

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-27816

**REDWOOD MORTGAGE INVESTORS VIII, L.P.
a California Limited Partnership**

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

177 Bovet Road, Suite 520, San Mateo, CA
(Address of principal executive offices)

94-3158788
(I.R.S. Employer
Identification No.)

94402
(Zip Code)

(650) 365-5341

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
None		

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

REDWOOD MORTGAGE INVESTORS VIII, L.P.
A California Limited Partnership

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Part I – FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
REDWOOD MORTGAGE INVESTORS VIII, L.P.
A California Limited Partnership
Consolidated Balance Sheets
June 30, 2023 and December 31, 2022 (unaudited)
(\$ in thousands)

	June 30, 2023	December 31, 2022
ASSETS		
Cash, in banks	\$ 469	\$ 963
Loans		
Principal	57,292	60,088
Advances	109	59
Accrued interest	1,333	570
Prepaid interest	(340)	(496)
Loan balances secured by deeds of trust	58,394	60,221
Allowance for credit losses	(120)	(55)
Loan balances secured by deeds of trust, net	58,274	60,166
Receivable from related party (Note 3)	19	68
Real estate owned (REO), net	5,911	5,911
Debt issuance costs, net	21	36
Other assets	81	49
Total assets	<u>\$ 64,775</u>	<u>\$ 67,193</u>
LIABILITIES AND PARTNERS' CAPITAL		
Accounts payable	\$ 358	\$ 284
Payable to related party (Note 3)	52	154
Accrued liabilities	1,265	1,103
Line of credit	9,100	10,000
Promissory note to related party (Note 3)	3,300	—
Mortgage payable	1,319	1,347
Total liabilities	15,394	12,888
Commitments and Contingencies (Note 8)		
Partners' capital		
Limited partners' capital	52,691	57,616
General partners' deficit	(608)	(609)
Total partners' capital	52,083	57,007
Receivable from manager (formation loan)	(2,702)	(2,702)
Partners' capital, net of formation loan	49,381	54,305
Total liabilities and partners' capital	<u>\$ 64,775</u>	<u>\$ 67,193</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

REDWOOD MORTGAGE INVESTORS VIII, L.P.
A California Limited Partnership
Consolidated Statements of Income (Loss)
For the Three and Six Months Ended June 30, 2023 and 2022 (unaudited)
(\$ in thousands)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue				
Interest income	\$ 1,304	\$ 1,286	\$ 2,572	\$ 2,606
Interest expense				
Line of credit	(215)	(136)	(416)	(196)
Mortgages payable	(14)	(15)	(28)	(30)
Total interest expense	(229)	(151)	(444)	(226)
Net interest income	1,075	1,135	2,128	2,380
Late fees	3	22	6	26
Gain on sale, loans	—	81	—	81
Total revenue, net	1,078	1,238	2,134	2,487
Provision for credit losses				
	—	—	—	—
Operations expense				
Mortgage servicing fees to Redwood Mortgage Corp.	217	237	438	460
Asset management fees to Redwood Mortgage Corp.	52	62	106	127
Costs from Redwood Mortgage Corp.	167	164	345	339
Professional services	256	207	729	558
Dissolution Consent Solicitation	353	—	353	—
REO, net (Note 5)	78	58	132	142
Other	3	18	13	19
Total operations expense	1,126	746	2,116	1,645
Net income (loss)	<u>\$ (48)</u>	<u>\$ 492</u>	<u>\$ 18</u>	<u>\$ 842</u>
Net income (loss)				
Limited partners (99%)	\$ (47)	\$ 487	\$ 18	\$ 833
General partners (1%)	(1)	5	—	9
	<u>\$ (48)</u>	<u>\$ 492</u>	<u>\$ 18</u>	<u>\$ 842</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

REDWOOD MORTGAGE INVESTORS VIII, L.P.
A California Limited Partnership
Consolidated Statements of Changes in Partners' Capital

For the Three Months Ended June 30, 2023 (unaudited)
(\$ in thousands)

	Limited Partners' Capital	General Partners' Capital (Deficit)	Total Partners' Capital
Balance, March 31, 2023	\$ 55,090	\$ (607)	\$ 54,483
Net loss	(47)	(1)	(48)
Distributions	(131)	—	(131)
Withdrawals	(2,221)	—	(2,221)
Balance, June 30, 2023	<u>\$ 52,691</u>	<u>\$ (608)</u>	<u>\$ 52,083</u>

For the Six Months Ended June 30, 2023 (unaudited)
(\$ in thousand)

	Limited Partners' Capital	General Partners' Capital (Deficit)	Total Partners' Capital
Balance at December 31, 2022	\$ 57,616	\$ (609)	\$ 57,007
Adoption of ASC 326	167	1	168
Balance, January 1, 2023	57,783	(608)	57,175
Net income	18	—	18
Distributions	(338)	—	(338)
Withdrawals	(4,772)	—	(4,772)
Balance, June 30, 2023	<u>\$ 52,691</u>	<u>\$ (608)</u>	<u>\$ 52,083</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

REDWOOD MORTGAGE INVESTORS VIII, L.P.
A California Limited Partnership
Consolidated Statements of Changes in Partners' Capital

For the Three Months Ended June 30, 2022 (unaudited)
(\$ in thousands)

	Limited Partners' Capital	General Partners' Capital (Deficit)	Total Partners' Capital
Balance, March 31, 2022	\$ 66,348	\$ (622)	\$ 65,726
Net income	487	5	492
Distributions	(288)	—	(288)
Withdrawals	(3,341)	—	(3,341)
Balance, June 30, 2022	<u>\$ 63,206</u>	<u>\$ (617)</u>	<u>\$ 62,589</u>

For the Six Months Ended June 30, 2022 (unaudited)
(\$ in thousands)

	Limited Partners' Capital	General Partners' Capital (Deficit)	Total Partners' Capital
Balance, December 31, 2021	\$ 69,555	\$ (626)	\$ 68,929
Net income	833	9	842
Distributions	(596)	—	(596)
Withdrawals	(6,586)	—	(6,586)
Balance, June 30, 2022	<u>\$ 63,206</u>	<u>\$ (617)</u>	<u>\$ 62,589</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

REDWOOD MORTGAGE INVESTORS VIII, L.P.
A California Limited Partnership
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2023 and 2022 (unaudited)
(\$ in thousands)

	<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Operating activities		
Interest income received	\$ 1,886	\$ 2,407
Interest expense	(435)	(143)
Late fees and other loan income	6	(99)
Operations expense	(1,937)	(1,537)
Total cash (used in) provided by operating activities	(480)	628
Investing activities		
Loans		
Loans funded	(5,700)	(30,838)
Principal collected	4,540	15,866
Loans transferred to related mortgage fund	3,956	996
Loans sold to non-affiliate	—	6,583
Advances (funded) collected	(50)	88
Total - Loans	2,746	(7,305)
Total cash provided by (used in) investing activities	2,746	(7,305)
Financing activities		
Partners' capital		
Partner withdrawals, net of early withdrawal penalties	(4,723)	(6,510)
Early withdrawal penalties	(49)	(76)
Partner distributions	(360)	(596)
Cash distributions to partners, net	(5,132)	(7,182)
Line of credit		
Advances	—	11,000
Repayments	(900)	(1,000)
Debt issuance costs	—	(57)
Cash (used in) provided by line of credit	(900)	9,943
Promissory note received from related party	3,300	1,000
Promissory note repaid to related party	—	(1,000)
Mortgages repaid	(28)	—
RMC payments - formation loan	—	334
Total cash (used in) provided by financing activities	(2,760)	3,095
Net (decrease) in cash	(494)	(3,582)
Cash, beginning of period	963	3,903
Cash, end of period	\$ 469	\$ 321

The accompanying notes are an integral part of these unaudited consolidated financial statements.

REDWOOD MORTGAGE INVESTORS VIII, L.P.
A California Limited Partnership
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2023 and 2022 (unaudited)
(\$ in thousands)

Reconciliation of net income to net cash (used in) provided by operating activities:

	<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Net income	\$ 18	\$ 842
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Gain on sale, loans	—	(81)
Amortization of debt issuance costs	14	21
Change in operating assets and liabilities		
Loan payments in trust	—	(125)
Accrued interest	(530)	(200)
Prepaid interest	(155)	—
Receivable from related party	49	—
Other assets	(10)	55
Accounts payable and accrued liabilities	236	114
Payable to related party	(102)	2
Total cash (used in) provided by operating activities	<u>\$ (480)</u>	<u>\$ 628</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

REDWOOD MORTGAGE INVESTORS VIII, L.P.
A California Limited Partnership
Notes to Consolidated Financial Statements
June 30, 2023 (unaudited)

NOTE 1 – ORGANIZATION AND GENERAL

Redwood Mortgage Investors VIII, L.P., a California Limited Partnership (“RMI VIII” or “the partnership”), was formed in 1993 to engage in business as a mortgage lender and investor by making and holding-for-investment mortgage loans secured by California real estate, primarily by first and second deeds of trust. The partnership is externally managed by Redwood Mortgage Corp. (“RMC” or “the manager”). The general partners are RMC and Michael R. Burwell, the President, Secretary and Treasurer of RMC and its principal shareholder. RMC provides the personnel and services necessary to conduct the business as RMI VIII has no employees of its own. The general partners are entitled to one percent (1%) of profits or loss of the partnership. The mortgage loans the partnership funds and/or invests in, are arranged and generally are serviced by RMC.

In the opinion of management of RMC, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary to present fairly and accurately the consolidated financial information included therein. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the partnership’s Form 10-K for the year ended December 31, 2022 filed with the U.S. Securities and Exchange Commission (“SEC”). The results of operations for the three and six months ended June 30, 2023 are not necessarily indicative of the operating results to be expected for the full year.

On June 6, 2023, the partnership filed a definitive Consent Solicitation Statement pursuant to Section 14(a) of the Securities Exchange Act of 1934, as amended, with the SEC in connection with a solicitation of consents from the limited partners to approve the dissolution of the partnership (the “Dissolution”) and a Plan of Dissolution for the partnership (the “Plan” or “Plan of Dissolution”).

On August 4, 2023 (the “Dissolution Date”), the general partners of RMI VIII entered into the Plan of Dissolution following the receipt of required consents of limited partners approving the Dissolution and the Plan of Dissolution. Pursuant to the Plan of Dissolution, RMC will wind up the affairs of the partnership commencing from the Dissolution Date until the complete liquidation of the partnership’s assets and the termination of the partnership in accordance with the Plan of Dissolution, the partnership’s Sixth Amended and Restated Limited Partnership Agreement dated July 28, 2005 (as amended, the “Partnership Agreement”), and the California Uniform Limited Partnership Act of 2008.

Under the Plan, RMI VIII will cease making new loans and will only engage in business activities necessary or convenient to wind-up the partnership’s business and distribute partnership assets. As part of the wind-up activities, RMC, in its sole discretion, will liquidate the partnership’s assets as promptly as is consistent with obtaining the current fair value thereof, which may include: (i) collecting loan payments from borrowers under existing loan terms; (ii) selling loans to third parties; (iii) selling loans to either or both general partners or their affiliates, subject to the limitations set forth in the Partnership Agreement; (iv) enforcing delinquent loans through foreclosure or negotiating settlements with the borrowers and/or any guarantors or other obligors on such loans; (v) selling any “real estate owned” (property acquired by foreclosure) held by the partnership; and (vi) taking any other actions determined by RMC to be consistent with recovering the fair market value of any partnership assets and authorized in the Partnership Agreement and the Plan. RMC may sell all, or substantially all, of the loans in the partnership’s portfolio to one or more unaffiliated third party purchasers (a “Portfolio Sale”), provided RMC determines, in its reasonable judgment, that the applicable Portfolio Sale is in the interest of the partnership and the limited partners taking into account the value of the loans in the portfolio being sold and the potential cost savings and other economic advantages gained from the sale of several loans in a single transaction rather than on a loan-by-loan basis. Under the Plan, RMC is entitled to a dissolution fee in an amount equal to 7.0% of each capital distribution to be made to the limited partners over the course of the wind-up period (the “Dissolution Fee”). The Dissolution Fee is to be paid to RMC quarterly, on or by the last business day of each calendar quarter based on the expected capital distribution to be paid to the limited partners for such quarter. The Dissolution Fee will be treated as an expense of the partnership and included in the allocation of income/losses to limited partners’ capital accounts. RMC will continue to collect loan servicing fees, cost reimbursements, and other fees received as manager of the partnership, in addition to the Dissolution Fee, and the general partners will continue to collect asset management fees.

In addition, effective as of the Dissolution Date: (i) all limited partners, including limited partners who previously elected not to receive periodic distributions of partnership net income under the Partnership Agreement, begin receiving quarterly distributions of the partnership’s net income (if any); and (ii) all scheduled withdrawals of limited partner capital made pursuant to the Partnership Agreement terminated in favor of quarterly pro rata withdrawals to all limited partners of cash received from the liquidation of partnership assets and available to fund capital in accordance with the distribution provisions set forth in the Plan.

REDWOOD MORTGAGE INVESTORS VIII, L.P.
A California Limited Partnership
Notes to Consolidated Financial Statements
June 30, 2023 (unaudited)

Under the Plan of Dissolution, all assets of the partnership, including cash available from interest and principal payments on partnership loans, proceeds from the sale of real estate owned and partnership loans, and RMC's repayment (primarily from the proceeds of the Dissolution Fee) of the amounts owed on the formation loan and of the General Partners' capital deficit (i.e., the deficit restoration obligation will be applied and distributed in the following order of priority:

- First, to the payment of operations expense, including liabilities to professional services providers and government agencies (principally property and other taxes), fees and cost reimbursements to RMC, asset management fees to the general partners, loan administration and collection costs, and such other general and administrative expenses of the partnership's business and compliance activities and then to the payment and discharge of all of the partnership's then current debts and liabilities to banks (and any other lenders); and
- Thereafter, quarterly, within seven (7) business days after the end of each calendar quarter, to the limited and general partners in proportion to their respective positive capital account balances, after (i) taking into account income and loss allocations for the applicable calendar quarter and (ii) deducting the Dissolution Fee as calculated on the last business day of the quarter. Quarterly net income, if any, will be distributed pro rata to all limited partners and by disbursement separate from capital distribution payments.

The Plan of Dissolution is filed as Exhibit 2.1 to the partnership's Form 8-K filed with the SEC on August 9, 2023.

The following is a summary of certain provisions of the Partnership Agreement and is qualified in its entirety by the terms of the Partnership Agreement itself. Limited partners should refer to the Partnership Agreement for complete disclosure of its provisions.

The manager is responsible for managing the business and affairs of RMI VIII, subject to the voting rights of the partners on specified matters. The manager acting alone has the power and authority to act for and bind the partnership. RMC is entitled to fees and reimbursements of qualifying costs as specified in the Partnership Agreement.

The partnership's primary investment objectives are to:

- yield a high rate of return from mortgage lending, after the payment of certain fees and expenses to the general partners and their related mortgage funds; and
- preserve and protect the partnership's capital.

Net income (losses) are allocated among the limited partners according to their respective capital accounts after one percent (1%) of the net income (losses) are allocated to the general partners. The monthly results are subject to subsequent adjustment as a result of quarterly and year-end accounting and reporting. Investors should not expect the partnership to provide tax benefits of the type commonly associated with limited partnership tax shelter investments.

The partnership's net income, cash available for distribution, and net-distribution rate fluctuates depending on:

- loan origination volume and the balance of capital available to lend;
- the current and future interest rates negotiated with borrowers;
- line of credit advances, repayments and the interest rate thereon;
- loan sales to unaffiliated third parties, and any gains received thereon;
- the amount of fees and cost reimbursements to RMC;
- the timing and amount of other operation expense; and
- the timing and amount of payments from RMC on the formation loan.

Federal and state income taxes are the obligation of the partners, other than the annual California franchise tax and the California LLC cash receipts taxes paid by the partnership's subsidiaries. The tax basis in the net assets of the partnership differs from the book basis by the amount of the allowance for credit losses and the amount of the valuation allowance for real estate owned.

REDWOOD MORTGAGE INVESTORS VIII, L.P.
A California Limited Partnership
Notes to Consolidated Financial Statements
June 30, 2023 (unaudited)

In periods prior to the Dissolution Date, the ongoing sources of funds for loans were the proceeds (net of withdrawals from limited partners' capital accounts and operation expense) from:

- loan payoffs;
- borrowers' monthly principal and interest payments;
- line of credit advances;
- loan sales to unaffiliated third parties;
- REO sales;
- payments from RMC on the outstanding balance of the formation loan; and
- earnings retained (i.e., not distributed) in partners' capital accounts.

In periods prior to the Dissolution Date, the partnership intended to hold until maturity the loans in which it invested and did not intend to invest in mortgage loans primarily for the purpose of reselling such loans in the ordinary course of business, except when the manager determined that it appeared to be advantageous for the partnership to do so, based upon then current interest rates, the length of time that the loan had been held by the partnership, the partnership's credit risk and concentration risk and the overall investment objectives of the partnership. Loans sold to third parties were sold for par, at a premium or, in the case of non-performing or under performing loans, at a discount. Partnership loans were sold to third parties or to related mortgage funds managed by RMC. Any loans sold to the manager or a related mortgage fund thereof were sold for a purchase price equal to the greater of (i) the par value of the loan or (ii) the fair market value of the loan. The manager did not receive commissions or broker fees with respect to loan sales conducted for the partnership; however, selling loans did increase partnership capital available for investing in new loans for which the manager earned brokerage fees and other forms of compensation.

Distributions to limited partners

At the time of their subscription to the partnership, limited partners elected either to receive monthly, quarterly or annual cash distributions from the partnership, or to compound income in their capital account. If an investor initially elected to receive monthly, quarterly or annual distributions, such election, once made, is irrevocable. If the investor initially elected to compound income in their capital account, in lieu of cash distributions, the investor was permitted, after three (3) years, to change the election and receive monthly, quarterly or annual cash distributions. Income allocable to limited partners who elected to compound income in their capital account would be retained by the partnership for making further loans or for other proper partnership purposes and such amounts were added to such limited partners' capital accounts. The percentage of limited partners electing distribution of allocated net income, by weighted average to total partners' capital was approximately 53% and 58% at June 30, 2023 and 2022, respectively.

From and after the Dissolution Date, all limited partners, including limited partners who previously elected not to receive periodic distributions, begin receiving quarterly distributions of the partnership's net income (if any).

Capital withdrawals and early withdrawals

There are substantial restrictions on transferability of units, and there is no established public trading and/or secondary market for the units. To provide liquidity to limited partners, the Partnership Agreement provided that limited partners, after the minimum five-year period, could withdraw all or a portion of their capital accounts in 20 quarterly installments or longer, as determined by the general partners in light of partnership cash flow, beginning the last day of the calendar quarter following the quarter in which the notice of withdrawal was given. A limited partner could liquidate all or a part of the limited partner's capital account in four quarterly installments beginning on the last day of the calendar quarter following the quarter in which the notice of withdrawal was given, subject to a 10% early withdrawal penalty applicable to any sums withdrawn prior to the time when such sums could have been withdrawn without penalty. There was a limited right of accelerated liquidation for an investor's heirs upon an investor's death.

The partnership had not established a cash reserve from which to fund withdrawals and, accordingly, the partnership's capacity to return a limited partner's capital was subject to the availability of partnership cash.

Effective as of the Dissolution Date, all scheduled withdrawals of limited partner capital made pursuant to the Partnership Agreement terminated in favor of quarterly pro rata withdrawals to all limited partners of cash received from the liquidation of partnership assets and available to fund capital distributions in accordance with the distribution provisions set forth in the Plan.

REDWOOD MORTGAGE INVESTORS VIII, L.P.
A California Limited Partnership
Notes to Consolidated Financial Statements
June 30, 2023 (unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The partnership’s consolidated financial statements include the accounts of the partnership and its wholly-owned subsidiaries (consisting of single-member limited liability companies owning a single real property asset). All significant intercompany transactions and balances have been eliminated in consolidation.

Management estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Such estimates involve significant level of uncertainty and have had or are reasonably likely to have a material impact on the partnership’s financial condition or results of operations. Such estimates relate principally to the determination of the allowance for credit losses (including the fair value of the underlying collateral), and the valuation of real estate owned. Actual results could differ materially from these estimates.

Fair value estimates

The fair value of real property (as to loan collateral and REO) is determined by exercise of judgment based on RMC’s management’s experience informed by appraisals (by licensed appraisers), brokers’ opinion of values, and publicly available information on in-market transactions. Appraisals of commercial real property generally present three approaches to estimating value: 1) market-comparables or sales approach; 2) cost to replace; and 3) capitalized cash flows or income approach.

These approaches may or may not result in a common, single value. The market-comparables approach may yield several different values depending on certain basic assumptions, including the consideration of adjustments made for any attributes specific to the real estate.

Management has the requisite familiarity with the markets it lends in generally and of the properties lent on specifically to analyze sales-comparables and assess their suitability/applicability. Management is acquainted with market participants – investors, developers, brokers, and lenders – that are useful, relevant secondary sources of data and information regarding valuation and valuation variability. These secondary sources may have familiarity with and perspectives on pending transactions, successful strategies to optimize value, and the history and details of specific properties – on and off the market – that enhance the process and analysis that is particularly and principally germane to establishing value in distressed markets and/or property types.

GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

Fair values of assets and liabilities are determined based on the fair value hierarchy established in GAAP. The hierarchy is comprised of three levels of inputs to be used.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the partnership has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly in active markets and quoted prices for identical assets or liabilities that are not active, and inputs other than quoted prices that are observable or inputs derived from or corroborated by market data.
- Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the partnership’s own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the partnership’s own data.

REDWOOD MORTGAGE INVESTORS VIII, L.P.
A California Limited Partnership
Notes to Consolidated Financial Statements
June 30, 2023 (unaudited)

Cash in banks

Certain of the partnership's cash balances in banks exceed federally insured limits of \$250 thousand. The bank or banks in which funds are deposited are reviewed periodically for their general creditworthiness/investment grade credit rating. See Note 7 (Line of Credit) for compensating balance arrangements.

Loans and interest income

Loans are carried at amortized cost, which is generally equal to the unpaid principal balance (principal). Management has discretion to pay amounts (advances) to third parties on behalf of borrowers to protect the partnership's interest in the loan. Advances include, but are not limited to, the payment of interest and principal on a senior lien to prevent foreclosure by the senior lien holder, property taxes, insurance premiums, and attorney fees. Advances generally are stated at the amounts paid out on the borrower's behalf and any accrued interest on amounts paid out, until repaid by the borrower. For performing loans, interest is accrued daily on the principal plus advances, if any. In the normal course of the partnership's operations, performing loans that are maturing or have matured may be renewed at then current market rates of interest and terms for new loans. (These loan extensions are not reported as new loans for financial reporting purposes.) Prior to the Dissolution Date, the partnership funded specific loans net of an interest reserve (one to two years) to insure timely interest payments at the inception of the loan. Any interest reserve is amortized over the period that the amount is prepaid. In the event of an early loan payoff, any unapplied interest reserves are first applied to any accrued but unpaid interest and then as a reduction of principal.

Loans with a payment in arrears continue to recognize interest income as long as the loan is in the process of collection with the borrower and is considered to be well-secured. Loans are generally placed on non-accrual status if management determines that the primary source of repayment will come from the foreclosure and subsequent sale of the collateral securing the loan (i.e., a notice of sale is filed and/or when the borrower files for bankruptcy) or when the loan is no longer considered well-secured (i.e., the LTV for the loan based on the estimated net realizable value of the collateral and the total principal, advances and accrued interest (at the note rate) is at or greater than eighty percent (80%), seventy-five percent (75%) for lands outside of metropolitan areas). When a loan is placed on non-accrual status, the accrual of interest is discontinued – beginning with the then current month - for accounting purposes only; however, previously recorded interest is not reversed. A loan may return to accrual status when all delinquent loan payments are cured and the loan becomes current in accordance with the terms of the loan agreement. In periods prior to January 1, 2023, loans were placed on non-accrual status if 180 days delinquent or earlier if management determined that the primary source of repayment would come from the foreclosure and subsequent sale of the collateral securing the loan (which usually occurs when a notice of sale is filed) or when the loan was no longer considered well-secured.

Payments on loans are applied in the following order: accrued interest, advances, and lastly to principal. Late fees are recognized in the period received. Pursuant to California regulatory requirements, borrower payments are deposited into a trust account established by RMC with an independent bank and are presented on the balance sheet as "Loan payments in trust". Funds are disbursed to the partnership as collected which can range from same day for wire transfers and up to two weeks after deposit for checks.

The partnership funded loans with the intent to hold the loans until maturity. From time to time, the partnership may sell certain loans when the manager determines it to be in the best interest of the partnership. Loans are classified as held-for-sale once a decision has been made to sell loans and the loans held-for-sale have been identified. Loans classified as held-for-sale are carried at the lower of cost or fair value.

Allowance for credit losses

Loan balances (i.e., the sum of the unpaid principal, advances and accrued interest) are analyzed on a periodic basis for ultimate recoverability. Collateral fair values are reviewed quarterly and the protective equity for each loan is computed. As used herein, "protective equity" is the dollar amount by which the net realizable value (i.e., fair value less the cost to sell) of the collateral, net of any senior liens exceeds the loan balance.

For a loan that is deemed collateral dependent for repayment, a provision for credit losses is recorded to adjust the allowance for credit losses to an amount such that the net carrying amount (unpaid principal, advances plus interest accrued, i.e., interest owed net of foregone interest for loans in non-accrual status) is reduced to the lower of the loan balance or the estimated fair value of the related collateral, net of any senior debt and claims and costs to sell.

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As of January 1, 2023, the partnership adopted Accounting Standards Codification 326, Financial Instruments – Credit Losses using the modified retrospective approach, which requires a lifetime, current expected credit loss (CECL) measurement objective for the recognition of credit losses at the time a loan is originated or acquired. The allowance for credit losses is adjusted each period for changes in expected lifetime credit losses for loans and accrued interest. The determination of the amount of the allowance for credit losses considers historical loss experience, current fair value of collateral and the resultant LTV, current real estate and financial markets, as well as reasonable and supportable forecasts about future economic scenarios. The forward-looking estimates consider the likelihood that any combination of events would adversely impact economic conditions and real estate markets in California such that the substantial protective equity existing for the loans would no longer be sufficient to collect the recorded amounts of principal, advances and accrued interest due on the loan.

The limited number of loans and the short terms for which the loans are written enable a loan-by-loan analysis to determine the risk of loss. The primary determinate in the analysis is the LTV, and consideration of lien position of deed of trust. The analysis also considered the vintage in which the secured loans originated. The ultimate collectability of the amounts owed is reliant on the estimation of the current fair value of the real property collateral and the time to maturity. Further there is no evidence, nor any indication in the analysis, that the ultimate collectability of the amounts owed fluctuates with the time on file or vintage. Such considerations are consistent with the ‘no-credit-losses’ experience of the partnership over the preceding 5+ years.

The partnership charges off uncollectible loans and related receivables directly to the allowance account once it is determined the full amount is not collectible. Any amounts collected after a charge off is deemed a recovery. If the loan goes to foreclosure, an updated appraisal is ordered and the recorded investment in the loan is adjusted to the net realizable value of the real estate to be acquired.

Prior to the adoption of the CECL accounting model, if a loan modification was agreed to and was to result in an economic concession to the borrower (i.e., a significant delay or reduction in cash flows compared to the original note), the modification would have been deemed to be a troubled debt restructuring (“TDR”). The partnership did not have any TDRs for the year ended December 31, 2022.

Real estate owned (REO)

Real estate owned (“REO”) is property acquired in full or partial settlement of loan obligations generally through foreclosure and is recorded at acquisition at the property’s fair value less estimated costs to sell. The fair value estimates are derived from information available in the real estate markets including similar property, and often require the experience and judgment of third parties such as commercial real estate appraisers and brokers. The estimates figure materially in calculating the value of the property at acquisition, the level of charge to the allowance for credit losses and any subsequent valuation reserves. After acquisition, costs incurred relating to the development and improvement of property are capitalized to the extent they do not cause the recorded value to exceed the net realizable value, whereas costs relating to holding and disposition of the property are expensed as incurred. REO is analyzed periodically for changes in fair values and any subsequent write down is charged to REO, net on the statements of income. Any recovery in the fair value subsequent to such a write down is recorded, not to exceed the value recorded at acquisition. Recognition of gains on the sale of real estate is dependent upon the transaction meeting certain criteria related to the nature of the property and the terms of the sale including potential seller financing.

Accrued liabilities

Accrued liabilities at June 30, 2023 and December 31, 2022 were approximately \$1.3 million and \$1.1 million, respectively, the significant components of which are accrued professional and consulting fees (approximately \$1.1 million and \$993 thousand, respectively), accrued REO property taxes and mortgage interest expense (\$0 and approximately \$13 thousand, respectively) and accrued interest on the line of credit (approximately \$70 thousand and \$61 thousand, respectively).

Debt issuance costs

Debt issuance costs are the fees and commissions incurred in the course of obtaining a line of credit for services from banks, law firms and other professionals and are amortized on a straight-line basis, which approximates the interest method, as interest expense over the term of the line of credit.

Recently issued accounting pronouncements

None at June 30, 2023 are applicable to the partnership.

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NOTE 3 – GENERAL PARTNERS AND OTHER RELATED PARTIES

The Partnership Agreement provides for fees as compensation to the manager and for reimbursement of qualifying expenses, as detailed below.

Mortgage servicing fees

The manager acting as servicing agent with respect to all loans is entitled to receive a servicing fee of up to 1.5% annually of the unpaid principal balance of the loan portfolio. The mortgage servicing fees are accrued monthly on all loans. Remittance to RMC is made monthly unless the loan has been assigned a specific loss reserve, at which point remittance is deferred until the specific loss reserve is no longer required, or the property has been acquired by the partnership.

Asset Management Fees

The general partners are entitled to monthly fees for managing the business and affairs of RMI VIII, including management of the partnership's loan portfolio and operations, of up to 1/32 of 1% of the "net asset value" of the partnership (3/8 of 1% annually).

Costs from RMC

The manager is entitled to request reimbursement for operations expense incurred on behalf of RMI VIII, including without limitation, RMC's personnel and non-personnel costs incurred for qualifying business activities, including investor services, accounting, tax and data processing, postage and out-of-pocket general and administration expenses. Qualifying personnel/compensation costs and consulting fees are tracked by business activity, and then costs of qualifying activities are allocated to RMI VIII pro-rata based on the percentage of RMI VIII's limited partners' capital to the total capital of all related mortgage funds managed by RMC. Certain other non-personnel, qualifying costs such as postage and out-of-pocket general and administrative expenses can be tracked by RMC as specifically attributable to RMI VIII; other non-personnel, qualifying costs (e.g., RMC's accounting and audit fees, legal fees and expenses, occupancy, and insurance premiums) are allocated pro-rata based on the percentage of RMI VIII's partners' capital to total capital of the related mortgage funds managed by RMC.

Commissions and fees are paid by the borrowers to RMC

- *Brokerage commissions, loan originations*

For periods prior to the Dissolution Date, fees in connection with the review, selection, evaluation and negotiation of loans (including extensions), the general partners collected loan brokerage commissions (points) limited to an amount not to exceed 4% of the total partnership assets per year. The loan brokerage commissions were paid by the borrowers to RMC, and thus were not an expense of the partnership. Loan brokerage commissions paid by the borrowers to RMC approximated \$0 and \$471 thousand for the three months ended June 30, 2023 and 2022, respectively, and \$150 thousand and \$633 thousand for the six months ended June 30, 2023 and 2022, respectively.

- *Other fees*

RMC receives fees for processing, notary, document preparation, credit investigation, reconveyance and other mortgage related services. The amounts received are customary for comparable services in the geographical area where the property securing the loan is located, and are payable solely by the borrower and not by the partnership.

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Formation loan

Commissions for sales of limited partnership units paid to broker-dealers (“B/D sales commissions”) were paid by RMC and were not paid directly by the partnership out of offering proceeds. Instead, the partnership advanced to RMC amounts sufficient to pay the B/D sales commissions and premiums paid to partners in connection with unsolicited orders up to 7% of offering proceeds. The receivable arising from the advances is unsecured and non-interest bearing and is referred to as the “formation loan”. Since its inception, the partnership’s advances totaled \$22.6 million, of which \$2.7 million remains outstanding at June 30, 2023.

For periods prior to the Dissolution Date, RMC was repaying the formation loan principally from loan brokerage commissions earned on loans, early withdrawal penalties on partner withdrawals and other fees paid by the partnership. If both or either one of the initial general partners was removed as a general partner by the vote of holders of a majority of the limited partnership units, and if such successor or additional general partner(s) began using any other loan brokerage firm for the placement of loans, RMC would have been immediately released from any further obligation under the formation loans (except for a proportionate share of the principal installment due at the end of that year). In addition, if both of the general partners were removed, no successor general partners were elected, the partnership was liquidated and RMC was no longer receiving any payments for services rendered, the debt on the formation loans was to be forgiven and RMC would have been immediately released from any further obligations under the formation loans. As such, the formation loan is presented as contra equity.

Prior to the Dissolution Date, the formation loan was being repaid by RMC in annual installments of approximately \$650 thousand which was payable by RMC either in full on December 31st of each calendar year during the term of the partnership (each, an “Annual Payment Date”) or in four equal quarterly installments beginning on the Annual Payment Date.

The formation loan transactions for the six months ended June 30 are presented in the following table (\$ in thousands).

	2023	2022
Balance, January 1	\$ 2,702	\$ 3,361
Payments received from RMC	—	(334)
Balance, June 30	<u>\$ 2,702</u>	<u>\$ 3,027</u>

Effective as of the Dissolution Date, RMC will be entitled to collect the Dissolution Fee, which is equal to 7.0% of each capital distribution to be made to the limited partners over the course of the wind-up period. The Dissolution Fee amounts received by RMC are intended to first be remitted back to the partnership in satisfaction of amounts owed by RMC on the formation loan and to restore the general partners’ capital deficit (i.e., the deficit restoration obligation) required by the Partnership Agreement. Any proceeds of the Dissolution Fee remaining after payment of the formation loan and restoration of the general partners’ capital deficit will be retained by RMC. The Dissolution Fee will be treated as an expense of the partnership and included in the allocation of income/losses to limited partners’ capital accounts.

Limited partner capital - withdrawals

Withdrawals of limited partners’ capital for the three and six months ended June 30 are presented in the following table (\$ in thousands).

Withdrawals	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Without penalty	\$ 2,113	\$ 2,952	\$ 4,283	\$ 5,842
With penalty	108	389	489	744
Total	<u>\$ 2,221</u>	<u>\$ 3,341</u>	<u>\$ 4,772</u>	<u>\$ 6,586</u>
Scheduled, at June 30,	<u>\$ 11,311</u>	<u>\$ 18,201</u>	<u>\$ 11,311</u>	<u>\$ 18,201</u>
Percentage of scheduled withdrawals in end of period capital	<u>21.5%</u>	<u>28.8%</u>	<u>21.5%</u>	<u>28.8%</u>

Effective as of the Dissolution Date: (i) all limited partners, including limited partners who previously elected not to receive periodic distributions of partnership net income under the Partnership Agreement, begin receiving quarterly distributions of the partnership’s net income (if any); and (ii) all scheduled withdrawals of limited partner capital made pursuant to the Partnership Agreement terminated in favor of quarterly pro rata withdrawals to all limited partners of cash received from the liquidation of partnership assets and available to fund capital distributions in accordance with the distribution provisions set forth in the Plan.

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Other related party transactions

- *Payable to/receivable from related parties*

From time to time, in the normal course of business operations, the partnership may have payables to and/or receivables from related parties. At June 30, 2023, the payable to related parties of approximately \$52 thousand consisted of accounts payable due to the manager. The receivable from related parties of approximately \$19 thousand consisted of accounts receivable from a related mortgage fund. The related party transactions were settled in July 2023.

At December 31, 2022, the payable to related parties of approximately \$154 thousand consisted of accounts payable and cost reimbursements to the manager. At December 31, 2022, the receivable from related parties of approximately \$68 thousand consisted of accounts receivable from related mortgage funds. The related party transactions outstanding at December 31, 2022 were settled in March 2023.

- *Loan transactions with related parties*

In the ordinary course of business, performing loans may be transferred by executed assignment, in-part or in-full, between the RMC managed mortgage funds at par, which approximates fair value.

In the six months ended June 30, 2023, RMI VIII transferred to related mortgage funds five loans with aggregate principal of approximately \$4.0 million at par value, which approximates fair value. The related mortgage funds paid cash for the loans and RMI VIII has no continuing involvement with the loans. No loans were transferred from related mortgage funds to RMI VIII.

In the six months ended June 30, 2022, RMI VIII transferred to a related mortgage fund one performing loan with aggregate principal of approximately \$996 thousand at par value, which approximates fair value. The related mortgage fund paid cash for the loan and RMI VIII has no continuing involvement with the loan. No loans were transferred from related mortgage funds to RMI VIII.

- *Promissory note received from/repaid to related parties*

On June 29, 2023, RMI VIII borrowed from a related mortgage fund \$3.3 million secured by the net cash flow payable on three mortgage loans totaling approximately \$7.5 million which are expected to be paid off by October 1, 2023. Interest on the loan accrues at 8.75% per annum on the three pledged mortgage loans through a term ending on the earlier of (i) the payoff of pledged loans; and (ii) October 1, 2023. The promissory note payable to the related mortgage fund is secured by all proceeds payable to RMI VIII upon the payoff or repayments of the loans net of any amounts outstanding by RMI VIII on its line of credit secured by the loans.

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NOTE 4 – LOANS

In periods prior to the Dissolution Date, loans were generally funded at a fixed interest rate with a loan term of up to five years. Loans acquired are generally done so within the first six months of origination and are purchased at par value, which approximates fair value. See Note 3 (General Partners and Other Related Parties) for a description of loans transferred by executed assignments between the related mortgage funds.

The partnership's loans are secured by real estate in coastal California metropolitan areas. The portfolio segments are first and second trust deeds mortgages and the key credit quality indicator is the LTV ratio. First mortgages are predominant, but second lien deeds of trust are not infrequent nor insignificant. First-mortgage loans comprised 95% of the portfolio at June 30, 2023 (93% at December 31, 2022).

Secured loans unpaid principal balance (principal)

Secured loan transactions for the three and six months ended June 30, 2023 are summarized in the following table (\$ in thousands).

	Three Months Ended June 30, 2023			Six Months Ended June 30, 2023		
	Total	First Trust Deeds	Second Trust Deeds	Total	First Trust Deeds	Second Trust Deeds
Principal, beginning of period	\$ 57,979	\$ 55,230	\$ 2,749	\$ 60,088	\$ 55,803	\$ 4,285
Loans funded	—	—	—	5,700	4,200	1,500
Principal collected	(687)	(686)	(1)	(4,540)	(3,435)	(1,105)
Loans transferred to related mortgage fund	—	—	—	(3,956)	(2,024)	(1,932)
Principal, end of period	\$ 57,292	\$ 54,544	\$ 2,748	\$ 57,292	\$ 54,544	\$ 2,748

During the three and six months ended June 30, 2023, the partnership extended one and two maturing loans with aggregated principal of approximately \$1.3 million and \$2.2 million, respectively, which is not included in the activity shown in the table above. The loans have an average extension period of approximately 10 months and were current and deemed well collateralized (i.e., the LTV for the collateral was within lending guidelines). Interest rates charged to borrowers may be adjusted in conjunction with the loan extensions to reflect current market conditions (in 2023, no extension included rate increases). These loan extensions were made not to forestall collection of a distressed nor an insufficiently collateralized debt from a borrower experiencing financial difficulties, but rather to provide – for an extension fee paid to RMC by the borrower – the additional time and flexibility to pursue opportunities to optimize the performance of the borrower's real property investment. These opportunities may include expected lower-than-current long-term interest rates at the completion of the extension term and/or expected higher than current rents or sale prices, resulting from either improved market conditions or improved physical condition and/or financial performance of the property.

As of June 30, 2023, there were no commitments to lend outstanding and no construction or rehabilitation loans outstanding.

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Loan characteristics

Secured loans had the characteristics presented in the following table (\$ in thousands).

	June 30, 2023	December 31, 2022
Number of secured loans	15	21
First trust deeds	13	18
Second trust deeds	2	3
Secured loans – principal	\$ 57,292	\$ 60,088
First trust deeds	\$ 54,544	\$ 55,803
Second trust deeds	\$ 2,748	\$ 4,285
Secured loans – lowest interest rate (fixed)	7.3%	7.3%
Secured loans – highest interest rate (fixed)	12.0%	10.8%
Average secured loan – principal	\$ 3,819	\$ 2,861
Average principal as percent of total principal	6.7%	4.8%
Average principal as percent of partners' capital, net of formation loan	7.7%	5.3%
Average principal as percent of total assets	5.9%	4.3%
Largest secured loan – principal	\$ 9,000	\$ 9,000
Largest principal as percent of total principal	15.7%	15.0%
Largest principal as percent of partners' capital, net of formation loan	18.2%	16.6%
Largest principal as percent of total assets	13.9%	13.4%
Smallest secured loan – principal	\$ 634	\$ 437
Smallest principal as percent of total principal	1.1%	0.7%
Smallest principal as percent of partners' capital, net of formation loan	1.3%	0.8%
Smallest principal as percent of total assets	1.0%	0.7%
Number of California counties where security is located	8	10
Largest percentage of principal in one California county	30.8%	30.7%

As of June 30, 2023, 10 loans with principal of approximately \$42.7 million provide for monthly payments of interest only, with the principal due at maturity, and 5 loans with principal of approximately \$14.6 million (representing approximately 26% of the aggregate principal of the partnership's loan portfolio) provide for monthly payments of principal and interest, typically calculated on a 30-year amortization, with the remaining principal due at maturity.

As of June 30, 2023, there were 2 loans in second lien position. The aggregate principal of these loans is approximately \$2.7 million and the weighted average LTV at loan closing was 50.5%. Both loans were performing as of June 30, 2023.

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As of June 30, 2023, there were 4 loans each with principal in excess of 10% of the total outstanding principal. The aggregate principal of these loans is approximately \$32 million and the weighted average LTV at loan closing is 54.3%. The loans were in first lien position.

- The partnership's largest loan, with principal of approximately \$9 million (LTV 60.8%) is secured by an office building in the City of Orange in Orange County, bears an interest rate of 7.990% and matures on September 1, 2025.
- The second loan, with principal of approximately \$8.8 million (LTV 25.5%) is secured by a commercial building in the City of Santa Clara in Santa Clara County, bears an interest rate of 8.375% and matures on July 1, 2027.
- The third loan, with principal of approximately \$8 million (LTV 62.2%) is secured by a commercial building in the City and County of San Francisco, bears an interest rate of 8.375% and matured on April 1, 2023.
- The fourth loan, with principal of approximately \$6.3 million (LTV 75.0%) is secured by a multifamily building in the City and County of San Francisco, bears an interest rate of 7.750% and matured on April 1, 2023.

Property type

Secured loans summarized by property type are presented in the following table (\$ in thousands).

	June 30, 2023			December 31, 2022		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family ⁽¹⁾	2	\$ 3,353	6%	4	\$ 5,874	10%
Multi-family	2	7,550	13	3	8,326	14
Commercial	10	45,755	80	12	44,587	74
Land	1	634	1	2	1,301	2
Total principal, secured loans	15	\$ 57,292	100%	21	\$ 60,088	100%

- (1) Single family includes 1-4 unit residential buildings, condominium units, townhouses and condominium complexes. At June 30, 2023, single family consists of 2 loans with aggregate principal of approximately \$ 3.4 million that are non-owner occupied. At December 31, 2022, single family consisted of 4 loans with aggregate principal of approximately \$5.9 million that were non-owner occupied.

Lien position/LTV at origination

At funding, secured loans had the lien positions presented in the following table (\$ in thousands).

	June 30, 2023			December 31, 2022		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	13	\$ 54,544	95%	18	\$ 55,803	93%
Second trust deeds	2	2,748	5	3	4,285	7
Total principal, secured loans	15	57,292	100%	21	60,088	100%
Liens due other lenders at loan closing		9,681			8,956	
Total debt		\$ 66,973			\$ 69,044	
Appraised property value at loan closing		\$ 136,230			\$ 138,924	
LTV (weighted average) at loan closing		54.7%			55.4%	

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Distribution of secured loans-principal by California counties

The distribution of secured loans within California by counties is presented in the following table (\$ in thousands).

	<u>June 30, 2023</u>		<u>December 31, 2022</u>	
	<u>Principal</u>	<u>Percent</u>	<u>Principal</u>	<u>Percent</u>
San Francisco Bay Area⁽²⁾				
San Francisco	\$ 17,645	30.8%	\$ 18,425	30.7%
San Mateo	—	0.0	2,519	4.2
Santa Clara	12,232	21.3	12,266	20.4
Solano	3,550	6.2	3,550	5.9
Marin	1,500	2.6	1,099	1.8
Alameda	1,248	2.2	1,687	2.8
	<u>36,175</u>	<u>63.1</u>	<u>39,546</u>	<u>65.8</u>
Other Northern California				
Stanislaus	634	1.1	1,301	2.2
Northern California Total	<u>36,809</u>	<u>64.2</u>	<u>40,847</u>	<u>68.0</u>
Southern California Coastal				
Los Angeles	4,683	8.2	5,597	9.3
Orange	15,800	27.6	11,600	19.3
Santa Barbara	—	0.0	2,044	3.4
Southern California Total	<u>20,483</u>	<u>35.8</u>	<u>19,241</u>	<u>32.0</u>
Total principal, secured loans	<u>\$ 57,292</u>	<u>100.0%</u>	<u>\$ 60,088</u>	<u>100.0%</u>

(2) Includes the Silicon Valley

Scheduled maturities/Secured loans-principal

Secured loans scheduled to mature in periods as of and after June 30, 2023 are presented in the following table (\$ in thousands).

				<u>First Trust Deeds</u>		<u>Second Trust Deeds</u>	
				<u>Loans</u>	<u>Principal</u>	<u>Loans</u>	<u>Principal</u>
2023 (scheduled to mature after June 30)	5	\$ 9,733	17%	5	\$ 9,733	—	\$ —
2024	3	6,950	12	2	5,450	1	1,500
2025	1	9,000	16	1	9,000	—	—
2026	1	1,248	2	—	—	1	1,248
2027	2	12,351	22	2	12,351	—	—
Total scheduled maturities	<u>12</u>	<u>39,282</u>	<u>69</u>	<u>10</u>	<u>36,534</u>	<u>2</u>	<u>2,748</u>
Matured ⁽³⁾	3	18,010	31	3	18,010	—	—
Total principal, secured loans	<u>15</u>	<u>\$ 57,292</u>	<u>100%</u>	<u>13</u>	<u>\$ 54,544</u>	<u>2</u>	<u>2,748</u>

(3) See Delinquency/Secured loans with payments in arrears below for additional information on matured loans.

Scheduled maturities are presented based on the most recent in-effect agreement with the borrower, including forbearance agreements. As a result, matured loans at June 30, 2023, for the scheduled maturities table may differ from the same captions in the tables of delinquencies and payments in arrears that are based on the loan terms and do not consider forbearance agreements. For matured loans, the partnership may continue to accept payments while pursuing collection of principal or while negotiating an extension of the maturity date.

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Delinquency/Secured loans

Secured loans principal summarized by payment-delinquency status are presented in the following table (\$ in thousands).

	June 30, 2023		December 31, 2022	
	Loans	Principal	Loans	Principal
Current	11	\$ 37,177	18	\$ 54,359
Past Due				
30-89 days	—	—	—	—
90-179 days	2	14,290	2	2,009
180 or more days	2	5,825	1	3,720
Total past due	4	20,115	3	5,729
Total principal, secured loans	<u>15</u>	<u>\$ 57,292</u>	<u>21</u>	<u>\$ 60,088</u>

At June 30, 2023 and December 31, 2022, there were no loan forbearance agreements in effect. All four loans past due at June 30, 2023 were in first lien position and had principal payments in arrears of approximately \$18 million.

Delinquency/Secured loans with payments in arrears

Payments in arrears for secured loans (4 loans) at June 30, 2023 are presented in the following tables (\$ in thousands).

At June 30, 2023	Loans		Principal		Interest ⁽⁴⁾		Total payments in arrears
	Past maturity	Monthly payments	Past maturity	Monthly payments	Past maturity	Monthly payments	
Past due							
30-89 days (1-3 payments)	—	—	\$ —	\$ —	\$ —	\$ —	\$ —
90-179 days (4-6 payments)	2	—	14,290	—	289	—	14,579
180 or more days (more than 6 payments)	<u>1</u>	<u>1</u>	<u>3,720</u>	<u>2</u>	<u>633</u>	<u>111</u>	<u>4,466</u>
Total past due	<u>3</u>	<u>1</u>	<u>\$ 18,010</u>	<u>\$ 2</u>	<u>\$ 922</u>	<u>\$ 111</u>	<u>\$ 19,045</u>

(4) Interest for June 2023 is due on July 1, 2023 and is not included in the amounts of payments in arrears at June 30, 2023.

Secured loans with payments in arrears, principal by LTV and lien position at June 30, 2023 are presented in the following table (\$ in thousands). The LTVs shown in this table use the appraisals at origination of the loans.

LTV ⁽⁵⁾	Secured loans with payments in arrears, principal					
	First trust deeds	Percent ⁽⁶⁾	Second trust deeds	Percent ⁽⁶⁾	Total Principal	Percent ⁽⁶⁾
<40%	\$ —	0.0%	\$ —	0.0%	\$ —	0.0%
40-49%	—	0.0	—	0.0	—	0.0
50-59%	—	0.0	—	0.0	—	0.0
60-69%	7,990	13.9	—	0.0	7,990	13.9
Subtotal <70%	<u>7,990</u>	<u>13.9</u>	<u>—</u>	<u>0.0</u>	<u>7,990</u>	<u>13.9</u>
70-79%	12,125	21.2	—	0.0	12,125	21.2
Subtotal <80%	<u>20,115</u>	<u>35.1</u>	<u>—</u>	<u>0.0</u>	<u>20,115</u>	<u>35.1</u>
≥80%	—	0.0	—	0.0	—	0.0
Total	<u>\$ 20,115</u>	<u>35.1%</u>	<u>\$ —</u>	<u>0.0%</u>	<u>\$ 20,115</u>	<u>35.1%</u>

(5) LTV classifications in the table above are based on principal, advances and interest unpaid at June 30, 2023.

(6) Percent of total principal, secured loans (\$57.3 million) at June 30, 2023.

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Non-accrual status/Secured loans

Secured loans in non-accrual status are summarized in the following table (\$ in thousands).

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Number of loans	none	1
Principal		\$ 3,720
Advances		60
Accrued interest ⁽⁷⁾		233
Total recorded investment		<u>\$ 4,013</u>
Foregone interest		<u>\$ 233</u>

(7) Accrued interest in the table above is the amount of interest accrued prior to the loan being placed on non-accrual status, net of any payments subsequently.

In conjunction with the adoption of ASC 326 (CECL), the partnership changed its guidelines for non-accrual status and recognized a cumulative-effect adjustment (with an increase to partners' capital) of \$233 thousand to recognize previously foregone interest for loans designated non-accrual at December 31, 2022. In periods prior to January 1, 2023, loans were placed on non-accrual status if 180 days delinquent or earlier if management determined that the primary source of repayment would come from the foreclosure and subsequent sale of the collateral securing the loan (which usually occurs when a notice of sale is filed) or when the loan was no longer considered well-secured.

Provision/allowance for credit losses

Activity in the allowance for credit losses for the six months ended June 30 is presented in the following table (\$ in thousands).

	<u>2023</u>			<u>2022</u>		
	<u>Principal and Advances</u>	<u>Interest</u>	<u>Total</u>	<u>Principal and Advances</u>	<u>Interest</u>	<u>Total</u>
Balance, December 31	\$ 30	\$ 25	\$ 55	\$ 30	\$ 25	\$ 55
Adoption of ASC 326 (CECL)	30	35	65	—	—	—
Balance, January 1	60	60	120	30	25	55
Provision for (recovery of) credit losses	—	—	—	—	—	—
Charge-offs	—	—	—	—	—	—
Balance, June 30	<u>\$ 60</u>	<u>\$ 60</u>	<u>\$ 120</u>	<u>\$ 30</u>	<u>\$ 25</u>	<u>\$ 55</u>

Each secured loan is reviewed quarterly for its delinquency, LTV adjusted for the most recent valuation of the underlying collateral, remaining term to maturity, borrower's payment history and other factors.

In periods prior to January 1, 2023, the partnership followed the incurred loss model for recognition of credit losses and had recorded an allowance for loan losses of principal and interest totaling approximately \$55 thousand to cover incurred, but not known, eventualities that occur from time to time, even though the secured loans had protective equity such that collection was deemed probable for all recorded amounts due on the loan. Such eventualities include the manager deeming it in the best interest of the partnership to agree to concessions to borrowers and/or senior-lien lenders to facilitate a refinance or a sale of the collateral primarily for secured loans in second lien position.

In conjunction with the adoption of ASC 326 (CECL), the partnership recognized a cumulative-effect adjustment (with a decrease to partners' capital) of \$65 thousand to the allowance for credit losses to recognize lifetime expected credit losses for secured loans at December 31, 2022. The limited number of loans and the short terms for which the loans are written enabled the manager to do a loan-by-loan analysis to determine the risk of loss. Beginning in 2023, the analysis is updated quarterly with any change to the expected credit losses recognized in the period.

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The analysis included projecting the outstanding principal for loans – individually and in total, by lien position – until maturity to determine the count, amount and weighted average LTV of the loans for future quarter and year ends.

				First Trust Deeds			Second Trust Deeds		
	Loans	Principal	LTV	Loans	Principal	LTV	Loans	Principal	LTV
2023 ⁽⁸⁾	7	\$ 29,549	45.3%	5	\$ 26,801	44.8%	2	\$ 2,748	50.6%
2024	4	22,599	47.1	3	21,351	46.1	1	1,248	63.7
2025	3	13,599	38.0	2	12,351	35.4	1	1,248	63.7
2026	2	12,351	35.4	2	12,351	35.4	—	—	0.0
2027	—	—	0.0	—	—	0.0	—	—	0.0

(8) At June 30, 2023, there were three loans past maturity with aggregate principal of \$18 million which are not included in the table above.

As indicated by the tables above, there is no future period covered in the analysis – nor is there any individual loan – in which a real estate market decline in values is likely to occur that would be sufficient to offset the substantial protective equity in the secured-loan portfolio (and in the individual loans) sufficient to put at risk collection of amounts owed under the notes, secured by the deeds of trust. In arriving at the determination, the manager consulted a range of banking/industry and academic studies and forecasts.

In performing the analysis, the manager considered the vintages in which the secured loans originated. The ultimate collectability of the amounts owed is reliant on the estimation of the current fair value of the real property collateral and the time to maturity. Further there is no evidence, nor any indication in the analysis, that the ultimate collectability of the amounts owed fluctuates with the time on file or vintage. Such considerations are consistent with the ‘no-credit-losses’ experience of the partnership over the preceding 5+ years. The LTVs shown in this table use the appraisals at origination of the loans.

LTV ⁽⁹⁾	Secured loans, principal									
	First trust deeds			Second trust deeds			Total principal			
	Principal	Percent	Count	Principal	Percent	Count	Principal	Percent	Count	Percent
<40%	\$ 13,002	22.7%	2	\$ 1,500	2.6%	1	\$ 14,502	25.3%		
40-49%	—	0.0	—	—	0.0	—	—	0.0		
50-59%	7,113	12.4	3	—	0.0	—	7,113	12.4		
60-69%	18,874	32.9	4	1,248	2.2	1	20,122	35.1		
Subtotal <70%	38,989	68.0	9	2,748	4.8	2	41,737	72.8		
70-79%	15,555	27.2	4	—	0.0	—	15,555	27.2		
Subtotal <80%	54,544	95.2	13	2,748	4.8	2	57,292	100.0		
≥80%	—	0.0	—	—	0.0	—	—	0.0		
Total	\$ 54,544	95.2%	13	\$ 2,748	4.8%	2	\$ 57,292	100.0%		

(9) LTV classifications in the table above are based on principal, advances and interest unpaid at June 30, 2023.

NOTE 5 – REAL ESTATE OWNED (REO) AND MORTGAGE PAYABLE

REO at June 30, 2023 was comprised of three properties with a carrying value of approximately \$5.9 million.

- In Los Angeles County (Hollywood Hills), two single-family residences on separate, adjoining parcels.
- In San Francisco County, a real estate interest comprised of a condominium unit consisting of storage lockers and signage rights for the exterior façade of the building.

The two Hollywood Hills single-family residences were acquired in June 2020 by foreclosure sales. The borrower contested the foreclosure sales by filing California state court actions. One of these actions was dismissed by the trial Court and the dismissal was appealed by the borrower. An Appellate Court affirmation of the dismissal is pending further potential appeal. The occupancy of one of the two properties is being contested. A remaining action (not related to property title) remains pending.

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There is a mortgage note payable secured by a first trust deed on one of the Hollywood Hills properties that matures November 1, 2044. Principal was approximately \$1.3 million at June 30, 2023. Monthly payments are approximately \$8 thousand, with interest at 4.125% until October 31, 2024 after which interest is calculated at LIBOR plus 2.25%. As of June 30, 2023, payments on the mortgage note payable were current on all payments due through May 2023. As a result, the notice of default previously recorded in May 2023 due to defaults by the original borrower was rescinded in June 2023. At June 30, 2023, the partnership had no accrued liabilities relating to REO. Accounts payable at June 30, 2023 includes \$216 thousand for negative escrow and unpaid late charges.

REO at June 30, 2022 was comprised of the three properties above and two other properties with a total carrying value of approximately \$8.3 million.

- In San Francisco County, 1 residential unit in a condominium complex.
- In Stanislaus County, approximately 14 acres of undeveloped land zoned commercial.

REO, net

REO, net (in operations expense/holding costs) were \$78 thousand and \$58 thousand for the three months ended June 30, 2023 and 2022, respectively and \$132 and \$142 thousand for the six months ended June 30, 2023 and 2022, respectively, and was net of other income principally of month-to-month rents received of approximately \$1 thousand and \$7 thousand for the three months ended June 30, 2023 and 2022, respectively and \$3 and \$9 thousand for the six months ended June 30, 2023 and 2022, respectively for unit-storage lockers and signage in San Francisco County.

NOTE 6 – FAIR VALUE

The following methods and assumptions are used when estimating fair value (Level 3 inputs).

Secured loans/performing

Due to the nature of the partnership's loans and borrowers the fair value of loan balances secured by deeds of trust is deemed to approximate the recorded amount (per the consolidated financial statements) as the partnership's loans:

- are of shorter terms at origination than commercial real estate loans by institutional lenders and conventional single-family home mortgage lenders;
- are written without a prepayment penalty causing uncertainty/a lack of predictability as to the expected duration of the loan; and
- have limited marketability and are not yet sellable into an established secondary market.

Secured loans, with payments in arrears

The fair value of secured non-performing loans is the lesser of the fair value of the collateral or the enforceable amount of the note. Secured non-performing loans are collateral dependent because it is expected that the primary source of repayment will not be from the borrower but rather from the collateral. The fair value of the collateral is determined on a nonrecurring basis by exercise of judgment based on management's experience informed by appraisals (by licensed appraisers), brokers' opinion of values and publicly available information on in-market transactions (Level 3 inputs). When the fair value of the collateral exceeds the enforceable amount of the note, the borrower is likely to redeem the note. Accordingly, third party market participants would generally pay the fair value of the collateral, but no more than the enforceable amount of the note.

The following methods and assumptions are used to determine the fair value of the collateral securing a loan.

Single family – Management's preferred method for determining the fair market value of its single-family residential assets is the sale comparison method. Management primarily obtains sales comparables (comps) via its subscription to the RealQuest service, but also uses free online services such as Zillow.com and other available resources to supplement this data. Sale comps are reviewed and adjusted for similarity to the subject property, examining features such as proximity to subject, number of bedrooms and bathrooms, square footage, sale date, condition and year built.

If applicable sale comps are not available or deemed unreliable, management will seek additional information in the form of brokers' opinions of value or appraisals.

Multi-family residential – Management's preferred method for determining the aggregate retail value of its multifamily units is the sale comparison method. Sale comps are typically provided in appraisals, or by realtors who specialize in multi-family residential properties. Sale comps are reviewed for similarity to the subject property, examining features such as proximity to subject, rental income, number of units, composition of units by the number of bedrooms and bathrooms, square footage, condition, amenities and year built.

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Management's secondary method for valuing its multifamily assets as income-producing rental operations is the direct capitalization method. In order to determine market cap rates for properties of the same class and location as the subject, management refers to published data from reliable third-party sources such as the CBRE Cap Rate Survey. Management applies the appropriate cap rate to the subject's most recent available annual net operating income to determine the property's value as an income-producing project. When adequate sale comps are not available or reliable net operating income information is not available or the project is under development or is under-performing to market, management will seek additional information and analysis to determine the cost to improve and the intrinsic fair value and/or management will seek additional information in the form of brokers' opinion of value or appraisals.

Commercial buildings – Management's preferred method for determining the fair value of its commercial buildings is the sale comparison method. Sale comps are typically provided in appraisals, or by realtors who specialize in commercial properties. Sale comps are reviewed for similarity to the subject property, examining features such as proximity to subject, rental income, number of units, composition of units, common areas, and year built.

Management's secondary method for valuing its commercial buildings is the direct capitalization method. In order to determine market cap rates for properties of the same class and location as the subject, management refers to reputable third-party sources such as the CBRE Cap Rate Survey. Management then applies the appropriate cap rate to the subject's most recent available annual net operating income to determine the property's value as an income-producing commercial rental project.

When adequate sale comps are not available or reliable net operating income information is not available or the project is under development or is under-performing to market, management will seek additional information and analysis to determine the cost to improve and the intrinsic fair value and/or management will seek additional information in the form of brokers' opinion of value or appraisals.

Commercial land – Commercial land has many variations and uses, thus requiring management to employ a variety of methods depending upon the unique characteristics of the subject land, including a determination of its highest and best use. Management may rely on information in the form of a sale comparison analysis (where adequate sale comps are available), brokers' opinion of value, or appraisal.

NOTE 7 – LINE OF CREDIT

In March 2020, RMI VIII entered into a Business Loan Agreement (Revolving Line of Credit and Term Loan Agreement) with Western Alliance Bank ("original credit agreement"), which was amended and modified by the First Loan Modification Agreement effective March 4, 2022 (the "first modification agreement" and together with the original credit agreement, the "credit agreement of 2022"). Advances on the line of credit are (and were) to be used exclusively to fund secured loans.

Under the terms of the credit agreement of 2022, RMI VIII could borrow up to a maximum principal of \$10 million subject to a borrowing base calculation set forth in the credit agreement. Amounts advanced under the credit agreement are secured by a first priority security interest in the notes and deeds of trust of the pledged loans included in the borrowing base. The maturity date is March 13, 2024 when all amounts outstanding are then due. RMI VIII has the option at the maturity date to convert – for a fee of one-quarter of one percent (0.25%) – the then outstanding principal balance to a two-year term loan maturing in March 2026.

The credit agreement of 2022 provides for interest on the outstanding principal under the credit line to be payable monthly and to accrue at the annual rate that is the greater of: (i) the 30-day American Interbank Offered Rate Term -30 Index published for loans in United States Dollars by the American Financial Exchange ("Ameribor") plus three and one-quarter percent (3.25%); and (ii) five percent (5.0%). Prior to the first modification agreement, interest on outstanding principal was payable monthly and accrued at the per annum rate of the greater of (i) five percent (5%) or (ii) the sum of the one-month LIBOR rate plus three and one-quarter percent (3.25%). If the partnership does not maintain the required compensating balance with a minimum daily average of \$1.0 million for the calendar quarter, the interest rate automatically increases by one-quarter of one percent (0.25%) above that rate which would otherwise be applicable for the next calendar quarter retroactive to the beginning of the calendar quarter in which the compensating balance is not maintained. At June 30, 2023, the interest rate was eight and thirty eight one-hundredths percent (8.38%).

For each calendar quarter during which the aggregate average daily outstanding principal is less than fifty percent (50%) of the maximum principal of \$10 million, there is a quarterly unused line fee equal to one-half of one percent (0.50%) per annum of the average daily difference between the average principal outstanding and fifty percent (50%) of the maximum principal of \$10 million.

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Activity involving the line of credit for the six months ended June 30 is presented in the following table (\$ in thousands).

	2023	2022
Balance, January 1	\$ 10,000	\$ —
Draws	—	11,000
Repayments	(900)	(1,000)
Balance, June 30,	<u>\$ 9,100</u>	<u>\$ 10,000</u>
Line of credit - average daily balance	<u>\$ 9,995</u>	<u>\$ 6,882</u>

The credit agreement of 2022 provides for customary financial and borrowing base reporting by RMI VIII to the lending bank and specifies that the partnership shall maintain (i) minimum tangible net worth of \$50 million, net of amounts due from related companies; (ii) debt service coverage ratio at all times of not less than 2.00 to 1.00; and (iii) loan payment delinquency of less than ten percent (10.0%) at calendar quarter-end, calculated as the principal of loans with payments over 61-days past due as determined by the lending bank's guidance, less loan loss allowances, divided by total principal of the partnership's loans. The loan agreement provided that in the event the loan payment delinquency rate exceeded 10.0% as of the end of any quarter (34.90% at June 30, 2023), the bank would cease to make any further advances until compliant with the covenant but agreed not to accelerate repayment of the loan.

On August 21, 2023 Western Alliance Bank and the partnership entered into a Second Loan Modification Agreement ("second modification agreement") to modify certain provisions of the credit agreement of 2022 effective as of June 30, 2023 as a result of the adoption of the Plan of Dissolution. Under the Plan of Dissolution, the Partnership Agreement and the California Uniform Limited Partnership Act of 2008, distributions to limited partners, if any, will not commence until all obligations and liabilities of the Partnership have been paid in full.

Under the second modification agreement, the parties agreed that the partnership shall maintain a minimum tangible net worth equal to at least \$30 million, net of amounts due from related companies provided, in the event that: (i) the tangible net worth of the partnership is \$45 million or greater, the partnership may borrow up to \$9.1 million; (ii) the tangible net worth of the partnership is less than \$45 million but is at least \$35 million, the partnership may borrow up to \$5.25 million; and (iii) the tangible net worth of the partnership is less than \$35 million but is at least \$30 million, the partnership may borrow up to \$3.0 million.

The second modification agreement further provides that the Partnership shall maintain a debt service coverage ratio at all times of not less than 1.25 to 1.00; and loan payment delinquency rate of less than fifty percent (50.0%) at calendar quarter-end if the borrowings are greater than \$5.0 million, calculated as the principal of loans with payments over 61-days past due as determined by the lending bank's guidance, less loan loss allowances, divided by total principal of the partnership's loans. The partnership has no obligation to maintain a loan payment delinquency rate upon the occurrence of the outstanding principal balance of borrowings having been reduced to below \$5.0 million.

At June 30, 2023 and December 31, 2022, aggregate principal of pledged loans was approximately \$27 million and \$23.2 million, respectively, with a maximum allowed advance thereon of approximately \$10 million, subject to the borrowing base calculation.

The fair value of the balance on the line of credit is deemed to approximate the recorded amount because the reference rate plus 3.25% and the other terms and conditions, including the two-year term, of the Revolving Line of Credit and Term Loan Agreement are reflective of market rate terms (Level 2 inputs).

Amortized debt issuance costs included in interest expense approximated \$7 thousand for the three months ended June 30, 2023 and 2022 and approximately \$14 thousand and \$21 thousand for the six months ended June 30, 2023 and 2022, respectively. Debt issuance costs of approximately \$57 thousand from the modification agreement (of which \$21 thousand is not amortized at June 31, 2023) were being amortized over the original two-year term, and are now – beginning in the quarter ending September 30, 2023 – to be amortized over the remaining term of the agreement.

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NOTE 8 – COMMITMENTS AND CONTINGENCIES, OTHER THAN LOAN AND REO COMMITMENTS

Commitments

Note 1 (Organization and General) presents detailed discussion of the partnership's contractual obligations to RMC under the Partnership Agreement and the Plan of Dissolution.

Legal proceedings

As of June 30, 2023, the partnership is not involved in any legal proceedings or governmental proceedings other than those that would be considered part of the normal course of business.

In the normal course of its business, the partnership may become involved in legal proceedings (such as assignment of rents, bankruptcy proceedings, appointment of receivers, unlawful detainers, judicial foreclosure, etc.) to collect the debt owed under the promissory notes, to enforce the provisions of the deeds of trust, to protect its interest in the real property subject to the deeds of trust and to resolve disputes with borrowers, lenders, lien holders and mechanics. None of these actions, in and of themselves, typically would be of any material financial impact to the partnership (i.e., exceeding ten percent of the partnership's consolidated current assets).

NOTE 9 – SUBSEQUENT EVENTS

The manager evaluated events subsequent to June 30, 2023 and determined that there were no events or transactions other than those discussed in the notes above regarding the Dissolution and the effectiveness of the Plan of Dissolution as of August 4, 2023, occurring during this reporting period that require recognition or disclosure in the unaudited consolidated financial statements. See Note 1 (Organization and General) for a description of the Dissolution and Plan of Dissolution.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the unaudited financial statements and notes thereto, which are included in Item 1 of this report on Form 10-Q, as well as the audited financial statements and the notes thereto, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in the partnership’s Annual Report on Form 10-K for the year ended December 31, 2022, filed with the U.S. Securities and Exchange Commission. The results of operations for the three and six months ended June 30, 2023 are not necessarily indicative of the results to be expected for the full year.

Forward-Looking Statements

Certain statements in this Report on Form 10-Q which are not historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”), including statements regarding the anticipated timing of the wind-up of the partnership and capital distributions and execution of wind-up activities. Forward-looking statements, which are based on various assumptions (some of which are beyond our control), may be identified by reference to a future period or periods or by use of forward-looking terminology, such as “may,” “will,” “believe,” “expect,” “anticipate,” “continue,” “possible” or similar terms or variations on those terms or the negative of those terms. Forward-looking statements include statements regarding the execution of wind-up activities and timing to complete wind-up of the partnership, trends in the California real estate market, future interest rates and economic conditions and their effect on the partnership and its assets, estimates as to the allowance for credit losses, and beliefs relating to how the partnership will be affected by current economic conditions and trends in the financial and credit markets. Actual results may be materially different from what is projected by such forward-looking statements, therefore, you should not place undue reliance on forward-looking statements which reflect our view only as of the date hereof.

Factors that might cause such a difference include, but are not limited to, the following:

- changes in economic conditions, interest rates, and changes in California real estate markets;
- the impact of competition and competitive pricing for mortgage loans;
- the general partners’ ability to make and arrange for any loans sales as part of the Plan of Dissolution;
- ability to sell loans, the prices at which loans may be sold and timing of loan sales under the Plan of Dissolution;
- whether we will have any future loan sales to unaffiliated third parties, and if we do, the gain, net of expenses, and the volume/timing of loan sales to unaffiliated third parties, which to date have provided only immaterial gains to us;
- the concentration of credit risks to which we are exposed;
- increases in payment delinquencies and defaults on our mortgage loans;
- changes in government regulation and legislative actions affecting our business; and
- the impact of global unrest and economic instability which has an adverse effect on US markets and economic conditions, including inflationary pressures on interest rates.

All forward-looking statements and reasons why results may differ included in this Form 10-Q are made as of the date hereof, and we assume no obligation to update any such forward-looking statement or reason why actual results may differ unless required by law.

Overview

Redwood Mortgage Investors VIII, L.P., a California Limited Partnership (“we”, “RMI VIII” or the “partnership”), was formed in 1993 to engage in business as a mortgage lender and investor by making and holding-for-investment mortgage loans secured by California real estate, primarily by first and second deeds of trust. The partnership is externally managed by Redwood Mortgage Corp. (“RMC” or “the manager”). See Note 3 (General Partners and Other Related Parties) to the consolidated financial statements included in Part I, Item 1 of this report for a detailed presentation of the partnership’s activities for which related parties are compensated and for other related party transactions.

On June 6, 2023, the partnership filed a definitive Consent Solicitation Statement pursuant to Section 14(a) of the Securities Exchange Act of 1934, as amended, with the SEC in connection with a solicitation of consents from the limited partners to approve the dissolution of the partnership (the “Dissolution”) and a Plan of Dissolution (the “Plan” or “Plan of Dissolution”). On August 4, 2023 (the “Dissolution Date”), holders of a majority of the limited partnership interests of the partnership as of June 1, 2023, the record date for the consent solicitation, approved the Dissolution and Plan. As a result, the general partners entered into the Plan on August 4, 2023, and RMC, as manager of the partnership, will wind-up the affairs of the partnership until the complete liquidation of the partnership’s assets and the termination of the partnership in accordance with the Plan, the partnership’s Sixth Amended and Restated Limited Partnership Agreement dated July 28, 2005 (as amended, the “Partnership Agreement”) and the Uniform Limited Partnership Act of 2008. The partnership will cease making new loans and will only engage in business activities necessary or convenient to wind-up the partnership’s business and distribute partnership assets.

RMC expects to complete the wind-up activities approximately 12 to 18 months after the effective date of the Plan of Dissolution. Dissolution, however, can be an involved process which may depend on a number of factors, and some of these factors are beyond RMC's control. See "Risk Factors" included in Part II Item 1A of this report on Form 10-Q for a discussion of risks and uncertainties that could materially affect the wind-up of the partnership's affairs in connection with the Dissolution.

In periods prior to the Dissolution Date, cash generated from loan payoffs and borrower payments of principal and interest was used for operating expenses, distributions to limited partners and withdrawals. The cash flow, if any, in excess of these uses plus the cash from advances on the line of credit was reinvested in new loans.

Prior to the Dissolution Date, no more than 20% of the total limited partners' capital account balances at the beginning of any year could be liquidated during any calendar year. Notwithstanding this 20% limitation, the general partners had the discretion to further limit the percentage of total limited partners' capital accounts that could have been withdrawn in order to comply with the safe harbor provisions of the regulations under Section 7704 of the Internal Revenue Code of 1986, as amended, to avoid the partnership being taxed as a corporation.

Effective as of the Dissolution Date: (i) all limited partners, including limited partners who previously elected not to receive periodic distributions of partnership net income under the Partnership Agreement, will begin receiving quarterly distributions of the partnership's net income (if any); and (ii) all scheduled withdrawals of limited partner capital made pursuant to the Partnership Agreement terminated in favor of quarterly pro rata withdrawals to all limited partners of cash received from the liquidation of partnership assets and available to fund capital distributions in accordance with the distribution provisions set forth in the Plan.

See Note 1 (Organization and General) to the consolidated financial statements included in Part I, Item 1 of this report on Form 10-Q for additional detail on the organization and operations of RMI VIII and the Plan of Dissolution.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions about the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Such estimates relate principally to the determination of the allowance for credit losses, including determining the fair value of the collateral, and the valuation of real estate owned. Actual results could differ significantly from these estimates.

Accounting policies are an integral part of our consolidated financial statements. For a summary of our critical accounting policies, see "Critical Accounting Policies" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the year ended December 31, 2022.

Adoption of ASC 326 (CECL)

As of January 1, 2023, the partnership adopted Accounting Standards Codification 326, Financial Instruments – Credit Losses using the modified retrospective approach, which requires a lifetime, current expected credit loss (CECL) measurement objective for the recognition of credit losses at the time a loan is originated or acquired. The allowance for credit losses is adjusted each period for changes in expected lifetime credit losses for loans and accrued interest. The determination of the amount of the allowance for credit losses considers historical loss experience, current fair value of collateral and the resultant LTV, current real estate and financial markets, as well as reasonable and supportable forecasts about future economic scenarios. The forward-looking estimates consider the likelihood that any combination of events would adversely impact economic conditions and real estate markets in California such that the substantial protective equity existing for the loans would no longer be sufficient to collect the recorded amounts of principal, advances and accrued interest due on the loan.

In conjunction with the adoption of CECL, the partnership changed its guidelines for non-accrual status and recognized a cumulative-effect adjustment with a net increase to partners' capital of \$168 thousand, consisting of an increase to the allowance for credit losses of \$65 thousand to recognize lifetime expected credit losses for secured loans at December 31, 2022, and the recognition of \$233 thousand of previously foregone interest for loans designated non-accrual at December 31, 2022. The limited number of loans and the short terms for which the loans are written enabled the manager to do a loan-by-loan analysis to determine the risk of loss. Beginning in 2023, the analysis is updated quarterly with any change to the expected credit losses recognized in the period.

There is no future period covered in the analysis – nor is there any individual loan – in which a real estate market decline in values (likely to occur) would be sufficient to offset the substantial protective equity in the secured-loan portfolio (and in the individual loans) sufficient to put at risk collection of amounts owed under the notes, secured by the deeds of trust. In arriving at the determination, the manager consulted a range of banking/industry and academic studies and forecasts.

In performing the analysis, the manager considered the vintages in which the secured loans originated. The ultimate collectability of the amounts owed is reliant on the estimation of the current fair value of the real property collateral and the time to maturity. Further there is no evidence, nor any indication in the analysis, that the ultimate collectability of the amounts owed fluctuates with the time on file or vintage. Such considerations are consistent with the 'no-credit-losses' experience of the partnership over the preceding 5+ years.

Loans on non-accrual status

Loans are placed on non-accrual status if management determines that the primary source of repayment will come from the foreclosure and subsequent sale of the collateral securing the loan (i.e., a notice of sale is filed and/or when the borrower files for bankruptcy) or when the loan is no longer considered well-secured (i.e., the LTV for the loan based on the estimated net realizable value of the collateral and the total owing of principal, advances and accrued interest (at the note rate) is at or greater than eighty percent (80%), seventy-five percent (75%) for lands outside of metropolitan areas).

In periods prior to January 1, 2023, loans were placed on non-accrual status if 180 days delinquent or earlier if management determined that the primary source of repayment would come from the foreclosure and subsequent sale of the collateral securing the loan (which usually occurs when a notice of sale is filed) or when the loan was no longer considered well-secured.

There were no other material changes to our critical accounting policies since our annual report on Form 10-K.

Results of Operations

The following discussion describes our results of operations for the three and six months ended June 30, 2023.

Key performance indicators

Key performance indicators as of and for the six months ended June 30 are presented in the following table (\$ in thousands).

	2023	2022
Limited partners' capital – end of period	\$ 52,691	\$ 63,206
Limited partners' capital – average balance	\$ 55,132	\$ 66,370
Limited partners' capital – withdrawals ⁽¹⁾	\$ 4,772	\$ 6,586
Secured loans principal – end of period balance	\$ 57,292	\$ 63,056
Secured loans principal – average daily balance	\$ 58,411	\$ 61,281
Number of first trust deeds	13	28
Principal – first trust deeds	\$ 54,544	\$ 61,112
Weighted average LTV – first trust deeds ⁽²⁾	54.9%	57.8%
Number of second trust deeds	2	1
Principal – second trust deeds	\$ 2,748	\$ 1,944
Weighted average LTV – second trust deeds ⁽²⁾	50.5%	60.7%
Interest income	\$ 2,572	\$ 2,606
Portfolio interest rate ⁽³⁾	8.7%	8.6%
Effective yield rate ⁽⁴⁾	8.8%	8.5%
Line of credit – end of period	\$ 9,100	\$ 10,000
Line of credit – average daily balance ⁽⁵⁾	\$ 9,995	\$ 6,882
Mortgages payable – end of period	\$ 1,319	\$ 1,453
Mortgages payable – average daily balance ⁽⁶⁾	\$ 1,347	\$ 1,453
Average interest rate – line of credit	8.0%	5.0%
Interest expense		
Line of credit	\$ 416	\$ 196
Mortgages payable	\$ 28	\$ 30
Provision for (recovery of) loan losses	\$ —	\$ —
Operations expense	\$ 2,116	\$ 1,645
Net income	\$ 18	\$ 842
Percent ⁽⁷⁾⁽⁸⁾	0.1%	2.5%

(1) Effective as of the Dissolution Date, all scheduled withdrawals of limited partner capital terminated in favor of quarterly pro rata withdrawals to all limited partners of cash received from the liquidation of partnership assets and available to fund capital distributions.

(2) The LTVs use the appraisals at origination of the loans.

(3) Stated note interest rate, weighted daily average (annualized)

(4) Percent secured loans principal – average daily balance (annualized)

(5) See Note 7 (Line of Credit) to the consolidated financial statements included in Part I, Item 1 of this report on Form 10-Q for a presentation of the activity and discussion of the terms and conditions of the credit agreement of 2022.

(6) In June 2020, the partnership acquired by foreclosure sale two adjoining properties subject to two first mortgages. See Note 5 (Real Estate Owned (REO) and Mortgages Payable) to the consolidated financial statements included in Part I, Item 1 of this report on Form 10-Q for a presentation of the activity and of the terms and conditions of the mortgages payable.

(7) Percent of limited partners' capital – average balance (annualized)

(8) Percent based on the net income available to limited partners (excluding 1% of income and losses allocated to general partners)

Key performance indicators as of and for the three months ended June 30 are presented in the following table (\$ in thousands).

	2023	2022
Limited partners' capital – end of period	\$ 52,691	\$ 63,206
Limited partners' capital – average balance	\$ 53,891	\$ 64,777
Limited partners' capital – withdrawals ⁽¹⁾	\$ 2,221	\$ 3,341
Secured loans principal – end of period balance	\$ 57,292	\$ 63,056
Secured loans principal – average daily balance	\$ 57,885	\$ 61,772
Number of first trust deeds	13	28
Principal – first trust deeds	\$ 54,544	\$ 61,112
Weighted average LTV – first trust deeds ⁽²⁾	54.9%	57.8%
Number of second trust deeds	2	1
Principal – second trust deeds	\$ 2,748	\$ 1,944
Weighted average LTV – second trust deeds ⁽²⁾	50.5%	60.7%
Interest income	\$ 1,304	\$ 1,286
Portfolio interest rate ⁽³⁾	8.8%	8.5%
Effective yield rate ⁽⁴⁾	9.0%	8.3%
Line of credit – end of period	\$ 9,100	\$ 10,000
Line of credit – average daily balance ⁽⁵⁾	\$ 9,990	\$ 9,971
Mortgages payable – end of period	\$ 1,319	\$ 1,453
Mortgages payable – average daily balance ⁽⁶⁾	\$ 1,347	\$ 1,453
Average interest rate – line of credit	8.2%	5.0%
Interest expense		
Line of credit	\$ 215	\$ 136
Mortgages payable	\$ 14	\$ 15
Provision for (recovery of) loan losses	\$ —	\$ —
Operations expense	\$ 1,126	\$ 746
Net income	\$ (48)	\$ 492
Percent ⁽⁷⁾⁽⁸⁾	-0.4%	3.0%

(1) Effective as of the Dissolution Date, all scheduled withdrawals of limited partner capital terminated in favor of quarterly pro rata withdrawals to all limited partners of cash received from the liquidation of partnership assets and available to fund capital distributions.

(2) The LTVs use the appraisals at origination of the loans.

(3) Stated note interest rate, weighted daily average (annualized)

(4) Percent secured loans principal – average daily balance (annualized)

(5) See Note 7 (Line of Credit) to the consolidated financial statements included in Part I, Item 1 of this report on Form 10-Q for a presentation of the activity and discussion of the terms and conditions of the credit agreement of 2022.

(6) In June 2020, the partnership acquired by foreclosure sale two adjoining properties subject to two first mortgages. See Note 5 (Real Estate Owned (REO) and Mortgages Payable) to the consolidated financial statements included in Part I, Item 1 of this report on Form 10-Q for a presentation of the activity and of the terms and conditions of the mortgages payable.

(7) Percent of limited partners' capital – average balance (annualized)

(8) Percent based on the net income available to limited partners (excluding 1% of income and losses allocated to general partners)

Limited partners' capital and limited partners' capital – withdrawals

Limited partners' capital and capital available to lend are declining due to partner withdrawals exceeding the net income retained in limited partners' capital accounts. Limited partners' capital declined approximately \$2.4 million and \$5.1 million in the three and six months ended June 30, 2023, respectively.

Withdrawals of limited partners' capital for the three and six months ended June 30, 2023 and 2022 are presented in the following table (\$ in thousands).

Withdrawals	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Without penalty	\$ 2,113	\$ 2,952	\$ 4,283	\$ 5,842
With penalty	108	389	489	744
Total	<u>\$ 2,221</u>	<u>\$ 3,341</u>	<u>\$ 4,772</u>	<u>\$ 6,586</u>
Scheduled, at June 30,	\$ 11,311	\$ 18,201	\$ 11,311	\$ 18,201
Percentage of scheduled withdrawals in end of period capital	<u>21.5%</u>	<u>28.8%</u>	<u>21.5%</u>	<u>28.8%</u>

Effective as of the Dissolution Date: (i) all limited partners, including limited partners who previously elected not to receive periodic distributions of partnership net income under the Partnership Agreement, will begin receiving quarterly distributions of the partnership's net income (if any); and (ii) all scheduled withdrawals of limited partner capital made pursuant to the Partnership Agreement terminated in favor of quarterly pro rata withdrawals to all limited partners of cash received from the liquidation of partnership assets and available to fund capital in accordance with the distribution provisions set forth in the Plan.

Secured loans

We have sought to exercise strong discipline in underwriting loan applications and lending against collateral at amounts that create a mortgage portfolio that has substantial protective equity (i.e., property value to outstanding debt) as indicated by our overall conservative weighted-average loan-to-value ratio (LTV) at time of origination which at June 30, 2023 was 54.7%. Thus, based on the appraisal-based valuations at the time of loan inception, borrowers have, in the aggregate, equity of 45.3% in the property, and we as lenders have loaned in the aggregate 54.7% (including other senior liens on the property, for other than first-lien loans) against the properties we hold as collateral for the repayment of our loans.

Secured loans, principal by LTV and lien position at June 30, 2023 are presented in the following table (\$ in thousands). The LTVs shown in this table are updated for any appraisals ordered and received by the manager after origination of the loan.

LTV ⁽¹⁾	Secured loans, principal					
	First trust deeds	Percent	Second trust deeds	Percent	Total principal	Percent
<40%	\$ 13,002	22.7%	\$ 1,500	2.6%	\$ 14,502	25.3%
40-49%	—	0.0	—	0.0	—	0.0
50-59%	7,113	12.4	—	0.0	7,113	12.4
60-69%	18,874	32.9	1,248	2.2	20,122	35.1
Subtotal <70%	38,989	68.0	2,748	4.8	41,737	72.8
70-79%	15,555	27.2	—	0.0	15,555	27.2
Subtotal <80%	54,544	95.2	2,748	4.8	57,292	100.0
≥80%	—	0.0	—	0.0	—	0.0
Total	<u>\$ 54,544</u>	<u>95.2%</u>	<u>\$ 2,748</u>	<u>4.8%</u>	<u>\$ 57,292</u>	<u>100.0%</u>

(1) LTV classifications in the table above are based on principal, advances and interest unpaid at June 30, 2023.

Loans with payments in arrears, principal by LTV and lien position at June 30, 2023 are presented in the following table (\$ in thousands). The LTVs shown in this table are updated for any appraisals ordered and received by the manager after origination of the loan.

LTV ⁽²⁾	Secured loans with payments in arrears, principal					
	First trust deeds	Percent ⁽³⁾	Second trust deeds	Percent ⁽³⁾	Total Principal	Percent ⁽³⁾
<40%	\$ —	0.0%	\$ —	0.0%	\$ —	0.0%
40-49%	—	0.0	—	0.0	—	0.0
50-59%	—	0.0	—	0.0	—	0.0
60-69%	7,990	13.9	—	0.0	7,990	13.9
Subtotal <70%	7,990	13.9	—	0.0	7,990	13.9
70-79%	12,125	21.2	—	0.0	12,125	21.2
Subtotal <80%	20,115	35.1	—	0.0	20,115	35.1
≥80%	—	0.0	—	0.0	—	0.0
Total	\$ 20,115	35.1%	\$ —	0.0%	\$ 20,115	35.1%

(2) LTV classifications in the table above are based on principal, advances and interest unpaid at June 30, 2023.

(3) Percent of secured loan principal, end of period balance.

Payments in arrears for non-performing secured loans (i.e., principal and interest payments past due 30 or more days) at June 30, 2023, totaled approximately \$19.0 million of which \$18.0 million was principal, and approximately \$1.0 million was accrued interest. Almost the entire principal in arrears was loans past maturity, all of which were in first lien position.

See Note 4 (Loans) to the consolidated financial statements included in Part I, Item 1 of this report for detail of the secured loan portfolio, including loan characteristics, scheduled maturities, delinquency and payments in arrears, loans in non-accrual status and the allowance for credit losses.

Performance overview/net income 2023 v. 2022

Net income available to limited partners as a percent of limited partners' capital – average balance (annualized) was 0.1% and 2.5% for the six months ended June 30, 2023 and 2022, respectively. Net income decreased approximately \$824 thousand (97.9%) for the six months ended June 30, 2023 as compared to the same period in 2022, primarily due to an increase in operations expense of approximately \$471 thousand (28.6%) mostly attributable to the Dissolution Consent Solicitation, the reduction in net interest income of approximately \$252 thousand (10.6%) and a decrease in late fees and gain on sale of loans of \$101 thousand (94.4%).

Analysis and discussion of income from operations 2023 v. 2022 (six months ended)

Significant changes to net income for the six months ended June 30, 2023 compared to the same period in 2022 are summarized in the following table (\$ in thousands).

	Net interest income	Provision for (recovery of) loan losses	Operations expense	Net income
Six months ended				
June 30, 2023	\$ 2,128	\$ —	\$ 2,116	\$ 18
June 30, 2022	2,380	—	1,645	842
Change	<u>\$ (252)</u>	<u>\$ —</u>	<u>\$ 471</u>	<u>\$ (824)</u>
Change				
Decrease secured loans principal - average daily balance	(127)	—	(22)	(105)
Effective yield rate	92	—	—	92
Amortization of debt issuance costs	7	—	—	7
Interest on line of credit and promissory note from related party	(226)	—	—	(226)
Interest on mortgages payable assumed at foreclosure	2	—	—	2
Decrease limited partners' capital - average balance	—	—	(47)	47
Increase in allocable expenses from the manager	—	—	32	(32)
Legal, audit and consulting	—	—	385	(385)
Timing of services rendered	—	—	70	(70)
REO holding costs	—	—	(10)	10
Late fees	—	—	—	(20)
Gain on sale, loans	—	—	—	(81)
Other	—	—	63	(63)
Change	<u>\$ (252)</u>	<u>\$ —</u>	<u>\$ 471</u>	<u>\$ (824)</u>

The table above displays only significant changes to net income for the period and is not intended to cross foot.

Net interest income

Net interest income decreased approximately \$252 thousand (10.6%) for the six months ended June 30, 2023 compared to the same period in 2022. The decrease in net interest income is due primarily to (i) an increase in interest expense due to an increase in the line of credit – average daily balance and a rapid increase in interest rates and (ii) a decrease in interest income of approximately \$34 thousand (1.3%) resulting from the decrease in the secured loans principal – average daily balance of approximately \$2.9 million (4.7%). The line of credit – average daily balance increased approximately \$3.1 million (44.9%) for the six months ended June 30, 2023 compared to the same period in 2022, and the average interest rate on the line of credit increased 3.0 percent (60.8%) over the same period, resulting in an increase of approximately \$230 thousand (133.7%) in interest expenses on the line of credit. See Key performance indicators table included above in Item 2 of this report for specific details of average interest rate on the line of credit.

Provision (recovery)/allowance for credit losses

In conjunction with the adoption of ASC 326 (CECL), the partnership recognized a cumulative-effect adjustment to partners' capital of \$65 thousand to recognize lifetime expected credit losses for secured loans at December 31, 2022. The limited number of loan and the short terms for which the loans are written enabled the manager to do a loan-by-loan analysis to determine the risk of loss. Beginning in 2023, the analysis is updated quarterly with any change to the expected credit losses recognized in the period. The analysis included projecting the outstanding principal for loans – individually and in total, by lien position – until maturity to determine the count, amount and weighted average LTV of the loans for future quarter and year ends.

See Note 4 (Loans) to the consolidated financial statements included in Part I, Item 1 of this report for a detailed presentation of allowance for credit losses.

Operations expense

Significant changes to operations expense for the six months ended June 30, 2023 compared to the same period in 2022 are summarized in the following table (\$ in thousands).

	Mortgage servicing fees	Asset management fees	Costs from RMC	Professional services	Dissolution Consent expense	REO, net	Other	Total
Six months ended								
June 30, 2023	\$ 438	106	345	729	353	132	13	\$ 2,116
June 30, 2022	460	127	339	558	—	142	19	1,645
Change	<u>\$ (22)</u>	<u>(21)</u>	<u>6</u>	<u>171</u>	<u>353</u>	<u>(10)</u>	<u>(6)</u>	<u>\$ 471</u>
Change								
Decrease secured loans principal - average daily balance	(22)	—	—	—	—	—	—	(22)
Decrease limited partners' capital - average balance	—	(21)	(26)	—	—	—	—	(47)
Increase in allocable expenses from the manager	—	—	32	—	—	—	—	32
Legal, audit and consulting	—	—	—	78	307	—	—	385
Timing of services rendered	—	—	—	70	—	—	—	70
REO holding costs	—	—	—	—	—	(10)	—	(10)
Other	—	—	—	23	46	—	(6)	63
Change	<u>\$ (22)</u>	<u>(21)</u>	<u>6</u>	<u>171</u>	<u>353</u>	<u>(10)</u>	<u>(6)</u>	<u>\$ 471</u>

Mortgage servicing fees

The decrease in mortgage servicing fees of approximately \$22 thousand for the six months ended June 30, 2023 as compared to the same period in 2022, was due to a decrease in the secured loans principal – average daily balance to approximately \$58.4 million from approximately \$61.3 million. Fees are charged by RMC at the annual rate of 1.5%.

Asset management fees

For the management of the partnership's loan portfolio, the general partners are entitled to an Asset Management Fee in an amount up to 1/32 of 1% of the "net asset value" of the partnership (3/8 of 1% annually). The decrease in asset management fees for the six months ended June 30, 2023, as compared to the same period in 2022, was due to the decrease in limited partners' capital – average balance to approximately \$55.1 million from \$66.4 million.

Costs from RMC

RMC is entitled to request reimbursement for operations expense incurred on behalf of RMI VIII, including without limitation, RMC's personnel and non-personnel costs incurred for qualifying business activities, including investor services, accounting, tax and data processing, postage and out-of-pocket general and administration expenses. The increase in costs from RMC of approximately \$6 thousand for the six months ended June 30, 2023 as compared to the same period in 2022 was due to an increase in allocable payroll and professional services of approximately \$32 thousand, which was offset by a reduction of the partnership's limited partners' capital as a percent of the total capital of the related mortgaged funds managed by RMC of approximately \$26 thousand.

Professional services

Professional services consist primarily of information technology, legal, audit and tax compliance, and consulting expenses.

The increase in professional services of approximately \$171 thousand for the six months ended June 30, 2023 compared to the same period in 2022 was due to timing differences of services rendered and an increase in legal, audit and consulting fees due to increased activities related to CECL adoption.

Dissolution Consent Solicitation

On May 19, 2023, the partnership filed a Consent Solicitation Statement pursuant to Section 14(a) of the Securities Exchange Act of 1934 with the SEC in connection with the Dissolution Consent Solicitation.

The expense related to the Dissolution Consent Solicitation was approximately \$353 thousand in the six months ended June 30, 2023. On August 4, 2023, the partnership entered into the Plan of Dissolution following the receipt of required consents of limited partners approving the Dissolution and the Plan of Dissolution. Costs related to the Dissolution Consent Solicitation for July 2023 totaled approximately \$65 thousand.

REO, net

The REO balance was approximately \$5.9 million and \$8.3 million at June 30, 2023 and 2022, respectively. There were no REO acquisitions in the six months ended June 30, 2023 and 2022.

The decrease in holding costs, net of other income when comparing the six months ended June 30, 2023 to the six months ended June 30, 2022 is due to a decrease in REO operating expenses of approximately \$10 thousand due to the sale of REO in Stanislaus and San Francisco County during 2022. Holding costs, net of other income includes month-to-month rents received of approximately \$3 thousand and \$9 thousand for the six months ended June 30, 2023 and 2022, respectively for the unit-storage lockers and signage in San Francisco County.

See Note 5 (Real Estate Owned (REO) and Mortgages Payable) to the consolidated financial statements included in Part I, Item 1 of this report for detailed presentations of REO activity during the period.

Analysis and discussion of income from operations 2023 v. 2022 (three months ended)

Significant changes to net income for the three months ended June 30, 2023 compared to the same period in 2022 are summarized in the following table (\$ in thousands).

	Net interest income	Provision for (recovery of) credit losses	Operations expense	Net income
<u>Three months ended</u>				
June 30, 2023	\$ 1,075	—	1,126	\$ (48)
June 30, 2022	1,135	—	746	492
Change	<u>\$ (60)</u>	<u>—</u>	<u>380</u>	<u>\$ (540)</u>
<u>Change</u>				
Decrease secured loans principal - average daily balance	(87)	—	(20)	(67)
Effective yield rate	105	—	—	105
Interest on line of credit and promissory note from related party	(79)	—	—	(79)
Interest on mortgages payable assumed at foreclosure	1	—	—	1
Decrease limited partners' capital - average balance	—	—	(22)	22
Increase in allocable expenses from the manager	—	—	15	(15)
Legal, audit and consulting	—	—	307	(307)
Timing of services rendered	—	—	49	(49)
REO holding costs	—	—	20	(20)
Late fees	—	—	—	(19)
Gain on sale, loans	—	—	—	(81)
Other	—	—	31	(31)
Change	<u>\$ (60)</u>	<u>—</u>	<u>380</u>	<u>\$ (540)</u>

The table above displays only significant changes to net income for the period and is not intended to cross foot.

Net interest income

Net interest income decreased approximately \$60 thousand (5.3%) for the three months ended June 30, 2023 compared to the same period in 2022. The decrease in net interest income is due to an increase in interest expense due to an increase in the line of credit – average daily balance and a rapid increase in interest rates, offset by an increase in interest income of approximately \$18 thousand (1.4%). The line of credit – average daily balance increased approximately \$19 thousand (0.2%) for the three months ended June 30, 2023 compared to the same period in 2022, and the average interest rate on the line of credit increased 3.2 percent (64.6%) over the same period, resulting in an increase of approximately \$82 thousand (65.1%) in interest expenses on the line of credit. See Key performance indicators table included above in Item 2 of this report for specific details of average interest rate on the line of credit.

Provision (recovery)/allowance for credit losses

In conjunction with the adoption of ASC 326 (CECL), the partnership recognized a cumulative-effect adjustment to partners' capital of \$65 thousand to recognize lifetime expected credit losses for secured loans at December 31, 2022. The limited number of loans and the short terms for which the loans are written enabled the manager to do a loan-by-loan analysis to determine the risk of loss. Beginning in 2023, the analysis is updated quarterly with any change to the expected credit losses recognized in the period. The analysis included projecting the outstanding principal for loans – individually and in total, by lien position – until maturity to determine the count, amount and weighted average LTV of the loans for future quarter and year ends.

See Note 4 (Loans) to the consolidated financial statements included in Part I, Item 1 of this report for a detailed presentation of allowance for credit losses.

Operations expense

Significant changes to operations expense for the three months ended June 30, 2023 compared to the same period in 2022 are summarized in the following table (\$ in thousands).

	Mortgage servicing fees	Asset management fees	Costs from RMC	Professional services	Dissolution Consent expense	REO, net	Other	Total
Three months ended								
June 30, 2023	\$ 217	52	167	256	353	78	3	\$ 1,126
June 30, 2022	237	62	164	207	—	58	18	746
Change	<u>\$ (20)</u>	<u>(10)</u>	<u>3</u>	<u>49</u>	<u>353</u>	<u>20</u>	<u>(15)</u>	<u>\$ 380</u>
Change								
Decrease secured loans principal - average daily balance	(20)	—	—	—	—	—	—	(20)
Decrease limited partners' capital - average balance	—	(10)	(12)	—	—	—	—	(22)
Increase in allocable expenses from the manager	—	—	15	—	—	—	—	15
Legal, audit and consulting	—	—	—	—	307	—	—	307
Timing of services rendered	—	—	—	49	—	—	—	49
REO holding costs	—	—	—	—	—	20	—	20
Other	—	—	—	—	46	—	(15)	31
Change	<u>\$ (20)</u>	<u>(10)</u>	<u>3</u>	<u>49</u>	<u>353</u>	<u>20</u>	<u>(15)</u>	<u>\$ 380</u>

Mortgage servicing fees

The decrease in mortgage servicing fees of approximately \$20 thousand for the three months ended June 30, 2023 as compared to the same period in 2022, was due to a decrease in the secured loans principal – average daily balance to approximately \$57.9 million from approximately \$61.8 million. Fees are charged by RMC at the annual rate of 1.5%.

Asset management fees

For the management of the partnership's loan portfolio, the general partners are entitled to an Asset Management Fee in an amount up to 1/32 of 1% of the "net asset value" of the partnership (3/8 of 1% annually). The decrease in asset management fees for the three months ended June 30, 2023, as compared to the same period in 2022, was due to the decrease in limited partners' capital – average balance to approximately \$53.9 million from \$64.8 million.

Costs from RMC

RMC is entitled to request reimbursement for operations expense incurred on behalf of RMI VIII, including without limitation, RMC's personnel and non-personnel costs incurred for qualifying business activities, including investor services, accounting, tax and data processing, postage and out-of-pocket general and administration expenses. The increase in costs from RMC of approximately \$3 thousand for the three months ended June 30, 2023 as compared to the same period in 2022 was due to an increase in allocable payroll and professional services of approximately \$15 thousand, which was offset by a reduction of the partnership's limited partners' capital as a percent of the total capital of the related mortgaged funds managed by RMC of approximately \$12 thousand.

Professional services

Professional services consist primarily of information technology, legal, audit and tax compliance, and consulting expenses.

The increase in professional services of approximately \$49 thousand for the three months ended June 30, 2023 compared to the same period in 2022 was due to timing differences of services rendered and an increase in legal, audit and consulting fees due to increased activities related to CECL adoption.

Dissolution Consent Solicitation

On May 19, 2023, the partnership filed a Consent Solicitation Statement pursuant to Section 14(a) of the Securities Exchange Act of 1934 with the SEC in connection with the Dissolution Consent Solicitation.

The expense related to the Dissolution Consent Solicitation was approximately \$353 thousand in the three months ended June 30, 2023. On August 4, 2023, the partnership entered into the Plan of Dissolution following the receipt of required consents of limited partners approving the Dissolution and the Plan of Dissolution. Costs related to the Dissolution Consent Solicitation for July 2023 totaled approximately \$65 thousand.

REO, net

The REO balance was approximately \$5.9 million and \$8.3 million at June 30, 2023 and 2022, respectively. There were no REO acquisitions in the three months ended June 30, 2023 and 2022.

The increase in holding costs, net of other income when comparing the three months ended June 30, 2023 to the three months ended June 30, 2022 is due to an increase in REO operating expenses of approximately \$14 thousand for the two Hollywood Hills single-family residences and a decrease in month-to-month rents of approximately \$6 for the unit-storage lockers and signage in San Francisco County.

See Note 5 (Real Estate Owned (REO) and Mortgages Payable) to the consolidated financial statements included in Part I, Item 1 of this report for detailed presentations of REO activity during the period.

Cash flows and liquidity

Cash flows by business activity for the six months ended June 30, 2023 and 2022 are presented in the following table (\$ in thousands).

	Six Months Ended June 30,	
	2023	2022
Limited partners' capital		
Withdrawals, net of early withdrawal fees	\$ (4,723)	\$ (6,510)
Early withdrawal penalties	(49)	(76)
Distributions	(360)	(596)
Cash (used in) limited partners' capital	(5,132)	(7,182)
Borrowings		
Line of credit advances, net	(900)	10,000
Interest paid	(435)	(143)
Debt issuance costs paid - line of credit	—	(57)
Mortgages repaid	(28)	—
Promissory note received from related party	3,300	1,000
Promissory note repaid to related party	—	(1,000)
Cash provided by borrowings	1,937	9,800
Loan earnings and payments		
Interest received, net	1,886	2,407
Late fees and other loan income	6	(99)
Loans funded, net	(5,700)	(30,838)
Principal collected	4,540	15,866
Loans transferred to related mortgage fund	3,956	996
Loans sold to non-affiliate, net	—	6,583
Advances (funded by) received from loans	(50)	88
Cash provided by (used in) loan production	4,638	(4,997)
REO		
Holding costs	(156)	(44)
Cash (used in) REO operations and sales	(156)	(44)
RMC payments - formation loan		
	—	334
Operations expense, excluding REO holding costs		
	(1,781)	(1,493)
Net (decrease) in cash		
	\$ (494)	\$ (3,582)
Cash, end of period		
	\$ 469	\$ 321

Liquidity and Capital Resources

Under the Plan of Dissolution, all assets of the partnership, including cash available from interest and principal payments on partnership loans, proceeds from the sale of real estate owned and partnership loans, and RMC's repayment (primarily from the proceeds of the dissolution fee) of the amounts owed on the formation loan and of the general partners' capital deficit (i.e., the deficit restoration obligation), will be applied and distributed in the following order of priority:

- First, to the payment of operations expense, including liabilities to professional services providers and government agencies (principally property and other taxes), fees and cost reimbursements to RMC, asset management fees to the general partners, loan administration and collection costs, and such other general and administrative expenses of the partnership's business and compliance activities and then to the payment and discharge of all of the partnership's then current debts and liabilities to banks (and any other lenders); and
- Thereafter, quarterly, within seven (7) business days after the end of each calendar quarter, to the limited and general partners in proportion to their respective capital account balances, after (i) taking into account income and loss allocations for the applicable calendar quarter and (ii) deducting the Dissolution Fee as calculated on the last business day of the quarter. Quarterly net income, if any, will be distributed pro rata to all limited partners and by disbursement separate from capital distribution payments.

Effective as of the Dissolution Date, RMC will be entitled to collect the Dissolution Fee, which is equal to 7.0% of each capital distribution to be made to the Limited Partners over the course of the wind-up period. The Dissolution Fee amounts received by RMC are intended to first be remitted back to the partnership in satisfaction of amounts owed by RMC on the formation loan and to restore the general partners' capital deficit (i.e., the deficit restoration obligation) required by the Partnership Agreement. The Dissolution Fee will be treated as an expense of the partnership and included in the allocation of income/losses to limited partners' capital accounts.

In periods prior to the Dissolution Date, the ongoing sources of funds for loans were the proceeds (net of withdrawals from limited partners' capital accounts and operation expense) from:

- loan payoffs;
- borrowers' monthly principal and interest payments;
- line of credit advances;
- loan sales to unaffiliated third parties;
- REO sales;
- payments from RMC on the outstanding balance of the formation loan; and
- earnings retained (i.e., not distributed) in partners' capital accounts.

Prior to the Dissolution Date, the partnership's only obligations were to make scheduled payments on the LOC and the first mortgage payable and to fund capital account withdrawal requests subject to cash available pursuant to the terms of the Partnership Agreement. RMI VIII's cash balances were planned to be maintained at levels sufficient to support on-going operations and satisfy obligations.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not included because the partnership is a smaller reporting company.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The partnership is externally managed by RMC. The manager is solely responsible for managing the business and affairs of the partnership, subject to the voting rights of the limited partners on specified matters. The manager acting alone has the power and authority to act for and bind the partnership. RMC provides the personnel and services necessary for us to conduct our business, as we have no employees of our own.

California limited partnerships generally do not have a board of directors, nor, therefore, do we have an audit committee of the board of directors. Thus, there is no conventional independent oversight of the partnership's financial reporting process. The manager, however, provides the equivalent functions of a board of directors and of an audit committee for, among other things, the following purposes:

- appointment, compensation, review and oversight of the work of the independent public accountants; and
- establishing and maintaining internal controls over financial reporting.

RMC, as the manager, carried out an evaluation, with the participation of RMC's President (acting as principal executive officer/principal financial officer) of the effectiveness of the design and operation of the manager's controls and procedures over financial reporting and disclosure (as defined in Rule 13a-15 of the Exchange Act) for and as of the end of the period covered by this report. Based upon that evaluation, RMC's principal executive officer/principal financial officer concluded, as of the end of such period, that the manager's disclosure controls and procedures were effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by us in our reports that we file or submit under the Exchange Act.

Changes to Internal Control Over Financial Reporting

There have not been any changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) under the Exchange Act) that occurred during the three months ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, the manager's or partnership's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. **Legal Proceedings**

As of June 30, 2023, the partnership was not involved in any legal proceedings or governmental proceedings other than those that would be considered part of the normal course of business. In the normal course of business, the partnership may become involved in various types of legal proceedings such as assignment of rents, bankruptcy proceedings, appointment of receivers, unlawful detainers, judicial foreclosure, etc. to enforce provisions of the deeds of trust, collect the debt owed under promissory notes or protect or recoup its investment from real property secured by the deeds of trust and resolve disputes between borrowers, lenders, lien holders and mechanics. None of these actions, in and of themselves, typically would be of any material financial impact to the partnership (i.e., exceeding ten percent of the partnership's consolidated current assets).

Item 1A. **Risk Factors**

On August 4, 2023, the general partners of RMI VIII entered into a plan of dissolution (“Plan of Dissolution”) following the receipt of required consents of limited partners approving the dissolution of the partnership (the “Dissolution”) and the Plan of Dissolution. Set forth below is a discussion of risks and uncertainties that could materially affect the wind-up of the partnership's affairs in connection with the Dissolution.

Dissolution can be an involved process dependent on a number of factors, some of which are beyond RMC's control. Any of these factors could affect the anticipated timing and results of the wind-up activities in connection with the Dissolution.

RMC expects to complete the wind-up activities approximately 12 to 18 months from the Dissolution Date. Dissolution, however, can be an involved process dependent on a number of factors – including factors such as general economic conditions; real estate values in the California counties in which the loan-collateral property is located; borrower-initiated legal actions; the willingness of investors to purchase loans from the Partnership at an acceptable price; climate conditions/events; and health concerns/restrictions – that are beyond RMC's control. Any of these factors could affect the anticipated timing and results of the wind-up activities.

Distributions to limited partners will not commence until all obligations and liabilities of the Partnership have been paid in full, and the timing of and the total amount available for such distributions are not determinable with certainty.

Under the Plan, the Partnership Agreement and the California Uniform Limited Partnership Act of 2008 (the “Act”), distributions to limited partners, will not commence until all obligations and liabilities of the Partnership have been paid in full. While the total amount to be collected from wind-up activities – and over what period – are not determinable with certainty, RMC anticipates – based on expected loan maturities and payoffs and the expected timing of the sale of the REO in Southern California – that all of the partnership's bank borrowings under the line of credit and other obligations and liabilities will be repaid by the end of the second quarter of 2024. Quarterly capital distributions to the limited partners would therefore likely commence by the second or third quarter of 2024. However, given the uncertainty as to the amount and timing of proceeds RMC would be able to obtain in connection with wind-up activities, there can be no assurance as to the amount and timing of cash available to distribute to limited partners after payment of partnership obligations and liabilities.

Item 2. **Unregistered Sales of Equity Securities and Use of Proceeds**

There were no sales of securities by the partnership which were not registered under the Securities Act of 1933.

For periods prior to the Dissolution Date, withdrawals were made once a quarter, on the last business day of the quarter. Withdrawals for the three months ended June 30, 2023 were approximately \$2.2 million. The maximum number of units that could have been withdrawn in any year and the maximum amount of withdrawals available in any period to partners were subject to certain limitations described in the Partnership Agreement.

Effective as of the Dissolution Date all scheduled withdrawals of limited partner capital made pursuant to the Partnership Agreement terminated in favor of quarterly pro rata withdrawals to all limited partners of cash received from the liquidation of partnership assets and available to fund capital distributions in accordance with the distribution provisions set forth in the Plan.

Item 3. **Defaults Upon Senior Securities**

There has been no material default in the payment of principal, interest, a sinking or purchase fund installment, or any other material default not cured within thirty (30) days relating to indebtedness of the partnership.

Item 4. **Mine Safety Disclosures**

Not Applicable.

Item 5. **Other Information**

On August 21, 2023, Western Alliance Bank, the bank, and RMI VIII entered into a Second Loan Modification Agreement which amended and modified the credit agreement of 2022 discussed in Note 7 (Line of Credit) effective as of June 30, 2023 (the “second modification agreement” and together with the credit agreement of 2022, the “credit agreement of 2023”). The second modification agreement modified the credit agreement of 2022 to provide that, on a quarterly basis as of March 31, June 30, September 30 and December 31 of each calendar year during the term of the credit agreement of 2023, beginning June 30, 2023:

- RMI VIII is required to hold at least \$30 million of total assets less intangible assets held by the partnership and less the total liabilities owed by the partnership (“tangible net worth”);
- In the event that: (i) the tangible net worth of the partnership is \$45 million or greater, the partnership may borrow up to \$9.1 million; (ii) the tangible net worth of the partnership is less than \$45 million but is at least \$35 million, the partnership may borrow up to \$5.25 million; and (iii) the tangible net worth of the partnership is less than \$35 million but is at least \$30 million, the partnership may borrow up to \$3.0 million.
- RMI VIII is required to maintain a ratio of (a) EBITDA to (b) all regularly scheduled payments of principal and interest payable by the partnership to the bank under the credit agreement of 2023 equal to at least 1.25 to 1.00; and
- RMI VIII is required to keep (i) the sum of the principal of loans outstanding with payments over sixty-one (61) days past due as determined by the bank’s guidance, less an amount of loan loss allowances maintained by the bank divided by (ii) the amount of outstanding principal advanced to the partnership pursuant to the credit agreement of 2023 (the “Outstanding Principal Owed”) to less than fifty percent (50%) in the event the Outstanding Principal Owed is greater than \$5 million. In the event the Outstanding Principal Owed equals \$5 million or less, there will be no breach in the event the amount determined pursuant to the foregoing sentence is equal to fifty percent (50%) or greater.

This summary of the second modification agreement does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the second modification agreement which is attached hereto as Exhibit 10.2 and incorporated herein by reference.

Item 6. **Exhibits**

Exhibit No.	Description of Exhibits
2.1	Plan of Dissolution of Redwood Mortgage Investors VIII, L.P. dated August 4, 2023 (incorporated by reference to Exhibit 2.1 to the Partnership’s Current Report on Form 8-K (File No. 000-27816) filed on August 9, 2023)
3.1	Second Amendment to Sixth Amended and Restated Limited Partnership Agreement of Redwood Mortgage Investors VIII, L.P. dated July 20, 2023.
10.1	First Loan Modification Agreement dated as of March 4, 2022 (filed as Exhibit 10.1 to the Partnership’s Current Report on Form 8-K dated as of March 11, 2022, (File No. 000-27816) incorporated herein by reference.)
10.2	Second Loan Modification and Waiver Agreement dated as of August 21, 2023
31.1	Certification of General Partner pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of General Partner pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**REDWOOD MORTGAGE INVESTORS VIII,
L.P., a
California Limited Partnership
(Registrant)**

Date: August 24, 2023

By: **Redwood Mortgage Corp., General Partner**

By: /s/ Michael R. Burwell
Name: Michael R. Burwell
Title: President, Secretary and Treasurer
(On behalf of the registrant, and in the capacity of
principal financial officer), Director

Date: August 24, 2023

By: **Michael R. Burwell, General Partner**

By: /s/ Michael R. Burwell
Name: Michael R. Burwell
Title: General Partner

**SECOND AMENDMENT TO
SIXTH AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT
OF
REDWOOD MORTGAGE INVESTORS VIII,
A CALIFORNIA LIMITED PARTNERSHIP**

This Second Amendment to Sixth Amended and Restated Limited Liability Partnership Agreement (“Amendment”) of Redwood Mortgage Investors, VIII, a California limited partnership (“Partnership”), is adopted by Michael R. Burwell and Redwood Mortgage Corp., a California corporation (collectively, the “General Partners”), as of July 20, 2023 (the “Effective Date”).

The Partnership is currently governed by that certain Sixth Amended and Restated Limited Partnership Agreement dated July 28, 2005, as amended on April 24, 2023 (as so amended, the “Agreement”). All capitalized terms not otherwise defined in this Amendment have the meanings given in the Agreement.

The General Partners desire to amend the Agreement pursuant to Section 12.4(h) of the Agreement to clarify that in light of the mandatory application of the California Uniform Limited Partnership Act of 2008 (as amended to date and as may be further amended, the “2008 Act”), the Agreement shall be amended to delete certain references to prior statutes as appropriate.

AMENDMENT

NOW THEREFORE, the General Partners hereby amend the Agreement in accordance with the following terms and conditions:

Amendments. The Agreement is hereby amended as follows.

(a) Section 3.15 of the Agreement is hereby amended and restated in its entirety to read as follows:

“3.15 Dissenting Limited Partners’ Rights. If the Partnership participates in any acquisition of the Partnership by another entity, any combination of the Partnership with another entity through a merger or consolidation, or any conversion of the Partnership into another form of business entity (such as a corporation) that requires the approval of the outstanding limited partnership interest, the result of which would cause the other entity to issue securities to the Limited Partners, then each Limited Partner who does not approve of such reorganization (the “Dissenting Limited Partner”) may require the Partnership to purchase for cash, at its fair market value, the interest of the Dissenting Limited Partner in the Partnership in accordance with the applicable provisions of Article 11.5 of Chapter 4.5 of Title 2 of the California Corporations Code (the California Uniform Limited Partnership Act of 2008), as amended to date and as the same may be further amended (the “2008 Act”). The Partnership, however, may itself convert to another form of business entity (such as a corporation, trust or association) if the conversion will not result in a significant adverse change in (i) the voting rights of the Limited Partners, (ii) the termination date of the Partnership (currently, December 31, 2032, unless terminated earlier in accordance with the Partnership Agreement), (iii) the compensation payable to the General Partners or their Affiliates, or (iv) the Partnership’s investment objectives.”

(b) Section 4.8 of the Agreement is hereby amended and restated in its entirety to read as follows:

“4.8 Meetings. The General Partners, or Limited Partners representing ten percent (10%) of the outstanding Limited Partnership Interests, may call a meeting of the Partnership and, if desired, propose an amendment to this Agreement to be considered at such meeting. If Limited Partners representing the requisite Limited Partnership Interests present to the General Partners a statement requesting a Partnership meeting, the General Partners shall fix a date for such meeting and shall, within twenty (20) days after receipt of such statement, notify all of the Limited Partners of the date of such meeting and the purpose for which it has been called. Unless otherwise specified, all meetings of the Partnership shall be held at 2:00 P.M. at the office of the Partnership, upon not less than ten (10) and not more than sixty (60) days written notice. At any meeting of the Partnership, Limited Partners may vote in person or by proxy. A majority of the Limited Partners, present in person or by proxy, shall constitute a quorum at any Partnership meeting. Any question relating to the Partnership which may be considered and acted upon by the Limited Partners hereunder may be considered and acted upon by vote at a Partnership meeting, and any consent required to be in writing shall be deemed given by a vote by written ballot. Except as expressly provided above, additional meeting and voting procedures shall be in conformity with the provisions of the 2008 Act.”

Purpose & Effect of Amendment. The purpose of this Amendment is to cure any ambiguity that may exist with respect to references in the Agreement to certain statutes existing prior to the enactment of the 2008 Act, pursuant to the authority vested in the General Partners pursuant to Section 12.4(h) of the Agreement. Except as expressly amended in accordance herewith, the Agreement shall remain in full force and effect without change or modification.

3. **Execution & Authority.** This Amendment shall be executed by the General Partners without the vote or consent of the Limited Partners as authorized in Section 12.4(h) of the Agreement and, upon such execution, shall be immediately effective as of the Effective Date.

GENERAL PARTNERS:

REDWOOD MORTGAGE CORP., a California Corporation

By: /s/ Michael R. Burwell

Michael R. Burwell, President

Michael R. Burwell

SECOND LOAN MODIFICATION AND WAIVER AGREEMENT

THIS SECOND LOAN MODIFICATION AND WAIVER AGREEMENT (this “Agreement”) is entered into as of August 21, 2023 (the “Modification Effective Date”), between REDWOOD MORTGAGE INVESTORS VIII, a California limited partnership (“Borrower”), and WESTERN ALLIANCE BANK, an Arizona corporation (“Lender”). Borrower and Lender are collectively referred to herein as the “Parties”.

RECITALS

A. Lender extended to Borrower a revolving loan (the “Loan”) in the original maximum principal amount of Ten Million and no/100 Dollars (\$10,000,000.00) pursuant to that certain Business Loan Agreement (Revolving Line of Credit and Term Loan Agreement), dated March 13, 2020, as amended by that certain First Loan Modification Agreement, dated March 4, 2022 (as amended from time to time, the “Loan Agreement”), and evidenced by that certain Promissory Note dated March 13, 2020, as amended by that certain First Loan Modification Agreement, dated March 4, 2022 (as amended from time to time, the “Note”), executed by Borrower and payable to the order of Lender, in the original stated principal amount of up to Ten Million and no/100 Dollars (\$10,000,000.00).

B. The Loan is secured by, among other things, that certain Pledge and Security Agreement, dated March 13, 2020 (the “Security Agreement”), made by Borrower in favor of Lender, which security interest is perfected by that certain UCC Financing Statement filed March 17, 2020, with the California Secretary of State, UCC Filing No. 207768391194 (the “Financing Statement”).

C. The Loan is guaranteed by that certain Limited Guaranty dated March 13, 2020 (the “Guaranty”), executed by Michael R. Burwell, an individual (“Guarantor”), in favor of Lender.

D. The Note, Loan Agreement, Security Agreement, Financing Statement, Guaranty and all other agreements, documents, or instruments originally evidencing, governing, securing, pertaining to, guaranteeing or otherwise relating to the Loan, as amended from time to time, are herein referred to as the “Loan Documents”.

E. Pursuant to Section 6.18 of the Loan Agreement, Borrower is required to maintain a Debt Service Coverage Ratio of not less than 2.00 to 1.00, measured on a quarterly basis (the “DSCR Covenant”).

F. Borrower has requested, and Lender has agreed, to waive the DSCR Covenant for the quarter ending on March 31, 2023 and to modify the Loan and the Loan Documents as provided in this Agreement.

G. Capitalized terms used in this Agreement and not otherwise specifically defined shall have the meaning assigned to such terms in the Loan Documents.

AGREEMENT

NOW, THEREFORE, in consideration of the Recitals set forth above which are incorporated herein by reference, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Acknowledgement of Debt. Borrower declares and acknowledges, for the specific reliance and benefit of Lender that, as of the Modification Effective Date, (a) Borrower has no right, claim, defense or right of offset of any kind or in any amount with respect to this Agreement, the Note, the Loan Agreement or any of the other Loan Documents, and (b) no amounts required to be paid by Borrower to Lender in connection with the execution and delivery of this Agreement shall be applied to or set off against the principal balance of the Note.

2. Consent to Modification. In reliance upon the representations, warranties and covenants set forth herein by Borrower, but subject to the satisfaction of the conditions in Section 5 below, Lender hereby consents to this Agreement as of the Modification Effective Date. Lender's consent to this Agreement is not intended to be, and shall not be construed as, a consent to any subsequent request or action which requires Lender's consent pursuant to the terms of the Loan Documents.

3. Borrower's Reaffirmation of Obligations. As of the Modification Effective Date, Borrower hereby unconditionally confirms, ratifies and reaffirms the Loan and all of Borrower's obligations under the Loan Agreement and all of the other Loan Documents, as modified by this Agreement, and agrees to continue to keep, observe and comply with all covenants, obligations, terms and conditions therein. Borrower hereby confirms, ratifies and reaffirms, as of the Modification Effective Date, all of the representations, warranties and covenants of Borrower contained in the Loan Documents, except to the extent expressly relating to a specific date.

4. Limited Waiver of DSCR Covenant. Subject to the terms and conditions herein, Lender waives the DSCR Covenant solely for the reporting period ending March 31, 2023. Such waiver shall be effective as of March 31, 2023. Lender is not waiving and shall require Borrower's compliance with the DSCR Covenant as amended by this Agreement, for all other reporting periods. This waiver does not waive any other rights or remedies that Lender may have pursuant to any agreement or law as a result of any violations past, present, or future of any agreement between the Borrower and Lender, and Lender reserves all rights, powers and remedies available to it. Borrower hereby acknowledges that Lender has made no agreement or commitment to waive the DSCR Covenant beyond the reporting period referenced above and upon any future violation of the DSCR Covenant, Lender shall have the immediate and unconditional right to exercise its rights and remedies under the Loan Documents.

5. Modification of the Loan and Loan Documents. Subject to the satisfaction of all conditions set forth in Section 7 of this Agreement, as of the Modification Effective Date, the Loan Documents will be modified and amended as follows:

5.1 Modifications of the Loan Agreement:

(a) Recital B of the Loan Agreement is hereby amended and restated in its entirety as follows:

“B. Borrower has applied to Lender for credit in an amount not to exceed the Credit Limit (as defined below).”

(b) Each of the following definitions are hereby added to Section 1 of the Loan Agreement in appropriate alphabetical order:

“Covenant Compliance Certificate” means a certificate executed by an officer of Borrower substantially in the form attached hereto as Exhibit F.”

“First Loan Reduction Triggering Event” means the first occurrence, following the Second Loan Modification Effective Date, of Borrower’s Adjusted Tangible Net Worth falling below Forty-Five Million Dollars (\$45,000,000.00).

“Loan Reduction Triggering Event” means the First Loan Reduction Triggering Event, the Second Loan Reduction Triggering Event and the Third Loan Reduction Triggering Event.

“Second Loan Modification” means that certain Second Loan Modification and Waiver Agreement, dated as of August 21, 2023, entered into between Borrower and Lender.

“Second Loan Modification Effective Date” means the “Modification Effective Date” as such term is defined in the Second Loan Modification.

“Second Loan Reduction Triggering Event” means the first occurrence, following the Second Loan Modification Effective Date, of Borrower’s Adjusted Tangible Net Worth falling below Thirty-Five Million Dollars (\$35,000,000.00).

“Third Loan Reduction Triggering Event” means the first occurrence, following the Second Loan Modification Effective Date, of Borrower’s Adjusted Tangible Net Worth falling below Thirty Million Dollars (\$30,000,000.00).

(c) The definition of “Commitment Term” in Section 1 of the Loan Agreement is hereby amended and restated in its entirety as follows:

“Loan Term” means that period commencing on the date of this Agreement and expiring on the Maturity Date.

All references to “Commitment Term” in the Loan Documents are hereby revised to refer to the “Loan Term” as defined herein.

(d) The definition of “Conversion Fee” in Section 1 of the Loan Agreement is hereby deleted in its entirety.

(e) The definition of “Credit Limit” in Section 1 of the Loan Agreement is hereby amended and restated in its entirety as follows:

“Credit Limit” means Nine Million One Hundred Thousand and No/100 Dollars (\$9,100,000.00,) except as reduced by a Loan Reduction Triggering Event as follows: (i) upon the occurrence of the First Loan Reduction Triggering Event, Five Million Two Hundred Fifty Thousand and No/100 Dollars (\$5,250,000.00), (ii) upon the occurrence of the Second Loan Reduction Triggering Event, Three Million and No/100 Dollars (\$3,000,000.00), and (iii) upon the occurrence of the Third Loan Reduction Triggering Event, Zero Dollars (\$0).”

(f) The definition of “EBITDA” in Section 1 of the Loan Agreement is hereby amended and restated in its entirety as follows:

“EBITDA” shall mean, at any given time, the sum of (a) the Net Operating Income, (b) all depreciation and amortization expenses deducted in determining the Net Operating Income, (c) interest paid on all indebtedness and monetary obligations deducted in determining Net Operating Income, (d) the aggregate amount of federal and state income taxes on or measured by income of Parent that were deducted in determining the Net Operating Income, and (e) any one-time expense paid in relation to the Borrower’s winding-down as an investment fund, all as determined in accordance with GAAP.

(g) Section 4.1.1 of the Loan Agreement is hereby amended and restated in its entirety as follows:

“4.1.1 Revolving Line of Credit. Prior to the Second Loan Modification Effective Date, Lender made certain Advances to Borrower from time to time hereunder, which Advances were of a revolving nature and were able to be made, repaid, and remade from time to time. Pursuant to the Second Loan Modification, the parties agreed that from and after the Second Loan Modification Effective Date, notwithstanding anything to the contrary in any of the Loan Documents, Borrower shall not be entitled to receive any Advances under the Loan.”

(h) Section 4.1.1.1 (Maximum Amount of Advances) of the Loan Agreement is hereby deleted in its entirety.

(i) Section 4.1.1.2 (Method for Request for Advances) of the Loan Agreement is hereby deleted in its entirety.

(j) Section 6.5 (Reporting Requirements) of the Loan Agreement is hereby amended to insert the following provision:

“6.5.11 As soon as available, but in any event no later than forty-five (45) days after the end of each quarter during each of Borrower’s fiscal years, Borrower shall provide to Lender a Covenant Compliance Certificate with respect to such reporting period.”

(k) Effective as of June 30, 2023, Section 6.17 (Tangible Net Worth) of the Loan Agreement is hereby deleted in its entirety.

(l) Section 6.18 (Debt Service Coverage Ratio) of the Loan Agreement is hereby amended and restated as follows:

“6.18 Debt Service Coverage Ratio. Borrower shall at all times maintain a Debt Service Coverage Ratio of not less than 1.25 to 1.00, which shall be measured on a quarterly basis commencing with the quarter ending on June 30, 2023. In the event the Debt Service Coverage Ratio falls below 1.25 to 1.00 at any time, Lender agrees to not accelerate repayment of the Loans pursuant to Section 8.1 so long as no other Event of Default has occurred; provided that Lender expressly reserves the right to accelerate repayment of the Loans upon the occurrence of an additional Event of Default.”

(m) Section 6.21 (Loan Delinquency) of the Loan Agreement is hereby amended and restated as follows:

“6.21 Loan Delinquency. Borrower shall maintain a loan payment delinquency rate of less than 50.0%, measured on a quarterly basis, commencing with the quarter ending June 30, 2023. Such loan delinquency rate shall be calculated by taking the sum of all Borrower Loans with payments over 61-days past due, less loan loss reserves divided by the total outstanding Borrower Loans. Within thirty (30) days of each calendar quarter end, Borrower shall deliver to Lender a quarterly loan tape for its entire Borrower’s Loan Portfolio, and any other documentation and evidence as shall be satisfactory to Lender, in Lender’s reasonable opinion and judgment, evidencing Borrower’s compliance with this Section 6.21. In the event the loan payment delinquency rate exceeds 50.0% as of the end of any quarter, Lender agrees to not accelerate repayment of the Loans pursuant to Section 8.1 so long as no other Event of Default has occurred. Notwithstanding anything herein to the contrary, Borrower shall have no obligation to maintain a loan payment delinquency rate upon the occurrence of the outstanding principal balance having been reduced to below Five Million Dollars (\$5,000,000.00).”

(n) Exhibit F (Form of Covenant Compliance Certificate) is hereby added to the Loan Agreement in the form of Schedule 1 attached hereto.

5.2 Modifications of the Note:

(a) The face amount of the Note is hereby amended to delete “\$10,000,000.00” and insert in lieu thereof “\$9,100,000.00, subject to reduction in accordance with the definition of “Credit Limit” in the Loan Agreement”.

(b) The preamble of the Note is hereby amended to delete “TEN MILLION AND NO/100 Dollars (\$10,000,000.00) and insert in lieu thereof “NINE MILLION ONE HUNDRED THOUSAND AND NO/100 Dollars (\$9,100,000.00), subject to reduction in accordance with the definition of “Credit Limit” in the Loan Agreement.

(c) The entire Section of the Note entitled “ADVANCES” is hereby amended and restated in its entirety as follows:

“ADVANCES. Prior to the Second Loan Modification Effective Date, Lender made certain Advances to Borrower from time to time hereunder, which Advances were of a revolving nature and were able to be made, repaid, and remade from time to time. Pursuant to the Second Loan Modification, the parties agreed that from and after the Second Loan Modification Effective Date, notwithstanding anything to the contrary in any of the Loan Documents, Borrower shall not be entitled to receive any Advances under the Loan, and any principal amounts repaid or prepaid by Borrower may not be re-borrowed.”

(d) The entire Section of the Note entitled “INTEREST RATE” and the paragraphs immediately following such paragraph are hereby amended and restated in their entirety as follows:

“INTEREST RATE. Except as provided in the final paragraph of this Section and the Section entitled DEFAULT RATE below, the principal balance outstanding hereunder from time to time shall bear interest at the Note Rate. The Note Rate shall be equal to the greater of: (i) Ameribor Rate plus three and one-quarter percent (3.25%), which interest rate shall change when and as the Ameribor Rate changes; or (ii) five percent (5.00%) per annum (the “Floor”). “Ameribor Rate” means the 30 day American Interbank Offered Rate Term-30 Index (“Ameribor”) which is published for loans in United States Dollars by the American Financial Exchange and is obtained by Lender from Bloomberg Financial Services Systems with the code AMBOR30T (or, if no longer available, any similar or successor publication selected by Lender). The Ameribor Rate shall initially be determined on the date that is two U.S. Government Securities Business Days immediately before the date of this Agreement and shall thereafter be adjusted monthly on the first day of each calendar month to be the Ameribor Rate determined by Lender to be in effect on the date that is two U.S. Government Securities Business Days prior to the first day of each calendar month. “U.S. Government Securities Business Day” means any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

If Lender determines (which determination shall be conclusive absent manifest error) that either of the following has occurred: (i) Ameribor ceases to exist or is no longer available; or (ii) a public announcement by the regulatory supervisor for the administrator of Ameribor, or a determination made by Lender, that Ameribor is no longer representative, then commencing on the next reset date, the interest rate hereunder shall be replaced with such alternate base rate and spread (collectively, “Benchmark Replacement”) as Lender determines in its sole discretion to be most comparable to the then-current interest rate. If the Benchmark Replacement as determined pursuant to this paragraph would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Note and the other Loan Documents.

In connection with the implementation of a Benchmark Replacement, Lender will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of Borrower. "Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes, such as changes to the definitions of "Business Day," "Interest Period," or timing and frequency of determining rates and making payments of interest, that Lender decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof in a manner substantially consistent with market practice (or, if the Lender decides that adoption of any portion of such market practice is not administratively feasible or if Lender determines that no market practice for the administration of such Benchmark Replacement exists, in such other manner of administration as Lender decides is reasonably necessary in connection with the administration of this Note and the other Loan Documents).

Subject to the terms and conditions of Section 4.12 of the Loan Agreement, Borrower has the option to convert the Loan to a two (2) year term loan (the "Term Loan").

Notwithstanding the foregoing, and pursuant to the terms of the Loan Agreement, should the Compensating Balance Amount (as defined in the Loan Agreement) fail to be maintained on any date during any calendar quarter (i.e., December 31, March 31, June 30 and September 30) during the term of the Loan ("Quarter"), the Note Rate that is applicable during such Quarter shall automatically be increased by one-quarter of one percent (0.25%) over the Note Rate that would otherwise be applicable for the next Quarter, retroactive to the beginning of such Quarter for the entirety of such Quarter ("Increased Rate"), which shall be payable as provided in the Section entitled PRINCIPAL AND INTEREST PAYMENTS below. Borrower shall pay to Lender, within ten (10) Business Days upon demand by Lender, an amount equal to the additional interest accruing under this Note during such Quarter by reason of the Increased Rate.

(e) The entire Section of the Note entitled "PRINCIPAL AND INTEREST PAYMENTS" is hereby amended and restated in its entirety as follows:

“PRINCIPAL AND INTEREST PAYMENTS. Commencing on April 1, 2020, and continuing on the same day of each and every calendar month thereafter until the Maturity Date (as defined hereinafter), Borrower shall pay to Lender interest due, in arrears, based upon the actual number of days elapsed for that monthly period. In addition, Borrower shall pay Lender principal payments as may be necessary to ensure that the outstanding principal balance of the Note does not exceed the Availability, in each case in accordance with the terms of the Loan Agreement.

In the event the Loan is converted to the Term Loan pursuant to Section 4.12 of the Loan Agreement, then:

(a) Commencing on April 1, 2024, and continuing on the same day of each and every calendar month thereafter until the Maturity Date (as extended pursuant to Section 4.12 of the Loan Agreement), Borrower shall pay to Lender monthly installment payments of principal and interest in an amount sufficient to fully amortize the outstanding principal balance of this Note over a one hundred twenty (120) month period (measured for a 120 month period commencing as of the Conversion Date), with interest calculated using the Note Rate; and

(b) In addition to the monthly installment payments of principal and interest, as set forth in clause (a) above, commencing on June 1, 2024, and continuing on the last day of each March, June, September and December, Borrower shall pay to Lender quarterly installment payments of principal, each in an amount equal to twelve and one-half percent (12.50%) of the outstanding principal balance of this Note as of the Conversion Date.

Upon the Maturity Date, the entire unpaid obligation outstanding under this Note, the Loan Agreement and any other Loan Documents shall become due and payable in full.

All payments due hereunder, including payments of principal and/or interest, shall be made to Lender in United States Dollars and shall be in the form of immediately available funds acceptable to the holder of this Note.”

5.3 Modifications of the Guaranty. Recital A of the Guaranty is hereby amended to delete “Ten Million and No/100 Dollars (\$10,000,000.00)” and insert in lieu thereof “Nine Million One Hundred Thousand and No/100 Dollars (\$9,100,000.00), subject to reduction in accordance with the definition of “Credit Limit” in the Loan Agreement”.

6. Restrictions on Advances. Notwithstanding anything to the contrary in any of the Loan Documents, from and after the Modification Effective Date, Borrower shall not be entitled to receive any Advances under the Loan.

7. Conditions Precedent to Effectiveness. Notwithstanding any other conditions that may be imposed upon Borrower by Lender in Lender's sole discretion, this Agreement shall be effective only upon satisfaction of the following:

(a) After giving effect to the waiver of DSCR Covenant for the calendar quarter ending March 31, 2023, there shall be no Event of Default by Borrower or Guarantor under any of the Loan Documents.

(b) Borrower and Guarantor shall sign and deliver to Lender this Agreement and such other documents and instruments as Lender shall reasonably require to carry out the purpose of this Agreement.

(c) Payment of any actual, out-of-pocket fees and costs of Lender in connection with the preparation, negotiation, administration and execution of this Agreement including, but not limited to, reasonable attorneys' fees, and other costs and fees of other professionals retained by Lender.

8. Effect of Modification; No Novation. The Loan Documents are amended and modified as set forth in this Agreement. To the extent not expressly modified herein, all other terms of the Loan Documents shall remain in full force and effect and Borrower hereby expressly agrees to be bound thereby. The terms and conditions of the Loan Documents, and the indebtedness evidenced thereby, are and will remain in full force and effect, as modified by this Agreement, and this Agreement shall not constitute a novation. All such indebtedness shall continue to be secured by, among other things, the Loan Agreement (as the same may be modified or amended herein and from time to time).

9. Borrower's Representations and Warranties. Borrower represents and warrants to Lender that: (a) Borrower is a limited partnership, organized and existing under the laws of the State of California, in good standing, and that Borrower has the full power and authority to make the agreements contained herein without the joinder or consent of any other party; (b) that the person or persons signing this Agreement and all other documents related hereto, on behalf of Borrower has full authority to bind Borrower; and (c) the execution, delivery, and performance of this Agreement and of the other documents related hereto will not contravene or constitute a default under any mortgage, deed of trust, loan agreement, indenture or other agreement to which Borrower is a party or by which Borrower or any of its property is bound.

10. Release, Settlement, Compromise, and Waiver of Other Claims. In consideration of the modification of the Loan Documents as herein provided, Borrower hereby compromises, releases, waives, relinquishes, and forever discharges Lender, as well as Lender's successors, assigns, agents, officers, directors, employees, attorneys, and representatives, of and from any and all claims, demands, statutory and common law actions and causes of action of any and every kind or character, whether known or unknown, which Borrower may have against such persons or entities, arising out of or with respect to any and all transactions relating to the Loan Documents occurring prior to the date hereof, including any loss, cost or damage, of any kind or character, arising out of or in any way connected with or in any way resulting from the acts, actions or omissions of such persons or entities, including but not limited to any breach of fiduciary duty, breach of any duty of fair dealing, breach of confidence, breach of funding commitment, undue influence, duress, economic coercion, conflict of interest, negligence, bad faith, malpractice, violations of the Racketeer Influenced and Corrupt Organizations Act, intentional or negligent infliction of mental distress, tortious interference with contractual relations, tortious interference with corporate governance or prospective business advantage, breach of contract, deceptive trade practices, libel, slander, or conspiracy, but in each case only to the extent permitted by applicable law.

11. Binding Effect. This Agreement shall be binding upon the Parties and their respective heirs, executors, administrators, successors, permitted assigns and representatives.

12. Accuracy of Information. All written information provided by Borrower or Guarantor to Lender in furtherance of the transactions contemplated by this Agreement or in or accompanying any loan application, financial statement, certificate, or other documents, and all other written information delivered by or on behalf of Borrower or Guarantor in connection with this Agreement is correct and complete in all material respects as of the date of such information, and to Borrower's knowledge, there are no omissions in any of the information that result in such information being materially incomplete, incorrect, or misleading as of the date of such information. All financial statements (other than projections) where prepared in accordance with GAAP and accurately present the financial condition of Borrower and Guarantor.

13. Ratification. Borrower hereby ratifies and affirms all of the Loan Documents to which it is a party and all of its respective agreements, obligations, promises and waivers as made and agreed and contained therein, as modified by this Agreement, all of which shall remain in full force and effect.

14. No Impairment of Lien; No Satisfaction. Nothing set forth herein shall affect the priority or extent of the lien of the Loan Agreement or any of the other Loan Documents, nor, except as expressly set forth herein, release or change the liability of any party who may now be, or after the Modification Effective Date may become, liable, primarily or secondarily, under the Loan Documents. This Agreement does not, and shall not be deemed or construed to, constitute the creation of new indebtedness or the satisfaction, discharge or extinguishment of the debt secured by the Loan Documents.

15. Choice of Law/Venue. This Agreement shall be construed, governed by and venue shall be elected according to the laws and venue set forth in the Loan Documents.

16. Severability. This Agreement is intended to be performed in accordance with and only to the extent permitted by applicable law. If any provisions of this Agreement or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

17. Modification of this Agreement. No change or modification of this Agreement shall be valid unless the same is in writing and signed by all the Parties.

18. Complete Agreement. This Agreement represents the complete agreement among the Parties with regard to the subject matter hereof, and there are no representations, covenants, warranties, agreements or conditions, oral or written, between the Parties hereto with regard to the subject matter hereof not set forth in this Agreement.

19. Headings. Section, paragraph or other headings contained in this Agreement are for reference purposes only and are not intended to affect in any way the meaning or interpretation of this Agreement.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which when taken together shall be deemed an original constituting one and the same document.

21. No Fiduciary Relationship. Borrower agrees that Lender has no fiduciary or similar obligations to Borrower and that their relationship is strictly that of creditor and debtor. Nothing contained in this Agreement or in any of the other Loan Documents shall be deemed or construed to create a partnership, joint venture or other association between Lender and Borrower. Lender shall not be in any way responsible or liable for the debts, losses, obligations or duties of Borrower with respect to the Collateral or otherwise by virtue of the Loan.

22. Time of Essence. Time shall be of the essence with respect to this Agreement and each and every provision hereof.

23. Supremacy Clause. It is hereby agreed that the terms and conditions of the Note, the Loan Agreement and the other Loan Documents, as amended, modified and supplemented by this Agreement, shall remain in full force and effect and shall be binding upon Borrower. It is understood and agreed that in the event there are any conflicting or omitted provisions or variations between the terms, conditions, rights or remedies in the Note, the Loan Agreement or any other Loan Document (other than this Agreement) and the terms of this Agreement, this Agreement shall prevail and control in each instance. A default under the terms and conditions of this Agreement shall constitute an Event of Default under the other Loan Documents.

24. Further Assurances. Borrower shall cooperate with Lender and shall execute and deliver, or cause to be executed and delivered, all such other documents and instruments, and shall take all such other action that Lender may reasonably request from time to time in order to accomplish and satisfy the provisions and purposes of this Agreement, including such confirmations and/or corrective instruments as Lender may reasonably require.

25. Consultation with Legal Counsel. Borrower acknowledges that it (a) has consulted with, or has had the opportunity to consult with, independent legal counsel of its choice prior to entering into this Agreement, (b) has reviewed this Agreement in its entirety, (c) understands the effect of this Agreement, (e) enters into this Agreement freely and without duress or coercion; and (f) has not received any legal or tax advice from Lender or Lender's legal counsel in regard to the effect of the Agreement.

26. Post-Closing Expenses. In addition to, at Lender's option, reimbursement of Lender for its third-party fees, charges and expenses incurred by Lender (including the fees, charges and expenses of Lender's legal counsel) incurred through the Modification Effective Date, Borrower agrees that it will, within ten (10) days after request by Lender, reimburse Lender for any additional third-party fees, charges and expenses incurred by Lender (including the fees, charges and expenses of Lender's legal counsel) in connection with this Agreement or the Loan subsequent to the Modification Effective Date, including, without limitation, any such amounts incurred by Lender in the enforcement of this Agreement and the other Loan Documents and for inspections, appraisals, reports and assessments in connection therewith. The reimbursement obligations under this Section shall survive any termination of this Agreement or any of the other Loan Documents.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have executed this First Loan Modification Agreement as of the Modification Effective Date.

BORROWER:

REDWOOD MORTGAGE INVESTORS VIII,
a California limited partnership

By: /s/ Michael R. Burwell
Name: Michael R. Burwell
Title: General Partner

LENDER:

WESTERN ALLIANCE BANK,
an Arizona corporation

By: /s/ Josh Ormiston
Name: Josh Ormiston
Title: Vice President

[SCHEDULE 1 TO SECOND LOAN MODIFICATION AND WAIVER AGREEMENT]

EXHIBIT F

COMPLIANCE CERTIFICATE

BORROWER:	Redwood Mortgage Investors VIII, LP
LENDER:	Western Alliance Bank, an Arizona corporation
TODAY'S DATE:	___ / ___ /20__
REPORTING PERIOD ENDED:	___ / ___ /20__

This certificate is delivered to Lender under the Business Loan Agreement dated effective as of March 13, 2020 with any and all subsequent Loan Modifications between Borrower and Western Alliance Bank, an Arizona corporation (the "Agreement"), all the defined terms of which have the same meanings when used herein.

I hereby certify that: (a) I am, and at all times mentioned herein have been, the duly elected, qualified, and acting officer of Borrower designated below; (b) to the best of my knowledge, the financial statements of Borrower from the period shown above (the "Reporting Period") and which accompany this certificate were prepared in accordance with GAAP and present fairly the financial condition of Borrower as of the end of the Reporting Period and the results of its operations for the Reporting Period; (c) all of the representations and warranties made by Borrower in Section 3 of the Agreement are true and correct in all material respects on the date of this certificate as if made on this date; (d) a review of the Agreement and of the activities of Borrower during the Reporting Period has been made under my supervision with a view to determining Borrower's compliance with the covenants, requirements, terms, and conditions of the Agreement, and such review has not disclosed the existence during or at the end of the Reporting Period (and I have no knowledge of the existence as of the date hereof) of any Default or Event of Default, except as disclosed herein (which specifies the nature and period of existence of each Default or Event of Default, if any, and what action Borrower has taken, is taking, and proposes to take with respect to each); and (e) the calculations described herein evidence that Borrower is in compliance with the requirements of the Agreement at the end of the Reporting Period (or if Borrower is not in compliance, showing the extent of non-compliance and specifying the period of non-compliance and what actions Borrower proposes to take with respect thereto).

Borrower: Redwood Mortgage Investors VIII, LP	
By:	
Name:	
Title:	

All financial calculations set forth herein are as of the end of the Reporting Period and calculated in accordance with the Agreement.

I. TANGIBLE NET WORTH (Section 1 of the Loan Agreement)

The Tangible Net Worth for Redwood Mortgage Investors VIII, LP is:	
Total Assets	\$
Minus: Intangible Assets	\$
Minus: Total Liabilities	\$
TANGIBLE NET WORTH	\$
<i>REQUIRED MINIMUM</i>	<u>\$30,000,000.00</u>
In compliance?	FORMCHECKBOX Yes FORMCHECKBOX No

**TNW ≤ \$50,000,000 > \$45,000,000 = RLOC Commitment is \$9,100,000.*

**TNW ≤ \$49,999,999 > \$35,000,000 = RLOC Commitment decreased to \$5,250,000*

**TNW ≤ \$34,999,999 > \$30,000,000 = RLOC Commitment decreased to \$3,000,000*

**TNW ≤ \$30,000,000 = RLOC will be paid off in full.*

II. DEBT SERVICE COVERAGE RATIO (Section 6.18 of the Loan Agreement)

Debt Service Coverage Ratio for Redwood Mortgage Investors VIII, LP is:	
EBITDA for the previous 3 calendar months (Trailing-Quarter)	\$
Divided by: Debt Service	\$
DEBT SERVICE COVERAGE RATIO	_____:1.00
<i>MINIMUM REQUIRED</i>	<i>1.25:1.00</i>
In compliance?	FORMCHECKBOX Yes FORMCHECKBOX No

III. LOAN DELINQUENCY RATIO (Section 6.21 of the Loan Agreement)

Loan Delinquency Ratio for Redwood Mortgage Investors VIII, LP is:	
Total principal balance of Delinquent Notes over 61-days:	\$
Divided by: Total outstanding principal balance of all Notes	\$
LOAN DELINQUENCY RATIO	____%
<i>MAXIMUM PERMITTED (when RLOC balance ≥ \$5,000,000)</i>	<u>50.0%</u>
In compliance?	FORMCHECKBOX Yes FORMCHECKBOX No

IV. OTHER REQUESTED INFORMATION

Total Other Indebtedness to Borrower (Section 6.15):	\$
Financial Reporting Requirements Current?	FORMCHECKBOX Yes FORMCHECKBOX No

V. DEFAULTS OR EVENTS OF DEFAULT

Disclose nature and period of existence and action being taken in connection therewith; if none, write "None":

CONSENT AND AGREEMENT OF GUARANTOR

With respect to the SECOND LOAN MODIFICATION AND WAIVER AGREEMENT dated as of August 21, 2023 (the "Agreement") between REDWOOD MORTGAGE INVESTORS VIII, a California limited partnership ("Borrower"), WESTERN ALLIANCE BANK, an Arizona corporation ("Lender"), the undersigned ("Guarantor") agrees for the benefit of Lender as follows:

1. Guarantor acknowledges (i) receiving a copy of and reading the Agreement, (ii) the accuracy of the Recitals in the Agreement, and (iii) the effectiveness of (A) that certain Limited Guaranty dated March 13, 2020 (the "Guaranty"), by Guarantor for the benefit of Lender, as modified by the Agreement, (B) any other agreements, documents or instruments evidencing or Loan executed by the Guarantor, as modified by the Agreement. The Guaranty and such other agreements, documents or instruments are collectively referred to as the "Guarantor Documents". All capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Guaranty.

2. Guarantor consents to the modification of the Loan Documents and all other matters as set forth in the Agreement.

3. Guarantor hereby compromises, releases, waives, relinquishes, and forever discharges Lender, as well as Lender's successors, assigns, agents, officers, directors, employees, attorneys, and representatives, of and from any and all claims, demands, statutory and common law actions and causes of action of any and every kind or character, whether known or unknown, which Guarantor may have against such persons or entities, arising out of or with respect to any and all transactions relating to the Loan Documents occurring prior to the date hereof, including any loss, cost or damage, of any kind or character, arising out of or in any way connected with or in any way resulting from the acts, actions or omissions of such persons or entities, including but not limited to any breach of fiduciary duty, breach of any duty of fair dealing, breach of confidence, breach of funding commitment, undue influence, duress, economic coercion, conflict of interest, negligence, bad faith, malpractice, violations of the Racketeer Influenced and Corrupt Organizations Act, intentional or negligent infliction of mental distress, tortious interference with contractual relations, tortious interference with corporate governance or prospective business advantage, breach of contract, deceptive trade practices, libel, slander, or conspiracy, but in each case only to the extent permitted by applicable law.

4. Guarantor hereby ratifies and affirms all of the Guarantor Documents and all of its respective agreements, obligations, promises and waivers as made and agreed and contained therein, as modified by the Agreement, all of which shall remain in full force and effect.

5. Guarantor declares and acknowledges, for the specific reliance and benefit of Lender, that as of the date hereof, Guarantor has no right, claim, defense or right of offset of any

kind or in any amount with respect to the Guarantor Documents.

6. Guarantor hereby confirms, ratifies and reaffirms, as of the date hereof, all of the representations, warranties and covenants of Guarantor contained in the Guarantor Documents, except to the extent expressly relating to a specific date.

7. Guarantor shall cooperate with Lender and shall execute and deliver, or cause to be executed and delivered, all such other documents and instruments, and shall take all such other action that Lender may reasonably request from time to time in order to accomplish and satisfy the provisions and purposes of this Consent and Agreement of Guarantor, including such confirmations and/or corrective instruments as Lender may reasonably require.

8. Guarantor acknowledges that Guarantor (a) has consulted with, or has had the opportunity to consult with, independent legal counsel of its choice prior to entering into this Consent and Agreement of Guarantor, (b) has reviewed the Agreement in its entirety and this Consent and Agreement of Guarantor, (c) understands the effect of the Agreement and this Consent and Agreement of Guarantor, (d) enters into this Consent and Agreement of Guarantor freely and without duress or coercion; and (e) has not received any legal or tax advice from Lender or Lender's legal counsel in regard to the effect of this Consent and Agreement of Guarantor.

DATED as of the date of Modification Effective Date in the Agreement.

GUARANTOR:

/s/ Michael R. Burwell

MICHAEL R. BURWELL, an individual

PRINCIPAL OFFICER CERTIFICATION

I, Michael R. Burwell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Redwood Mortgage Investors VIII, L.P., a California Limited Partnership (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)) for the Registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

/s/ Michael R. Burwell

Michael R. Burwell, President,
(principal executive officer and principal financial officer)
Redwood Mortgage Corp.,
General Partner
August 24, 2023

CERTIFICATION PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Redwood Mortgage Investors VIII, L.P., a California Limited Partnership (the “Partnership”) on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, I, Michael R. Burwell, certify that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the partnership at the dates and for the periods indicated.

A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Michael R. Burwell

Michael R. Burwell, President,
(principal executive officer and principal financial officer)
Redwood Mortgage Corp.,
General Partner
August 24, 2023