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

**QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

March 31, 2024

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**

**Consolidated Balance Sheets**
**March 31, 2024 and December 31, 2023 (unaudited)**
**($ in thousands)**

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| ASSETS | | |
| Cash, in banks | $ 409 | $ 397 |
| Loans | | |
| Principal | 42,758 | 47,635 |
| Advances | 26 | 174 |
| Accrued interest | 679 | 1,515 |
| Prepaid interest | — | (15) |
| Loan balances secured by deeds of trust | 43,463 | 49,309 |
| Allowance for credit losses | (230) | (160) |
| Loan balances secured by deeds of trust, net | 43,233 | 49,149 |
| Receivable from related mortgage fund (Note 3) | — | 18 |
| Real estate owned (REO), net | 12,634 | 12,732 |
| Debt issuance costs, net | — | 7 |
| Other assets | 131 | 81 |
| Total assets | $ 56,407 | $ 62,384 |
| LIABILITIES AND PARTNERS' CAPITAL | | |
| Accounts payable | $ 137 | $ 437 |
| Payable to manager (Note 3) | 63 | 50 |
| Payable to related mortgage fund (Note 3) | 31 | — |
| Accrued liabilities | 1,355 | 1,339 |
| Line of credit | 4,571 | 7,110 |
| Promissory note to related mortgage fund (Note 3) | — | 2,800 |
| Mortgage payable | 1,312 | 1,312 |
| Total liabilities | 7,469 | 13,048 |
| Partners’ capital | | |
| Limited partners’ capital | 52,252 | 52,646 |
| General partners’ deficit | (612) | (608) |
| Total partners’ capital | 51,640 | 52,038 |
| Receivable from manager (formation loan) | (2,702) | (2,702) |
| Partners’ capital, net of formation loan | 48,938 | 49,336 |
| Total liabilities and partners’ capital | $ 56,407 | $ 62,384 |

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**

**Consolidated Statements of Income (Loss)**
**For the Three Months Ended March 31, 2024 and 2023 (unaudited)**
**($ in thousands)**

| | Three Months Ended March 31 , | |
|---|---|---|
| | 2024 | 2023 |
| Revenue | | |
| Interest income | $ 786 | $ 1,268 |
| Interest expense | | |
| Line of credit | (162) | (201) |
| Mortgages payable | (14) | (14) |
| Total interest expense | (176) | (215) |
| Net interest income | 610 | 1,053 |
| Late fees | — | 3 |
| Total revenue, net | 610 | 1,056 |
| | | |
| Provision for credit losses | 70 | — |
| | | |
| Operations expense | | |
| Mortgage servicing fees to Redwood Mortgage Corp. | 173 | 221 |
| Asset management fees to Redwood Mortgage Corp. | 50 | 54 |
| Costs from Redwood Mortgage Corp. | 134 | 178 |
| Professional services | 436 | 382 |
| Dissolution Consent Solicitation | 2 | 91 |
| REO, net (Note 5) | 137 | 54 |
| Other | 6 | 10 |
| Total operations expense | 938 | 990 |
| | | |
| Net (loss) income | $ (398) | $ 66 |
| | | |
| Net (loss) income | | |
| Limited partners (99%) | $ (394) | $ 65 |
| General partners (1%) | (4) | 1 |

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**

**Consolidated Statements of Changes in Partners' Capital**
**For the Three Months Ended March 31, 2024 (unaudited)**
**($ in thousands)**

| | Limited Partners' Capital | General Partners' Capital (Deficit) | Total Partners' Capital |
|---|---|---|---|
| Balance, December 31, 2023 | $ 52,646 | $ (608) | $ 52,038 |
| Net loss | (394) | (4) | (398) |
| Balance, March 31, 2024 | $ 52,252 | $ (612) | $ 51,640 |

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**

**Consolidated Statements of Cash Flows**
**For the Three Months Ended March 31, 2024 and 2023 (unaudited)**
**($ in thousands)**

| | Three Months Ended March 31 , | |
|---|---|---|
| | 2024 | 2023 |
| Operating activities | | |
| Interest income received | $ 1,607 | $ 1,020 |
| Interest expense | (174) | (187) |
| Late fees and other loan income | — | 1 |
| Operations expense | (1,107) | (927) |
| Total cash provided by (used in) operating activities | 326 | (93) |
| | | |
| Investing activities | | |
| Loans | | |
| Loans funded | — | (5,700) |
| Principal collected | 4,877 | 3,853 |
| Loans transferred to related mortgage fund | — | 3,956 |
| Advances (funded) collected | 148 | (17) |
| Total – Loans | 5,025 | 2,092 |
| Total cash provided by investing activities | 5,025 | 2,092 |
| | | |
| Financing activities | | |
| Partners' capital | | |
| Early withdrawal penalties | — | (39) |
| Partner distributions | — | (89) |
| Cash distributions to partners | — | (128) |
| Line of credit | | |
| Repayments | (2,539) | — |
| Cash (used in) provided by line of credit | (2,539) | — |
| Promissory note repaid to related mortgage fund | (2,800) | — |
| Total cash (used in) financing activities | (5,339) | (128) |
| | | |
| Net increase in cash | 12 | 1,871 |
| Cash, beginning of year | 397 | 963 |
| Cash, end of period | $ 409 | $ 2,834 |

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**

**Consolidated Statements of Cash Flows**
**For the Three Months Ended March 31, 2024 and 2023 (unaudited)**
**($ in thousands)**

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

| | Three Months Ended March 31 , 2024 | 2023 |
|---|---|---|
| Cash flows from operating activities | | |
| Net income | $ (398) | $ 66 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities | | |
| Provision for credit losses | 70 | — |
| Amortization of debt issuance costs | 7 | 7 |
| REO – valuation adjustment | 98 | — |
| Change in operating assets and liabilities | | |
| Loan payments in trust | — | (1) |
| Accrued interest | 836 | (201) |
| Prepaid interest | (15) | (47) |
| Receivable from related party | 18 | 48 |
| Other assets | (50) | (20) |
| Accounts payable and accrued liabilities | (284) | 144 |
| Payable to related party | 44 | (89) |
| Total cash provided by (used in) operating activities | $ 326 | $ (93) |

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**

**March 31, 2024 (unaudited)**

## Overview

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 general partners are Redwood Mortgage Corp. ("RMC" or "the manager") and Michael R. Burwell, the President, Secretary and Treasurer of RMC and RMC's principal shareholder.

The partnership is externally managed by RMC. RMC provides the personnel and services necessary to conduct the business of the partnership, as RMI VIII has no employees of its own. The general partners are entitled to one percent (1%) of profits or losses of the partnership. The mortgage loans the partnership funds and/or invests in are arranged and generally serviced by RMC.

The financial statements/information presented were prepared in conformity with accounting principles generally accepted in the USA. 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. In the opinion of management of RMC, the accompanying unaudited consolidated financial statements/information contain all adjustments, consisting of normal, recurring adjustments, necessary to present fairly and accurately the consolidated financial information.

*Plan of Dissolution (2023-August)*

On August 4, 2023 (the "Dissolution Date"), the general partners of RMI VIII entered into a plan of dissolution (the "Plan" or "Plan of Dissolution") following the receipt of required consents of the limited partners approving the dissolution of the partnership (the "Dissolution") and the Plan of Dissolution. Pursuant to the Plan of Dissolution, RMC commenced winding up the affairs of the partnership commencing from the Dissolution Date and will continue wind up activities 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 of Dissolution: RMI VIII ceased making new loans and only engages 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, is to 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, 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 is 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 and other fees and be entitled to cost reimbursements.

Under the Plan of Dissolution: (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.

Under the Plan of Dissolution: The Partnership Agreement and the California Uniform Limited Partnership Act of 2008, distributions to limited partners, if any, do not commence until all obligations and liabilities of the Partnership have been paid in full.
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 paid pursuant to the restoration obligation of the General Partners' capital deficit (i.e., the deficit restoration obligation or the DRO) are to 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 foregoing is a summary of the Plan of Dissolution and is qualified in its entirety by the terms of the Plan of Dissolution, a copy of which is filed as Exhibit 2.1 to the partnership's Form 8-K filed with the SEC on August 9, 2023, and which was described and mailed to the limited partners on August 5, 2023.

*Partnership Agreement – Summary (Prior to the Dissolution Date)*

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.

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.

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.

*Distributions to limited partners*

Prior to the Dissolution Date: At the time of their subscription to the partnership, limited partners elected either to receive periodic (monthly, quarterly or annual) cash distributions from the partnership, or to compound income in their capital account. If an investor initially elected to receive periodic distributions, such election, once made, was 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 to lend 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 54% at March 31, 2023.

*Capital withdrawals and early withdrawals*

Prior to the Dissolution Date: There were substantial restrictions on transferability of units, and there was 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 twenty quarterly installments, beginning the last day of the calendar quarter following the quarter in which the notice of withdrawal was given. A limited partner could withdraw all or a part of their capital accounts in four quarterly installments, 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. Payment of any withdrawal of limited partners' capital was subject to cash available as determined by the manager.

*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, as are other assets acquired and liabilities assumed (or any senior debt the property is taken subject to). 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.

## GENERAL PARTNERS AND OTHER RELATED PARTIES

Per the Partnership Agreement and continuing after the Dissolution Date, the general partners are entitled to one percent (1%) of profits or losses of the partnership and provides for fees and for reimbursement of qualifying expenses, as compensation to the manager, 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.

*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 up to 7% of offering proceeds) to pay the B/D sales commissions and premiums paid to partners in connection with unsolicited orders. The receivable from the manager arising from these advances is unsecured and non-interest bearing and is referred to as the "formation loan." Since its inception, these advances totaled $22.6 million, of which $2.7 million remains outstanding at March 31, 2024.

Under the Plan of Dissolution, RMC is 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.

*Background (Prior to the Dissolution Date)*

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 or if the partnership was to be liquidated, RMC would have been released from any further obligation under the formation loans.

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.

*Other related party transactions*

- *Payable to/receivable from related mortgage funds and manager*

From time to time, in the normal course of business operations, the partnership may have payables to and/or receivables from related parties. At March 31, 2024, the payable to related parties of approximately $94 thousand consisted of accounts payable of approximately $63 thousand due to the manager and approximately $31 thousand due to a related mortgage fund. There were no receivables from related parties at March 31, 2024.

At December 31, 2023, the payable to related parties of approximately $50 thousand consisted of accounts payable and cost reimbursements to the manager. At December 31, 2023, the receivable from related parties of approximately $18 thousand consisted of accounts receivable from related mortgage funds.

- *Loan transactions with related mortgage funds*

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 three months ended March 31, 2024, no loans were transferred from related mortgage funds to RMI VIII. No loans were transferred to related mortgage funds from RMI VIII.

In the three months ended March 31, 2023, RMI VIII transferred to related mortgage funds five loans with aggregate principal of approximately $4.0 million at par value, which approximated 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 2023.

- *Promissory note repaid to related mortgage fund*

In June 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. The promissory note payable to the related mortgage fund was secured by all proceeds payable to RMI VIII upon the payoff or repayments of the pledged mortgage loans, net of any amounts outstanding by RMI VIII on its line of credit secured by the pledged mortgage loans. Interest on the loan accrued at 8.75% per annum. The promissory note was paid in full in February, 2024.

**LOANS**

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 94% of the portfolio at March 31, 2024 (94% at December 31, 2023).

*Secured loans unpaid principal balance (principal)*

Secured loan transactions for the three months ended March 31, 2024 are summarized in the following table ($ in thousands).

| | 2024 | | |
|---|---|---|---|
| | Total | First Trust Deeds | Second Trust Deeds |
| Principal, beginning of period | $ 47,635 | $ 44,890 | $ 2,745 |
| Principal collected | (4,877) | (4,875) | (2) |
| Principal, end of period | $ 42,758 | $ 40,015 | $ 2,743 |

*Loan characteristics*

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Number of secured loans | 11 | 12 |
| First trust deeds | 9 | 10 |
| Second trust deeds | 2 | 2 |
| | | |
| Secured loans – principal | $ 42,758 | $ 47,635 |
| First trust deeds | $ 40,015 | $ 44,890 |
| Second trust deeds | $ 2,743 | $ 2,745 |
| | | |
| Secured loans – lowest interest rate (fixed) | 7.3% | 7.3% |
| Secured loans – highest interest rate (fixed) | 12.0% | 12.0% |
| | | |
| Average secured loan – principal | $ 3,887 | $ 3,970 |
| Average principal as percent of total principal | 9.1% | 8.3% |
| Average principal as percent of partners' capital, net of formation loan | 7.9% | 8.0% |
| Average principal as percent of total assets | 6.9% | 6.4% |
| | | |
| Largest secured loan – principal | $ 8,747 | $ 9,000 |
| Largest principal as percent of total principal | 20.5% | 18.9% |
| Largest principal as percent of partners' capital, net of formation loan | 17.9% | 18.2% |
| Largest principal as percent of total assets | 15.5% | 14.4% |
| | | |
| Smallest secured loan – principal | $ 880 | $ 880 |
| Smallest principal as percent of total principal | 2.1% | 1.8% |
| Smallest principal as percent of partners' capital, net of formation loan | 1.8% | 1.8% |
| Smallest principal as percent of total assets | 1.6% | 1.4% |
| | | |
| Number of California counties where security is located | 7 | 7 |
| Largest percentage of principal in one California county | 28.5% | 27.7% |

As of March 31, 2024, 8 loans with principal of approximately $30.7 million provide for monthly payments of interest only, with the principal due at maturity, and 3 loans with principal of approximately $12.1 million (representing approximately 28% 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 March 31, 2024, 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 origination (OLTV) was 61.1%.

As of March 31, 2024, there were 4 loans each with principal in excess of 10% of the total outstanding principal. The aggregate principal of these loans was approximately $28.8 million and the weighted average OLTV is 44.2%. The loans were in first lien position.

- The partnership's largest loan, with principal of approximately $8.7 million (OLTV 25.4%), 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 second loan, with principal of approximately $8.0 million (OLTV 62.2%), is secured by a first lien on a commercial building and a second lien on a hotel/mixed use property, both in the City and County of San Francisco. The secured note bears an interest rate of 8.375% and matured on April 1, 2023. The commercial building is in contract to sell as of April 2024, for approximately $4.5 million, subject to customary contingencies, including inspections.
- The third loan, with principal of approximately $7.9 million (OLTV 53.1%), 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 fourth loan, with principal of approximately $4.2 million (OLTV 32.3%), is secured by an industrial building in the City of Orange in Orange County, bears an interest rate of 11.000 % and matured on April 1, 2024.

*Lien position/OLTV*

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

| | March 31, 2024 | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | Loans | Principal | Percent | Loans | Principal | Percent |
| First trust deeds | 9 | $ 40,015 | 94% | 10 | $ 44,890 | 94% |
| Second trust deeds | 2 | 2,743 | 6 | 2 | 2,745 | 6 |
| Total principal, secured loans | 11 | 42,758 | 100% | 12 | 47,635 | 100% |
| Liens due other lenders at loan closing | | 9,412 | | | 9,412 | |
| Total debt | | $ 52,170 | | | $ 57,047 | |
| Appraised property value at loan closing | | $ 111,910 | | | $ 118,610 | |
| OLTV (weighted average) | | 50.8% | | | 52.6% | |

At the time a loan is funded, the LTV is such that the protective equity in the collateral securing the loan is sufficient to preclude any expected credit losses of the principal balance of the loan unless there is a forward period adverse event that is uninsured and/or there are market conditions so adverse (and are other-than-temporary) that the protective equity is reduced to an amount not sufficient to recover the principal owed. Such an adverse event/condition is deemed improbable of occurrence in the relatively short duration the secured loans are outstanding.

Secured loans, principal by OLTV and lien position at March 31, 2024 are presented in the following table ($ in thousands).

| | Secured loans, principal | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| OLTV[1] | First trust deeds | Percent | Count | Second trust deeds | Percent | Count | Total principal | Percent |
| <40% | $ 12,947 | 30.3% | 2 | $ — | 0.0% | 0 | $ 12,947 | 30.3% |
| 40-49% | — | 0.0 | — | — | 0.0 | — | — | 0.0 |
| 50-59% | 12,293 | 28.8 | 3 | 1,500 | 3.5 | 1 | 13,793 | 32.3 |
| 60-69% | 9,240 | 21.6 | 2 | 1,243 | 2.9 | 1 | 10,483 | 24.5 |
| Subtotal <70% | 34,480 | 80.7 | 7 | 2,743 | 6.4 | 2 | 37,223 | 87.1 |
| 70-79% | 3,430 | 8.0 | 1 | — | 0.0 | — | 3,430 | 8.0 |
| Subtotal <80% | 37,910 | 88.7 | 8 | 2,743 | 6.4 | 2 | 40,653 | 95.1 |
| ≥80%[2] | 2,105 | 4.9 | 1 | — | 0.0 | — | 2,105 | 4.9 |
| Total | $ 40,015 | 93.6% | 9 | $ 2,743 | 6.4% | 2 | $ 42,758 | 100.0% |

(1) LTV classifications in the table above are based on principal, advances and interest unpaid at March 31, 2024.
(2) One loan with principal of approximately $2.1 million has an LTV above 80% in the table above. The loan had an allowance for loan losses (for interest owed) of $110 thousand at March 31, 2024. The collateral (a condominium unit in San Francisco) was acquired by the Partnership through foreclosure in April, 2024.

*Property type*

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

| | March 31, 2024 | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | Loans | Principal | Percent | Loans | Principal | Percent |
| Single family[3] | 2 | $ 3,348 | 8% | 2 | $ 3,350 | 7% |
| Multi-family | 1 | 1,250 | 3 | 1 | 1,250 | 3 |
| Commercial | | | | | | |
| Office | 2 | 9,363 | 22 | 2 | 10,500 | 22 |
| Retail | 1 | 880 | 2 | 1 | 880 | 1 |
| Industrial | 1 | 4,200 | 10 | 1 | 4,200 | 9 |
| Commercial – Other | 4 | 23,717 | 55 | 5 | 27,455 | 58 |
| Commercial Total | 8 | 38,160 | 89 | 9 | 43,035 | 90 |
| Land | — | — | — | — | — | 0 |
| Total principal, secured loans | 11 | $ 42,758 | 100% | 12 | $ 47,635 | 100% |

(3) Single family includes one to four unit residential buildings, condominium units, townhouses and condominium complexes. At March 31, 2024, single family consists of two loans with aggregate principal of approximately $3.3 million that are non-owner occupied. At December 31, 2023, single family consisted of two loans with aggregate principal of approximately $3.4 million that were non-owner occupied.

*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).

| | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Principal | Percent | Principal | Percent |
| San Francisco Bay Area[4] | | | | |
| San Francisco | $ 11,345 | 26.5% | $ 11,345 | 23.8% |
| San Mateo | — | 0.0 | — | 0.0 |
| Santa Clara | 12,177 | 28.5 | 12,195 | 25.6 |
| Solano | 3,550 | 8.3 | 3,550 | 7.5 |
| Marin | 1,500 | 3.5 | 1,500 | 3.1 |
| Alameda | 1,243 | 2.9 | 1,245 | 2.6 |
| | 29,815 | 69.7 | 29,835 | 62.6 |
| Other Northern California | | | | |
| Stanislaus | — | 0.0 | — | 0.0 |
| Northern California Total | 29,815 | 69.7 | 29,835 | 62.6 |
| Southern California Coastal | | | | |
| Los Angeles | 880 | 2.1 | 4,600 | 9.7 |
| Orange | 12,063 | 28.2 | 13,200 | 27.7 |
| Santa Barbara | — | 0.0 | — | 0.0 |
| Southern California Total | 12,943 | 30.3 | 17,800 | 37.4 |
| Total principal, secured loans | $ 42,758 | 100.0% | $ 47,635 | 100.0% |

(4) Includes the Silicon Valley

*Scheduled maturities/Secured loans-principal*

Secured loans scheduled to mature in periods as of and after March 31, 2024 are presented in the following table ($ in thousands).

| | | | | First Trust Deeds | | Second Trust Deeds | |
|---|---|---|---|---|---|---|---|
| | Loans | Principal | Percent | Loans | Principal | Loans | Principal |
| 2024 (scheduled to mature after March 31) | 3 | 8,880 | 21% | 3 | 8,880 | — | — |
| 2025 | 2 | 8,743 | 20 | 2 | 8,743 | — | — |
| 2026 | 1 | 1,243 | 3 | — | — | 1 | 1,243 |
| 2027 | 2 | 12,297 | 29 | 2 | 12,297 | — | — |
| Total scheduled maturities | 8 | 31,163 | 73 | 7 | 29,920 | 1 | 1,243 |
| Matured[5] | 3 | 11,595 | 27 | 2 | 10,095 | 1 | 1,500 |
| Total principal, secured loans | 11 | $ 42,758 | 100% | 9 | $40,015 | 2 | 2,743 |

(5) 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, if any. As a result, matured loans at March 31, 2024, 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 (prior to the Dissolution Date) or while negotiating an extension of the loan's maturity date. Loans are written without a prepayment penalty causing an uncertainty/a lack of predictability as to the expected duration versus the scheduled maturity.

*Delinquency/Secured loans*

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

| | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Loans | Principal | Loans | Principal |
| Current | 7 | $ 26,963 | 8 | $ 32,940 |
| Past Due | | | | |
| 30-89 days | 2 | 5,700 | 1 | 880 |
| 90-179 days | — | — | — | — |
| 180 or more days | 2 | 10,095 | 3 | 13,815 |
| Total past due | 4 | 15,795 | 4 | 14,695 |
| Total principal, secured loans | 11 | $ 42,758 | 12 | $ 47,635 |

At March 31, 2024 and December 31, 2023, there were no loan forbearance agreements in effect. Three loans past due at March 31, 2024 were in first lien position and had principal payments in arrears of approximately $10.1 million. One loan past due at March 31, 2024 was in second lien position and had principal payments in arrears of $1.5 million.

*Delinquency/Secured loans with payments in arrears*

Secured loans with payments in arrears (4 loans), principal by OLTV and lien position at March 31, 2024 are presented in the following table ($ in thousands).

| | Secured loans with payments in arrears, principal | | | | | |
|---|---|---|---|---|---|---|
| OLTV(6) | First trust deeds | Percent(7) | Second trust deeds | Percent(7) | Total Principal | Percent(7) |
| <40% | 4,200 | 9.8% | $ — | 0.0% | 4,200 | 9.8% |
| 40-49% | — | 0.0 | — | 0.0 | — | 0.0 |
| 50-59% | — | 0.0 | 1,500 | 3.5 | 1,500 | 3.5 |
| 60-69% | 7,990 | 18.7 | — | 0.0 | 7,990 | 18.7 |
| Subtotal <70% | 12,190 | 28.5 | 1,500 | 3.5 | 13,690 | 32.0 |
| 70-79% | — | 0.0 | — | 0.0 | — | 0.0 |
| Subtotal <80% | 12,190 | 28.5 | 1,500 | 3.5 | 13,690 | 32.0 |
| ≥80%(8) | 2,105 | 4.9 | — | 0.0 | 2,105 | 4.9 |
| Total(9) | $ 14,295 | 33.4% | $ 1,500 | 3.5% | $ 15,795 | 36.9% |

(6) LTV classifications in the table above are based on principal, advances and interest unpaid at March 31, 2024.

(7) Percent of total principal, secured loans (totaling $42.8 million) at March 31, 2024.

(8) One loan with principal of approximately $2.1 million has an LTV of 81.2%. The loan has an allowance for loan losses (for interest owed) of $110 thousand at March 31, 2024. The collateral (a condominium unit in San Francisco) was acquired by the Partnership through foreclosure in April, 2024.

(9) At March 31, 2024, $11.6 million of principal included in the table above was past maturity. See table below for more details on payments in arrears.

Payments in arrears for secured loans at March 31, 2024 are presented in the following tables ($ in thousands).

| At March 31, 2024 | Loans: Past maturity | Loans: Monthly payments | Principal: Past maturity | Principal: Monthly payments | Interest(10): Past maturity | Interest(10): Monthly payments | Total payments in arrears |
|---|---|---|---|---|---|---|---|
| Past due | | | | | | | |
| 30-89 days (1-3 payments) | 1 | 1 | $ 1,500 | $ — | $ 30 | $ 77 | $ 1,607 |
| 90-179 days (4-6 payments) | — | — | — | — | — | — | — |
| 180 or more days (more than 6 payments) | 2 | — | 10,095 | — | 778 | — | 10,873 |
| Total past due | 3 | 1 | $ 11,595 | $ — | $ 808 | $ 77 | $ 12,480 |

(10) Interest for March 2024 is due on April 1, 2024 and is not included in the amounts of payments in arrears at March 31, 2024.

As to the three matured loans with $11.6 million of principal at March 31, 2024,

- a loan with $1.5 million of principal matured on February 1, 2024 was paid in full in June 2024.
- a loan with $2.1 million of principal matured on July 1, 2023, has an allowance for loan losses (for interest owed) of $110 thousand and foregone interest of approximately $150 thousand. The collateral (a condominium unit is San Francisco) was acquired by the Partnership through foreclosure in April 2024.
- a loan with $8.0 million of principal matured on April 1, 2023, is secured by a first lien on a commercial building and a second lien on a hotel/mixed use property, both in the City and County of San Francisco. The commercial building is in contract to sell as of April 2024, for approximately $4.5 million, subject to customary contingencies, including inspections.

Matured loans, principal by OLTV and lien position at March 31, 2024 are presented in the following table ($ in thousands).

| | Secured loans past maturity, principal | | | | | |
|---|---|---|---|---|---|---|
| OLTV(11) | First trust deeds | Percent(12) | Second trust deeds | Percent(12) | Total principal | Percent(12) |
| <40% | $ — | 0.0% | $ — | 0.0% | $ — | 0.0% |
| 40-49% | — | 0.0 | — | 0.0 | — | 0.0 |
| 50-59% | — | 0.0 | 1,500 | 3.5 | 1,500 | 3.5 |
| 60-69% | 7,990 | 18.7 | — | 0.0 | 7,990 | 18.7 |
| Subtotal <70% | 7,990 | 18.7 | 1,500 | 3.5 | 9,490 | 22.2 |
| 70-79% | — | 0.0 | — | 0.0 | — | 0.0 |
| Subtotal <80% | 7,990 | 18.7 | 1,500 | 3.5 | 9,490 | 22.2 |
| ≥80% | 2,105 | 4.9 | — | 0.0 | 2,105 | 4.9 |
| Total | $ 10,095 | 23.6% | $ 1,500 | 3.5% | $ 11,595 | 27.1% |

(11) LTV classifications in the table above are based on principal, advances and interest unpaid at March 31, 2024.

(12) Percent of total principal, secured loans (totaling $42.8 million) at March 31, 2024.

*Non-accrual status/Secured loans*

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Number of loans | 2 | 2 |
| Principal | $ 10,095 | $ 10,095 |
| Advances | 12 | 6 |
| Accrued interest[13] | 362 | 365 |
| Total recorded investment | $ 10,469 | $ 10,466 |
| Foregone interest | $ 490 | $ 265 |

(13) 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. Interest income of $0 was recognized for loans in non-accrual status in the three months ended March 31, 2024.

Loans are generally placed on non-accrual status if management determines that the likely, primary source of repayment will come from the acquisition by foreclosure (or acquisition by deed in lieu of foreclosure) and subsequent sale of the collateral securing the loan (e.g., a notice of sale is filed and/or when a borrower files for bankruptcy) or when the loan is no longer considered well-secured.

*Provision/allowance for credit losses*

Activity in the allowance for credit losses for the three months ended March 31 is presented in the following table ($ in thousands).

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Principal and Advances | Interest | Total | Principal and Advances | Interest | Total |
| Balance, December 31 | $ 60 | $ 100 | $ 160 | $ 30 | $ 25 | $ 55 |
| Adoption of ASC 326 (CECL) | — | — | — | 30 | 35 | 65 |
| Balance, January 1 | 60 | 100 | 160 | 60 | 60 | 120 |
| Provision for (recovery of) credit losses | — | 70 | 70 | — | — | — |
| Balance, March 31 | $ 60 | $ 170 | $ 230 | $ 60 | $ 60 | $ 120 |

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.

Secured loans count, principal and weighted average OLTV at March 31, 2024 and the projected year-end count, principal and weighted average OLTV based on contractual maturities (by lien position) are presented in the following table ($ in thousands). This does not include any forward period extensions, renewals or modifications that the company may undertake at its discretion, which could extend the contractual maturities into future years.

| | | | | First Trust Deeds | | | Second Trust Deeds | | |
|---|---|---|---|---|---|---|---|---|---|
| | Loans | Principal | OLTV | Loans | Principal | OLTV | Loans | Principal | OLTV |
| **March 31, 2024** | 11 | $ 42,758 | 50.8% | 9 | $ 40,015 | 50.1% | 2 | $ 2,743 | 61.1% |
| **December 31,** | | | | | | | | | |
| 2024 | 5 | 22,283 | 44.0 | 4 | 21,040 | 42.7 | 1 | 1,243 | 65.9 |
| 2025 | 3 | 13,540 | 37.9 | 2 | 12,297 | 35.1 | 1 | 1,243 | 65.9 |
| 2026 | 2 | 12,297 | 35.1 | 2 | 12,297 | 35.1 | — | — | 0.0 |
| 2027 | — | — | 0.0 | — | — | 0.0 | — | — | 0.0 |

As indicated by the table 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 expected 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.

## REAL ESTATE OWNED (REO) AND MORTGAGE PAYABLE

REO transactions and valuation adjustments for the three months ended March 31, 2024 are summarized in the following tables ($ in thousands).

| | 2024 | | |
|---|---|---|---|
| | REO | Valuation Allowance | REO, net |
| Balance, beginning of period | $ 12,782 | $ (50) | $ 12,732 |
| Valuation allowance adjustment | — | (98) | (98) |
| Balance, March 31, 2024 | $ 12,782 | $ (148) | $ 12,634 |

REO at March 31, 2024 was comprised of three properties with a carrying value of approximately $12.6 million.

- In Los Angeles County (Hollywood Hills), two single-family residences on separate, adjoining parcels.
- In San Francisco, a multi-family building acquired (and possession was taken) in December 2023, by deed in lieu of foreclosure, to be converted and sold to tenants-in-common.
- In San Francisco, a real estate interest comprised of a condominium unit consisting of storage lockers and the signage rights for the exterior façade of the building.

The two Hollywood Hills single-family residences (SFRs) were acquired in June 2020 by nonjudicial foreclosure. The borrower contested the foreclosure, including a post-foreclosure eviction proceeding and other related legal actions. These matters have all been resolved by dismissal, final judgment, or settlement. The partnership has secured possession and control of one of the SFRs and has a stipulated judgment for the other SFR with no lockout before June 15, 2024. The partnership has agreed to pay $127 thousand contingent upon surrender of this SFR on or before June 15, 2024, and compliance with other terms. The settlement includes a general release of all known and unknown claims.

There is a mortgage note payable to a third party lender that is secured by a first trust deed on one of the Hollywood Hills SFR that matures November 1, 2044, with interest at 4.125% until October 31, 2024 after which interest is calculated at LIBOR plus 2.25%. At March 31, 2024, principal was approximately $1.3 million. Monthly payments are approximately $8 thousand, and as of March 31, 2024, were paid through September 2023. Accounts payable at March 31, 2024, includes $130 thousand for negative escrow and unpaid late charges.

*REO, net*

REO, net in operations expense on the consolidated income statements is comprised of the following ($ in thousands).

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Holding costs, net of other income | $ (39) | $ (54) |
| Valuation adjustments | (98) | — |
| REO, net | $ (137) | $ (54) |

Holding costs, net of other income includes month-to-month rents received of approximately $51 thousand for the three months ended March 31, 2024 for a multi-family building, unit-storage lockers and signage in San Francisco County and $3 thousand for the three months ended March 31, 2023 for unit-storage lockers and signage in San Francisco County.

## LINE OF CREDIT

Activity involving the line of credit described below for the three months ended March 31 is presented in the following table ($ in thousands).

| | 2024 | 2023 |
|---|---|---|
| Balance, January 1 | $ 7,110 | $ 10,000 |
| Repayments | (2,539) | — |
| Balance, March 31, | $ 4,571 | $ 10,000 |
| Line of credit – average daily balance | $ 5,746 | $ 10,000 |

At March 31, 2024 and December 31, 2023, aggregate principal of loans outstanding under the line of credit provided by Western Alliance Bank ("WAB") was approximately $7.4 million and $18.1 million, respectively. Amortized debt issuance costs included in interest expense approximated $7 thousand for the three months ended March 31, 2024 and 2023.

*Conversion to term note/ Plan of Dissolution*

As of March 13, 2024 and in conjunction with the Plan of Dissolution, the line of credit was converted to a term note of approximately $4.7 million with monthly principal and interest payment of approximately $56 thousand (10 year amortization, beginning April 2024) and quarterly principal reduction payments (beginning June 2024) at amounts sufficient to satisfy the debt in full by March 2026. 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, and non-compliance with the debt coverage covenant (unless coincident with another covenant violation) does not accelerate the payment terms. Payoffs of loans pledged to secure the term note continue to be applied to the reduction of the principal outstanding on the term note. Beginning in 2024, in conjunction with the Plan of Dissolution, payments – in addition to those required – were being advanced and will continue to be advanced to pay off the term note so that redemption payments to the limited partners can be made, as all creditors must be paid before any distributions are made under the Plan of Dissolution.

In conjunction with the Plan of Dissolution, on August 21, 2023, WAB and RMI VIII entered into a Second Loan Modification Agreement (the "2023 agreement") to modify certain provisions of the 2022 credit agreement effective as of June 30, 2023. Under the 2023 agreement, the parties agreed that the partnership would maintain a minimum tangible net worth equal to at least $30 million, net of amounts due from related companies; provided, however, that 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 2023 agreement further provided that the partnership 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 WAB's guidance, less loan loss allowances, divided by total principal of the partnership's loans.

*Background (Prior to the Dissolution Date)*

RMI VIII entered into a Business Loan Agreement with WAB in March 2020, which was amended and modified by the First Loan Modification Agreement effective March 4, 2022 (the "2022 credit agreement"), which provided a line of credit of $10 million. Advances were used exclusively to fund secured loans up to a maximum principal subject to a borrowing base calculation set forth in the 2022 credit agreement and are secured by a first priority security interest in the notes and deeds of trust of the pledged loans included in the borrowing base. Interest on the outstanding principal was payable monthly and accrued at an annual rate that was 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%). At December 31, 2023, the interest rate was eight and sixty-one one-hundredths percent (8.61%).

The 2022 credit agreement provided for customary financial and borrowing base reporting by RMI VIII to WAB and specified that the partnership 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, WAB would cease to make any further advances until the partnership is compliant with the covenant but agreed not to accelerate repayment of the loan. At December 31, 2023, the partnership was in compliance with covenants as then in effect.

Prior to the conversion to a term note, as discussed above, the fair value of the balance on the line of credit had been 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 line of credit, were reflective of market rate terms (Level 2 inputs).

## SUBSEQUENT EVENTS

The partnership evaluated subsequent events that have occurred after March 31, 2024 and determined that, except as disclosed in the notes to the financial statements, there were no other events or transactions that require recognition or disclosure in the consolidated financial statements.

## RESULTS OF OPERATIONS

The following supplemental information should be read in conjunction with the unaudited financial statements and notes thereto as well as the audited financial statements and the notes thereto for the year ended December 31, 2023. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for the full year.

### Overview

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").

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 (the "Dissolution Consent Solicitation") 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, began winding-up the affairs of the partnership, including liquidation of the partnership's assets. Upon liquidation and distribution of all assets, the partnership will be terminated 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 has ceased making new loans and will only engage in business activities necessary or convenient to wind-up the partnership's business and distribute partnership assets.

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.

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.

Effective as of the Dissolution Date, RMC is 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.

*Key performance indicators*

Key performance indicators as of and for the three months ended March 31 are presented in the following table ($ in thousands).

| | 2024 | 2023 |
|---|---|---|
| Limited partners' capital – end of period | $ 52,252 | $ 55,090 |
| Limited partners' capital – average balance | $ 52,449 | $ 56,353 |
| Limited partners' capital – withdrawals[1] | $ — | $ 2,551 |
| Secured loans principal – end of period balance | $ 42,758 | $ 57,979 |
| Secured loans principal – average daily balance | $ 45,045 | $ 58,942 |
| Number of first trust deeds | 9 | 18 |
| Principal – first trust deeds | $ 40,015 | $ 55,803 |
| Weighted average OLTV – first trust deeds[2] | 50.1% | 55.6% |
| Number of second trust deeds | 2 | 3 |
| Principal – second trust deeds | $ 2,743 | $ 4,285 |
| Weighted average OLTV – second trust deeds[2] | 61.1% | 52.1% |
| Interest income | $ 786 | $ 1,268 |
| Portfolio interest rate[3] | 8.9% | 8.6% |
| Effective yield rate[4] | 7.0% | 8.6% |
| Line of credit – end of period | $ 4,571 | $ 10,000 |
| Line of credit – average daily balance | $ 5,746 | $ 10,000 |
| REO | $ 12,634 | $ 5,911 |
| Mortgages payable – end of period | $ 1,312 | $ 1,347 |
| Mortgages payable – average daily balance [5] | $ 1,312 | $ 1,347 |
| Average interest rate – line of credit | 8.6% | 7.8% |
| Interest expense | | |
| Line of credit | $ 162 | $ 201 |
| Mortgages payable | $ 14 | $ 14 |
| Provision for (recovery of) loan losses | $ 70 | $ — |
| Operations expense | $ 938 | $ 990 |
| Net income (loss) | $ (398) | $ 66 |
| Percent[6][7] | -3.0% | 0.5% |

(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, net of payments on borrowings.
(2) The LTVs use the appraisals at origination of the loans (OLTV).
(3) Stated note interest rate, weighted daily average (annualized)
(4) Percent secured loans principal – average daily balance (annualized)
(5) In June 2020, the partnership acquired by foreclosure sale two adjoining properties subject to two first mortgages.
(6) Percent of limited partners' capital – average balance (annualized)
(7) 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*

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.

There were no withdrawals of limited partners' capital for the three months ended March 31, 2024.

*Secured loans – LTV*

The weighted-average loan-to-value ratio (LTV) – at time of origination – for loans at March 31, 2024 was 50.8%. Secured loans, principal by LTV and lien position at March 31, 2024 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.

| | Secured loans, principal | | | | | |
|---|---|---|---|---|---|---|
| **LTV(1)** | **First trust deeds** | **Percent** | **Second trust deeds** | **Percent** | **Total principal** | **Percent** |
| <40% | $ 20,810 | 48.7% | $ — | 0.0% | $ 20,810 | 48.7% |
| 40-49% | — | 0.0 | — | 0.0 | — | 0.0 |
| 50-59% | 4,430 | 10.4 | — | 0.0 | 4,430 | 10.4 |
| 60-69% | — | 0.0 | 1,243 | 2.9 | 1,243 | 2.9 |
| Subtotal <70% | 25,240 | 59.1 | 1,243 | 2.9 | 26,483 | 62.0 |
| | | | | | | |
| 70-79% | 12,670 | 29.6 | 1,500 | 3.5 | 14,170 | 33.1 |
| Subtotal <80% | 37,910 | 88.7 | 2,743 | 6.4 | 40,653 | 95.1 |
| | | | | | | |
| ≥80% | 2,105 | 4.9 | — | 0.0 | 2,105 | 4.9 |
| | | | | | | |
| Total | $ 40,015 | 93.6% | $ 2,743 | 6.4% | $ 42,758 | 100.0% |

(1) LTV classifications in the table above are based on principal, advances and interest unpaid at March 31, 2024.

Loans with payments in arrears, principal by LTV and lien position at March 31, 2024 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.

| | Secured loans with payments in arrears, principal | | | | | |
|---|---|---|---|---|---|---|
| **LTV(2)** | **First trust deeds** | **Percent(3)** | **Second trust deeds** | **Percent(3)** | **Total Principal** | **Percent(3)** |
| <40% | 4,200 | 9.8% | $ — | 0.0% | 4,200 | 9.8% |
| 40-49% | — | 0.0 | — | 0.0 | — | 0.0 |
| 50-59% | — | 0.0 | — | 0.0 | — | 0.0 |
| 60-69% | — | 0.0 | — | 0.0 | — | 0.0 |
| Subtotal <70% | 4,200 | 9.8 | — | 0.0 | 4,200 | 9.8 |
| | | | | | | |
| 70-79% | 7,990 | 18.7 | 1,500 | 3.5 | 9,490 | 22.2 |
| Subtotal <80% | 12,190 | 28.5 | 1,500 | 3.5 | 13,690 | 32.0 |
| | | | | | | |
| ≥80% | 2,105 | 4.9 | — | 0.0 | 2,105 | 4.9 |
| | | | | | | |
| Total | $ 14,295 | 33.4% | 1,500 | 3.5% | $ 15,795 | 36.9% |

(2) LTV classifications in the table above are based on principal, advances and interest unpaid at March 31, 2024.

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

Payments in arrears for secured loans (i.e., principal and interest payments past due 30 or more days) at March 31, 2024, totaled approximately $12.5 million of which $11.6 million was principal, and approximately $885 thousand was accrued interest. The entire principal in arrears consisted of loans past maturity.

Matured loans, principal by LTV and lien position at March 31, 2024 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.

| | Secured loans past maturity, principal | | | | | |
|---|---|---|---|---|---|---|
| **LTV(4)** | **First trust deeds** | **Percent(5)** | **Second trust deeds** | **Percent(5)** | **Total principal** | **Percent(5)** |
| <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% | — | 0.0 | — | 0.0 | — | 0.0 |
| Subtotal <70% | - | 0.0 | — | 0.0 | - | 0.0 |
| 70-79% | 7,990 | 18.7 | — | 0.0 | 7,990 | 18.7 |
| Subtotal <80% | 7,990 | 18.7 | — | 0.0 | 7,990 | 18.7 |
| ≥80% | 2,105 | 4.9 | — | 0.0 | 2,105 | 4.9 |
| Total | $ 10,095 | 23.6% | $ — | 0.0% | $ 10,095 | 23.6% |

(1) LTV classifications in the table above are based on principal, advances and interest unpaid at March 31, 2024.
(2) Percent of total principal, secured loans (totaling $42.8 million) at March 31, 2024.

*Analysis and discussion of income from operations 2024 v. 2023 (three months ended)*

Significant changes to net income for the three months ended March 31, 2024 compared to the same period in 2023 are summarized in the following table ($ in thousands).

| | Net interest income | Provision for (recovery of) credit losses | Operations expense | Net income |
|---|---|---|---|---|
| Three months ended | | | | |
| March 31, 2024 | $ 610 | 70 | 938 | $ (398) |
| March 31, 2023 | 1,053 | — | 990 | 66 |
| Change | $ (443) | 70 | (52) | $ (464) |
| | | | | |
| Change | | | | |
| Decrease secured loans principal – average daily balance | (242) | — | (48) | (194) |
| Effective yield rate | (240) | — | — | (240) |
| Interest on line of credit and promissory note from a related mortgage fund | 39 | — | — | 39 |
| Decrease limited partners' capital – average balance | — | — | (10) | 10 |
| Decrease in allocable expenses from the manager | — | — | (38) | 38 |
| Legal, audit and consulting | — | — | (54) | 54 |
| Timing of services rendered | — | — | 49 | (49) |
| REO foreclosure, net | — | — | 98 | (98) |
| REO holding costs | — | — | (15) | 15 |
| Increase in provision year-over-year | — | 70 | — | (70) |
| Late fees | — | — | — | (3) |
| Dissolution activity | — | — | (30) | 30 |
| Other | — | — | (4) | 4 |
| Change | $ (443) | 70 | (52) | $ (464) |

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 $443 thousand (42.1%) for the three months ended March 31, 2024 compared to the same period in 2023. The decrease in net interest income is due to a decrease in interest income of approximately $482 thousand (38.0%), partially offset by a decrease in interest expense of approximately $39 thousand (18.1%) resulting from a decrease in the line of credit – average daily balance of approximately $4.3 million (42.5%) and a decrease in interest expenses of approximately $30 thousand (100%) on a promissory note from a related mortgage fund.

The line of credit – average daily balance decreased approximately $4.3 million (42.5%) for the three months ended March 31, 2024 compared to the same period in 2023, but the average interest rate on the line of credit increased 0.8 percent (10.0%) over the same period, resulting in a decrease of approximately $69 thousand (35.6%) in interest expenses on the line of credit. See Key performance indicators table included above for details on the average interest rate on the line of credit.

*Provision (recovery)/allowance for credit losses*

There was an addition of $70 thousand to the provision for credit losses, no charge-offs to the provision for credit losses and no recoveries for the three months ended March 31, 2024.

*Operations expense*

Significant changes to operations expense for the three months ended March 31, 2024 compared to the same period in 2023 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 | | | | | | | | |
| March 31, 2024 | $ 173 | 50 | 134 | 436 | 2 | 137 | 6 | $ 938 |
| March 31, 2023 | 221 | 54 | 178 | 382 | 91 | 54 | 10 | 990 |
| Change | $ (48) | (4) | (44) | 54 | (89) | 83 | (4) | $ (52) |
| | | | | | | | | |
| Change | | | | | | | | |
| Decrease secured loans principal – average daily balance | (48) | — | — | — | — | — | — | (48) |
| Decrease limited partners' capital – average balance | — | (4) | (6) | — | — | — | — | (10) |
| Decrease in allocable expenses from the manager | — | — | (38) | — | — | — | — | (38) |
| Legal, audit and consulting | — | — | — | 35 | (89) | — | — | (54) |
| Timing of services rendered | — | — | — | 49 | — | — | — | 49 |
| REO foreclosure, net | — | — | — | — | — | 98 | — | 98 |
| REO holding costs | — | — | — | — | — | (15) | — | (15) |
| Dissolution activity | — | — | — | (30) | — | — | — | (30) |
| Other | — | — | — | — | — | — | (4) | (4) |
| Change | $ (48) | (4) | (44) | 54 | (89) | 83 | (4) | $ (52) |

*Mortgage servicing fees*

The decrease in mortgage servicing fees of approximately $48 thousand for the three months ended March 31, 2024 as compared to the same period in 2023, was due to a decrease in the secured loans principal – average daily balance to approximately $45.0 million from approximately $58.9 million. The decrease in the secured loans principal – average daily balance was primarily due to reduction in Line of Credit utilization in conjunction with the Plan of Dissolution. Mortgage servicing fees are expected to continue to decline through the wind-up period.

*Asset Management Fees*

For the management of the partnership's loan portfolio, the general partners are entitled to a monthly 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 March 31, 2024, as compared to the same period in 2023, was due to the decrease in limited partners' capital – average balance to approximately $52.4 million from $56.4 million. Asset management fees are expected to continue to decline through the wind-up period.

*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 decrease in costs from RMC of approximately $44 thousand for the three months ended March 31, 2024 as compared to the same period in 2023 was due to a decrease in allocable payroll and professional services and a reduction of the partnership's limited partners' capital as a percent of the total capital of the related mortgaged funds managed by RMC. Allocable costs are expected to continue to decline through the wind-up period.

*Professional services*

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

The increase in professional services of approximately $54 thousand for the three months ended March 31, 2024 compared to the same period in 2023 was due to timing differences of services rendered, an increase in legal, audit and consulting fees, offset partially by dissolution.

*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. 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. The expense related to the Dissolution Consent Solicitation decreased approximately $89 thousand for the three months ended March 31, 2024 compared to the same period in 2023.

*REO sales*

The REO balance was approximately $12.6 million and $5.9 million at March 31, 2024 and 2023, respectively. There were no REO acquisitions in the three months ended March 31, 2024 and 2023.

*REO holding costs*

The decrease in holding costs, net of other income when comparing the three months ended March 31, 2024 to the three months ended March 31, 2023 is due to an increase in month-to-month rents of approximately $50 thousand for the multi-family building acquired in 2023 in San Francisco County, partially offset by an increase in REO operating expenses of approximately $34 thousand for the multi-family building in San Francisco County.

**Cash flows and liquidity**

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.

Cash flows – business activity – are presented in the following table ($ in thousands).

| | Three Months Ended March 31 , | |
|---|---|---|
| | 2024 | 2023 |
| Limited partners' capital | | |
| Early withdrawal penalties | — | (39) |
| Distributions | — | (89) |
| Cash (used in) limited partners' capital | — | (128) |
| | | |
| Borrowings | | |
| Line of credit advances, net | (2,539) | — |
| Interest paid | (174) | (187) |
| Promissory note received from related party | — | — |
| Cash (used in) borrowings | (5,513) | (187) |
| | | |
| Loan earnings and payments | | |
| Interest received, net | 1,607 | 1,020 |
| Late fees and other loan income | — | 1 |
| Loans funded, net | — | (5,700) |
| Principal collected | 4,877 | 3,853 |
| Loans transferred to related mortgage fund | — | 3,956 |
| Advances received from (funded by) loans | 148 | (17) |
| Cash provided by loan production | 6,632 | 3,113 |
| | | |
| REO | | |
| Holding costs | (373) | (50) |
| Cash (used in) REO operations and sales | (373) | (50) |
| | | |
| Operations expense, excluding REO holding costs | (734) | (877) |
| | | |
| Net increase in cash | $ 12 | $ 1,871 |
| Cash, end of period | $ 409 | $ 2,834 |