December 31, 2023, no capital contributions to RH were made.

CB Condo renovated the units, upgraded the common areas, and is selling the units individually. The cost to acquire and renovate the CB Property were capitalized and classified as real estate held for sale in the consolidated balance sheet. As of December 31, 2023, 26 of the acquired 28 residential condominium units were sold, and the mortgage was repaid in full.

U.S. Treasury Securities (Available-for-Sale)

The Company's investments in available-for-sale securities consists of U.S. Treasuries valued using Level 1 inputs. Unrealized losses on available-for-sale securities for the year ended December 31, 2023 were $27, and reported as a separate component of stockholders' equity in accumulated other comprehensive loss.

As of December 31, 2023, the Company had no securities considered to be credit related losses as the unrealized losses were deemed to be temporary changes in value related to market movements in interest yields and not reflective of an erosion of credit quality. The following table presents information related to the contractual maturity of debt investments held-for-sale, amortized costs and fair value:

	Amortized Cost	Unrealized Loss	Estimated Fair Value
Due in 1 year or less	$ 4,388	$ (27)	$ 4,361
Due in 1 year but within 5 years	1,463	—	1,463
	$ 5,851	$ (27)	$ 5,824

3. Residual Interests in Securitized Portfolios

The Company, through its wholly owned consolidated subsidiary, S2 Holdings, Inc. ("S2"), owns 99.9% of the Class B member interests in two limited liability companies. The Class B member interests, which are consolidated into S2 for financial statement reporting purposes, entitle the Company to be allocated 99.9% of all items of income, loss and distribution of the limited liability companies. The limited liability companies receive all the residual cash flow from five securitized receivable pools after payment to any securitized note holders. The Company considered whether the member interests should be considered a VIE when consolidating S2's ownership of its member interests and determined that S2's member interests do not meet the definition of a VIE.

Any potential credit losses are recorded immediately through results of operations. The Company performs quarterly comparisons of fair value to carrying value and updates the expectation of cash flows to be collected over the life of the residual interests. Favorable changes in future cash flows are recognized through results of operations as interest over the remaining life of the residual interest.

The following table presents the key economic assumptions at December 31, 2023 and the sensitivity of the current fair value of residual cash flows to immediate 10% and 20% adverse changes in those assumptions (in thousands):

Carrying value of residual interests	$	2,318
Fair value of residual interest	$	2,838
Weighted-average life (in years)		2.0
Expected credit losses		2.6%
Impact on fair value of 10% adverse change	$	7
Impact on fair value of 20% adverse change	$	15
Discount rate for fair value of residual interest		10.0%
Impact on fair value of 10% adverse change	$	46
Impact on fair value of 20% adverse change	$	90

Those sensitivities are hypothetical and should be used with caution. In this table, the effect of a variation in a particular assumption on the fair value of the residual interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another which might magnify or counteract the sensitivities.

4. Economic Redevelopment Grant Receivable

In 2017, the Company completed construction and lease up of a shopping center in Kearny NJ, (the "Kearny Shopping Center"). In 2016, the State of New Jersey Economic Development Authority approved an urban renewal grant of up to $9.6 million receivable by the Company over a period of years, based on the sales tax collected from tenants of the Kearny Shopping Center, subject to the annual appropriation by the State of New Jersey to fund grants under the ERG program, (the "ERG"). The Company subsequently sold the Kearny Shopping Center in 2018, and retained the rights under the ERG upon the sale.

As of December 31, 2023, a cumulative amount of $6,712 has been received under the ERG, $303 was recorded as interest income in the consolidated statement of operations for the year ended December 31, 2023. The present value of the remaining expected payments is $2,314.

5. Secured Debt and Loans Payable

Outstanding loans payable as of December 31, 2023, scheduled to become due at various times, are as follows:

Creditor	Original Loan Amount	Outstanding Balance Including Accrued Interest at December 31, 2023	Interest Rate	Maturity	Amount due at Maturity
Unaffiliated Bank (1)	$ 4,000	$ 3,531	Fixed at 3.25%	5/19/2025	$ 3,415
		3,531			
Less: Unamortized debt issuance costs		18			
		$ 3,513			

(1) Secured by the Kearny Properties.

The aggregate amount of the debt secured by the Kearny Properties maturing during the next five years is as follows (including required principal amortization):

Year Ending	Debt (in thousands)
2024	75
2025	3,447
	$ 3,522

6. Redeemed Notes Payable – Litigation Settlement

In 1995, DVL completed its obligations under a 1992 shareholder settlement by, among other things, issuing notes to the plaintiffs (the "Notes"). As of December 31, 2023, Notes of $762 remain payable. This liability is reflected as a non-interest-bearing liability and is included in accrued liabilities, accounts payable and security deposits.

7. Transactions with Affiliates

Management Fee Income Earned and Reimbursements

The Company earns fees and is reimbursed for accounting and administrative services to entities affiliated with NPO. These entities are engaged in real estate management services and are affiliated with certain shareholders and insiders of the Company. The Company earned $127 of fees in 2023, which are recognized in the Company's consolidated statement of operations as management fees and $216 of reimbursements in 2023, which are recognized in the Company's consolidated statement of operations as a reduction to general and administrative expenses.

Management and Other Fees and Expenses Incurred

A. The Company incurred fees to NPO of $1,148 for the year ending December 31, 2023, which is recognized in the Company's consolidated statement of operations as legal, professional and management fees, under an Asset Servicing Agreement, (the "Asset Servicing Agreement") expiring March 31, 2028, between the Company and NPO, pursuant to which NPO provides the Company with asset management, advisory, and administrative services relating to the assets of the Company, as well as originating investment opportunities. During 2023, the Company provided office space under the Asset Servicing Agreement to NPO consisting of approximately 500 square feet of the Company's New York location.

B. CJ Associates, an affiliate of NPO, received approximately $138 for the year ending December 31, 2023, which is recognized in the Company's consolidated statement of operations as general and administrative expenses, representing management and analytical services.

C. Philadelphia, Pennsylvania law firm of Zarwin Baum DeVito ("Zarwin"), of which Alan E. Casnoff, the President, Chief Executive Officer and a director of the Company, is of counsel, and has acted as counsel to the Company. During 2023, the Company incurred $2 for legal services from Zarwin.

8. Legal Proceedings, Commitments and Contingent Liabilities

Commitments and Contingent Liabilities

In connection with the investment in the Residential LLC, the Company, joint and several with Residential LLC and another entity owned by affiliates of NPO ("Liquidity LLC"), issued certain guarantees in connection with the preservation and rehabilitation of two low-income housing tax credit ("LIHTC") affordable housing projects located in Brooklyn, NY. These guarantees include: (1) a repurchase of the LIHTC investors' interest under certain events as well as a tax credit guaranty for any recapture, late delivery or reduction of LIHTC; (2) environmental matters; (3) underwritten commercial rents under a master lease structure in the amount of approximately $100 for each project; (4) typical "bad-boy" type acts. In addition, operating reserves are held by the housing projects investor members. These reserves are required to be maintained until the end of the 15-year compliance period, or January 1, 2032. These reserves may be released no sooner than 10 years from the placed-in-service date, which will be January 1, 2027, or when all the project's tax credits have been issued.

The Company also issued certain guarantees, joint and several with Residential LLC and Liquidity LLC, in connection with the preservation and rehabilitation of another LIHTC affordable housing project located in Brooklyn, NY. These guarantees include: (1) a repurchase of the investors' interest under certain events as well as a tax credit guaranty for any recapture, late delivery or reduction of LIHTC; (2) environmental matters; (3) fund 100% of all net income received from a telecom tower lease; (4) typical "bad-boy" type acts.

The Company also issued certain guarantees, joint and several with Residential LLC and Liquidity LLC, in connection with the preservation and rehabilitation of another LIHTC affordable housing project located in Brooklyn, NY. These guarantees include (1) typical "bad-boy" type acts; (2) environmental matters and; (3) completion of certain repairs to the façade.

The Company also issued certain guarantees, joint and several with Residential LLC and Liquidity LLC, in connection with another LIHTC affordable housing project located in Brooklyn, NY. These guarantees include; (1) an obligation to contribute an amount sufficient to fund the debt service reserve in the event that the LIHTC investor member's contributions are not sufficient to do so; (2) an obligation to make operating deficit loans to the property not to exceed $1,275 after the construction period, which will terminate if, after 36 months, the project is operated at a 1.15 debt service coverage ratio for the previous 12 months; (3) repurchase of the investors' interest under certain events as well as a tax credit guaranty for any recapture, late delivery or reduction of tax credits ; (4) environmental matters; (5) typical "bad-boy" type acts. The Company, along with Residential LLC and Liquidity LLC, are required to maintain certain levels of combined liquidity. At December 31, 2023, the Company's portion of the required liquidity was approximately $5,800, and is presented in cash and cash equivalents - restricted in the consolidated balance sheet.

The Company believes that the risk of having to perform on the guarantees disclosed above has been mitigated by; (1) each project has significant operating reserves; (2) each completed project currently operates with debt service coverage ratios in excess of 1.15; (3) each project has received tax opinions from reputable law and accounting firms; (4) Phase I environmental reports were obtained and showed no material environmental concern. In addition, each project is covered by an environmental insurance policy; (5) so called "bad-boy" type acts are within the control of the guarantors.

In September 2021, the Company deposited $2,000 to an issuing bank to secure an irrevocable letter of credit. The letter of credit was required to facilitate Residential LLC's acquisition of its remaining 50% ownership in certain developable land parcels in Brooklyn, NY (Note 2). The irrevocable letter has a maturity date of October 2024. The beneficiary has the right to draw down on the instrument, based on certain obligations noted in the acquisitions purchase and sale agreement.

The Company's maximum exposure to loss associated with its investment in Residential LLC is limited to i) the carrying value of its investment, ii) exposure on the previously mentioned guarantees and iii) irrevocable letter of credit. The Company expects the maximum exposure will have no significant impact on future operations of the Company.

In June of 2018, the Company sold the Kearny Shopping Center to an unaffiliated third party (Note 2). In connection with the sale, the Company was required to complete the delineation and reporting to environmental regulators of certain environmental issues and perform monitoring of groundwater for a period of years. An escrow of $125 was placed with the unaffiliated third-party buyer, to be released when delineation is complete. To date, the Company has expended approximately $812 to complete the delineation. The Company may be required to expend additional amounts in the future.

The Asset Servicing Agreement, pursuant to which NPO, an affiliate of Residential LLC, is providing the Company and the affiliated limited partnerships with administrative, management, advisory services, and sourcing of investment opportunities, requires monthly payments of approximately $97. Expense under the agreement was $1,148 for the year ended December 31, 2023. The agreement expires March 31, 2028. Service fees through March 31, 2026 will be subject to an annual cost-of-living increase, with fees for the following two years, fixed at the April 1, 2025, to March 31, 2026 annual rate.

9. Leases

The Company leases approximately 5,600 square feet of office space. The current lease was extended for a second extended term, from November 1, 2020, to October 31, 2025, with a base rent of $338 per year. Operating lease costs were $338 for the year ended December 31, 2023.

On January 1, 2019, the Company adopted ASU 2016-02, and recognized an operating lease – right of use asset of $1,589 (which is net of $160 of deferred rent), and an operating lease – right of use lease liability of $1,749. The right of use assets and liabilities were initially recorded at the present value of the lease payments using a discount rate of 8%. The Company used an interest rate implicit in the lease or incremental borrowing rate in determining the present value of lease payments, and recorded $250 of amortization related to the right of use asset for the year ended December 31, 2023. At December 31, 2023, the Company had future minimum lease payments of $620, a lease liability of $575, and imputed interest of $45, respectively.

The Company elected the practical expedients package, which allows the Company to not reassess the lease classification of lease and non-lease components for any existing lease. The lease existed before the adoption of the new standard, and was measured under operating leases according to the then applicable GAAP standard. As a result, the Company has recorded the lease as an operating lease.

Undiscounted future minimum lease payments as of December 31, 2023 are as follows (in thousands):

Year Ending	Amount
2024	$ 338
2025	282
	620
Less: Imputed interest	45
Operating lease - right of use liability	$ 575

10. Shareholders' Equity

In November 2012, the Company adopted the DVL, Inc. Stock Compensation Program for Directors, Officers and Consultants. In February of 2023, the Company granted 40 shares of common stock to the independent directors of the Company. In 2023, the Company purchased and retired 103 shares of the Company's outstanding common stock.

11. Income Taxes

The benefit for income taxes for the year ended December 31, 2023 is (in thousands):

Current Benefit (Provision)		
Federal	$	-
State		-
Total Current Benefit		-
Deferred Benefit		
Federal		-
State		-
Total Deferred Benefit		-
Total Benefit	$	-

The Company's effective income tax rate as a percentage of income differed from the U.S. federal statutory rate primarily due to a change in the valuation allowance.

Deferred taxes result from timing differences in the recognition of revenue and expense for tax and financial reporting purposes. The major components of deferred tax assets and the provision for deferred taxes were the following: net operating loss carry-forwards, equity interest in real estate, residual interests, and mortgage loans receivable. The Company has determined that a full valuation reserve was necessary on the deferred tax assets. Deferred tax assets and the valuation allowance against deferred tax assets as of December 31, 2023 are detailed below (in thousands):

Net Deferred Tax Assets	$	10,372
Valuation Allowance		(10,372)
Net Deferred Tax Assets after Valuation Allowance	$	-

At December 31, 2023, the Company had aggregate unused federal net operating loss carry forwards ("NOLs") of approximately $44,042. These NOLs expire as follows (in thousands):

2031 - 2036	$	17,166
Carryforwards without expiration		26,876
	$	44,042

The Company has assessed the tax positions of the federal and state tax returns for all open years (2020 through 2023) and has concluded that it has no material uncertain tax liabilities to be recognized.

Dollars in thousands unless otherwise noted

12. Fair Value Measurements

The Company uses estimates of fair value in applying various accounting standards for its consolidated financial statements on either a recurring or non-recurring basis. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants.

The following tables illustrate the assets measured at fair value on a recurring basis, fair value hierarchy of the valuation techniques as reported on the consolidated balance sheet:

	December 31, 2023	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity interests in real estate	$ 8,324	$ —	$ —	$ 8,324
U.S treasury securities (available for sale)	5,824	5,824	—	—
	$ 14,148	$ 5,824	$ —	$ 8,324

The Company's equity interests in real estate investees, Residential LLC and UWS LLC, present its investments at fair value. Its policies are to mark-to-market its investments on an annual basis and treat itself as an investment company for accounting purposes.

A reconciliation of the December 31, 2023 ending balances of the Company's interest in its investees, Residential LLC & UWS LLC, which are reported on a recurring basis at estimated fair value based on Level 3 inputs are as follows:

Fair value of equity interests in real estate using Level 3 inputs at January 1, 2023	$ 8,407
Contributions to equity interests in real estate	1,813
Distributions from equity interests in real estate	(3,998)
Gains from equity interests in real estate	2,102
Fair value of equity interests in real estate using Level 3 inputs at December 31, 2023	$ 8,324

13. Subsequent Events

The Company has evaluated subsequent events through April 24, 2024, the date at which its financial statements were available to be issued.

In March of 2024, the Company through Residential LLC, and a separate holding vehicle co-owned by the managers and originators of the transaction (collectively the "Lenders"), invested $3,225 in a first mortgage loan secured by a 180-unit affordable housing apartment complex. The Lenders obtained an option to purchase the property at a future date. The loan matures on the earlier to occur of (i) 15-months after termination of the Lenders purchase option or (ii) 24 months.