
REDWOOD MORTGAGE INVESTORS IV, a California Limited Partnership

2015 Liquidation Update



REDWOOD

M O R T G A G E

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a California Limited Partnership

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REDWOOD MORTGAGE INVESTORS IV,
a California Limited Partnership
December 31, 2015

Net Assets Available for Liquidation

Cash in banks	\$ 370,516
Real estate owned (REO)	<u>346,233</u>
Net assets available for liquidation – partners’ capital	<u>\$ 716,749</u>

Changes in Partners’ Capital

	<u>Limited Partners</u>	<u>General Partners</u>	<u>Total</u>
Balances – December 31, 2014	\$ 1,867,269	\$ 3,472	\$ 1,870,741
Net income (loss)	(141,767)	(1,432)	(143,199)
Capital distributions	<u>(1,010,793)</u>	<u>—</u>	<u>(1,010,793)</u>
Balances – December 31, 2015	<u>\$ 714,709</u>	<u>\$ 2,040</u>	<u>\$ 716,749</u>

The accompanying notes are an integral part of this liquidation update

REDWOOD MORTGAGE INVESTORS IV,
a California Limited Partnership
For the Year Ended December 31, 2015

Liquidating Activities

Revenues		
Interest on loans	\$	28,439
Late Fees		657
Other income		150
Total revenues		<u>29,246</u>
Operating expenses		
Mortgage servicing fees		1,117
Asset management fees		5,798
Costs from Redwood Mortgage Corp.		13,930
Professional fees		6,260
REO – holding Costs		36,691
REO – impairment loss/(gain)		107,000
Other		1,649
Total operating expenses		<u>172,445</u>
Net income (loss)	\$	<u>(143,199)</u>

Cash Receipts and Disbursements

Receipts		
Loan principal and interest	\$	224,499
Loan assignment to affiliate		141,646
REO sales		248,429
Total receipts		<u>614,574</u>
Disbursements		
Operating expense		33,892
REO other, net		37,075
Distributions/ liquidations		1,010,793
Total disbursements		<u>1,081,760</u>
Net increase/(decrease) in cash	\$	<u>(467,186)</u>
Cash, beginning of period		<u>837,702</u>
Cash, end of period	\$	<u>370,516</u>

The accompanying notes are an integral part of this liquidation update.

REDWOOD MORTGAGE INVESTORS IV,
a California Limited Partnership
December 31, 2015

Notes to Liquidation Update

Note 1 – Organization and General

Redwood Mortgage Investors IV (RMI IV or the partnership), is a California Limited Partnership formed in 1985 to engage in business as a mortgage lender and investor by making and holding-for-investment mortgage loans secured by California real estate, primarily through first and second deeds of trust.

The company is externally managed. Redwood Mortgage Corp. (or RMC) and Michael R Burwell (Burwell), an individual, are general partners of the partnership. Gymno LLC was a general partner prior to its merger into RMC effective June 30, 2015. The mortgage loans the partnership funded and/or invested in were arranged and serviced by RMC.

The general partners are solely responsible for managing the business and affairs of the partnership, subject to the voting rights of the limited partners on specified matters. Any one of the general partners acting alone has the power and authority to act for and bind the partnership.

The rights, duties and powers of the general and limited partners of the partnership are governed by the limited partnership agreement and Sections 15900 et seq. of the California Corporations Code. Limited partners should refer to the company's limited partnership agreement for complete disclosure of its provisions.

A majority of the outstanding limited partnership interests may, without the permission of the general partners, vote to: (i) terminate the partnership, (ii) amend the limited partnership agreement, (iii) approve or disapprove the sale of all or substantially all of the assets of the partnership and (iv) remove or replace one or all of the general partners.

Profits and losses are allocated among the limited partners according to their respective capital accounts after 1% of the profits and losses are allocated to the general partners. Federal and state income taxes are the obligation of the partners, if and when income taxes apply, other than the annual California franchise tax paid by the partnership.

In February 2014, RMI IV received consent forms representing the majority of the limited partners approving the dissolution and liquidation of the partnership. The partnership was put into liquidation status and the wind-down of operations commenced, effective April 1, 2014. During the wind down process RMI IV will not fund new loans. The general partners estimate the wind-down will be completed by year-end 2016.

As of April 1, 2014 previously scheduled distributions and/or withdrawal payments were discontinued and all investor accounts were set to liquidation status. RMI IV is no longer accepting new withdrawal requests. Available cash from loan payoffs and asset sales is distributed to the limited partners proportionate to their percentage of ownership in the partnership. The amount available for distribution is on an "as available" basis. There is no guarantee distributions will be made each quarter. Account statements are mailed on a quarterly basis regardless of activity.

Note 2 – Summary of Significant Accounting Policies

Real estate owned (REO)

REO is recorded at the lower of cost or net realizable value (NRV). NRV is calculated as the fair value less estimated cost to dispose, which is considered to approximate liquidation value.

REO includes real estate acquired in full or partial settlement of loan obligations generally through foreclosure, and is recorded at acquisition at the lower of the recorded investment in the loan, plus any senior indebtedness, or at the property's net realizable value (NRV), which is the fair value less senior debt and estimated costs to dispose. The partnership's preferred method for determining the fair market value is the sale comparison method. Sales costs are estimated based on local market conventions.

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December 31, 2015

Notes to Liquidation Update

Note 3 – General Partners and Related Parties

The general partners are entitled to one percent of profits/(losses), in 2015, this amounted to \$(1,432).

The following fees are paid by the partnership to the general partners or RMC.

In 2015, Mortgage servicing fees of \$1,117, asset management fees of \$5,798 and operating expenses reimbursement of \$13,930 were paid to the general partners.

Note 4 – Loans

In 2015, of the two loans outstanding at December 31, 2014, with loan balances of approximately \$336,900 one was paid in full and one was assigned to an affiliate at carrying value which approximated fair value.

Note 5 – Real Estate Owned (REO)

Transactions and activity, including changes in the net realizable values, if any, are presented in the following table for 2015.

	<u>Amount</u>
Balance – December 31, 2014	\$ 701,278
Sales	(248,429)
Improvements	384
Impairment Loss	<u>(107,000)</u>
Balance - December 31, 2015	<u>\$ 346,233</u>

At December 31, 2015, RMI IV had an ownership interest (with affiliates) in one property located in Stanislaus County, of approximately 14 acres of land, zoned for commercial use. At December 31st 2015, the valuation reserve was increased by \$107,000.

In 2015, RMI IV sold its ownership interest in a tenant-in-common development project in San Francisco County for its carrying value which approximated fair value.

Note 6 – Comments and Contingencies, other than Loan and REO Commitments

Legal proceedings – RMI IV is not involved in any legal proceedings.

Commitments – There were no commitments.

Note 7 – Subsequent Events

The general partners have evaluated events through June 15, 2016, the date the liquidation update was available to be issued. There were no reportable events other than events disclosed in these notes to the liquidation update.