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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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Independent Auditor's Report

To the Partners and Manager
Redwood Mortgage Investors VIII, L.P.
San Mateo, California

Opinion

We have audited the consolidated financial statements of Redwood Mortgage Investors VIII, L.P. and its subsidiaries (a California Limited Partnership) (the "Partnership"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, changes in partners' capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

BDO USA, P.C.

San Francisco, California
April 29, 2024

REDWOOD MORTGAGE INVESTORS VIII, L.P.
(A California Limited Partnership)
Consolidated Balance Sheets
December 31, 2023 and 2022
($ in thousands)

	December 31, 2023	December 31, 2022
ASSETS		
Cash, in banks	$ 397	$ 963
Loans		
Principal	47,635	60,088
Advances	174	59
Accrued interest	1,515	570
Prepaid interest	(15)	(496)
Loan balances secured by deeds of trust	49,309	60,221
Allowance for credit losses	(160)	(55)
Loan balances secured by deeds of trust, net	49,149	60,166
Receivable from related mortgage fund (Note 3)	18	68
Real estate owned (REO), net	12,732	5,911
Debt issuance costs, net	7	36
Other assets	81	49
Total assets	$ 62,384	$ 67,193
LIABILITIES AND PARTNERS' CAPITAL		
Accounts payable	$ 437	$ 284
Payable to manager (Note 3)	50	154
Accrued liabilities	1,339	1,103
Line of credit	7,110	10,000
Promissory note to related mortgage fund (Note 3)	2,800	—
Mortgage payable	1,312	1,347
Total liabilities	13,048	12,888
Commitments and Contingencies (Note 8)		
Partners’ capital		
Limited partners’ capital	52,646	57,616
General partners’ deficit	(608)	(609)
Total partners’ capital	52,038	57,007
Receivable from manager (formation loan)	(2,702)	(2,702)
Partners’ capital, net of formation loan	49,336	54,305
Total liabilities and partners’ capital	$ 62,384	$ 67,193

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

REDWOOD MORTGAGE INVESTORS VIII, L.P.
(A California Limited Partnership)
Consolidated Statements of Income
For the Years Ended December 31, 2023 and 2022
($ in thousands)

	2023	2022
Revenue		
Interest income	$ 4,823	$ 5,045
Interest expense		
Line of credit	(909)	(522)
Mortgages payable	(55)	(52)
Total interest expense	(964)	(574)
Net interest income	3,859	4,471
Late fees	31	75
Gain on sale, loans	—	122
Total revenue, net	3,890	4,668
Provision for credit losses	40	—
Operations expense		
Mortgage servicing fees to Redwood Mortgage Corp.	853	1,004
Asset management fees to Redwood Mortgage Corp.	206	242
Costs from Redwood Mortgage Corp.	641	707
Professional services	1,293	1,138
Dissolution Consent Solicitation	558	—
REO, net (Note 5)	244	(113)
Other	30	33
Total operations expense	3,825	3,011
Net income	$ 25	$ 1,657
Net income		
Limited partners (99%)	$ 25	$ 1,640
General partners (1%)	—	17
	$ 25	$ 1,657

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

REDWOOD MORTGAGE INVESTORS VIII, L.P.
(A California Limited Partnership)
Consolidated Statements of Changes in Partners' Capital
For the Years Ended December 31, 2023 and 2022
($ in thousands)

	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	25	—	25
Distributions	(363)	—	(363)
Withdrawals	(4,799)	—	(4,799)
Balance, December 31, 2023	$ 52,646	$ (608)	$ 52,038

	Limited Partners' Capital	General Partners' Capital (Deficit)	Total Partners' Capital
Balance, December 31, 2021	$ 69,555	$ (626)	$ 68,929
Net income	1,640	17	1,657
Distributions	(1,137)	—	(1,137)
Withdrawals	(12,442)	—	(12,442)
Balance, December 31, 2022	$ 57,616	$ (609)	$ 57,007

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

REDWOOD MORTGAGE INVESTORS VIII, L.P.
(A California Limited Partnership)
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022
($ in thousands)

	2023	2022
Operating activities		
Interest income received	$ 3,214	$ 5,393
Interest expense	(957)	(568)
Late fees and other loan income	31	100
Operations expense	(3,593)	(3,191)
Total cash (used in) provided by operating activities	(1,305)	1,734
Investing activities		
Loans		
Loans funded	(5,700)	(48,419)
Principal collected	7,897	30,877
Loans transferred to related mortgage fund	3,956	3,284
Proceeds from loans sold to non-affiliate, net	—	9,893
Advances (funded) collected	(125)	57
Total – Loans	6,028	(4,308)
REO – sales proceeds, net	(1)	2,716
Total cash provided by (used in) investing activities	6,027	(1,592)
Financing activities		
Partners' capital		
Partner withdrawals, net of early withdrawal penalties	(4,750)	(12,316)
Early withdrawal penalties	(49)	(126)
Partner distributions	(363)	(1,137)
Cash distributions to partners	(5,162)	(13,579)
Line of credit		
Advances	—	11,000
Repayments	(2,890)	(1,000)
Debt issuance costs	—	(57)
Cash (used in) provided by line of credit	(2,890)	9,943
Promissory note received from related mortgage fund	3,300	1,000
Promissory note repaid to related mortgage fund	(500)	(1,000)
Mortgages repayment	(36)	(105)
RMC payments – formation loan	—	659
Total cash used in financing activities	(5,288)	(3,082)
Net (decrease) in cash	(566)	(2,940)
Cash, beginning of year	963	3,903
Cash, end of year	$ 397	$ 963

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

REDWOOD MORTGAGE INVESTORS VIII, L.P.
(A California Limited Partnership)
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022
($ in thousands)

Reconciliation of net income to net cash provided by operating activities:

	2023	2022
Cash flows from operating activities		
Net income	$ 25	$ 1,657
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Gain on sale, loans	—	(122)
Provision for credit losses	40	—
Amortization of debt issuance costs	29	34
REO – (gain) on disposal	—	(108)
REO – (gain) on acquisition by deed in lieu	(57)	—
REO – decrease (increase) in valuation allowance	50	(261)
Change in operating assets and liabilities		
Loan payments in trust	—	25
Accrued interest	(1,127)	(149)
Prepaid interest	(481)	496
Receivable from related party	50	(68)
Other assets	6	38
Accounts payable and accrued liabilities	264	85
Payable to related party	(104)	107
Total cash (used in) provided by operating activities	$ (1,305)	$ 1,734
Supplemental disclosures of cash flow information – REO		
Non-cash investing activities		
Real estate (REO) acquired by deed in lieu of foreclosure	$ 6,871	$ —
Property taxes (payable), and other liabilities, net assumed at possession	(87)	—
REO acquired, net of payables and other liabilities assumed at possession	(6,784)	—

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

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 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.

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.

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.

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 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 loans with payments in arrears 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.

Distribution 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 55% at December 31, 2022.

Capital 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.

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, if any. 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 collateral), and the valuation of real estate owned at acquisition and subsequently. 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 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.

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.

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. Interest is accrued daily, on principal and advances, if any.

The partnership may fund a specific loan 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 would be first applied to any accrued but unpaid interest and then as a reduction to the principal.

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's bank account as collected, which can range from same day for wire transfers and to two weeks after deposit for checks.

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.)

Loans with a payment in arrears (i.e., are non-performing) continue to recognize interest income as long as the loan is in the process of collection with the borrower and the loan balance (i.e., the sum of the unpaid principal, advances and accrued interest) is considered to be well-secured. Loans are placed on non-accrual status if management determines that the 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 balance 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) and the borrower has payments in arrears. 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; 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 and the loan balance is considered well collateralized.

Note: In periods prior to January 1, 2023, loans with a payment in arrears 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. (See *Allowance for Credit Losses* below.)

The partnership charges off uncollectible loans and related receivables directly to the allowance for credit losses once it is determined the full amount is not collectible. Any amounts collected after a charge off is deemed a recovery.

Under the Plan of Dissolution, 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 to be held-for-sale have been identified. Loans classified as held-for-sale are carried at the lower of amortized cost or fair value.

Allowance for credit losses

Loan balances are analyzed on a periodic basis for ultimate recoverability. In conjunction therewith, collateral fair values re-assessed periodically and the protective equity for each loan is determined. 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 (the loan balance, net of foregone interest for loans in non-accrual status) is reduced to the lower of the loan balance or the net realizable value of the related collateral, net of any senior liens.

As of January 1, 2023, the partnership adopted Accounting Standards Codification 326, Financial Instruments – Credit Losses (ASC 326) 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.

ASC 326 states that an entity ought to measure expected credit losses of loans on a collective (pool) basis when similar risk characteristic(s) exist. If an entity determines that a financial asset does not share risk characteristics with other loans, the entity ought to evaluate the loan for expected credit losses on an individual basis. When determining risk characteristics to include in its pooling assessment, the partnership has determined the following are most determinant.

- Loan to value ("LTV"): The ratio of the outstanding loan balance to the fair value of the underlying collateral, and thereby the amount of protective equity of the partnership's loans, is the most determinant attribute at inception of the loan and ongoing in estimating incurred and lifetime expected credit losses. Further to reducing the risk of loss, the partnership's loans are predominantly first mortgages, but second lien deeds of trust are not infrequent nor insignificant.

- Term: The duration (or expected term) of loan is a determinant attribute as the duration of the partnership's loans are less than those of other conventional commercial real estate lenders (e.g., institutions, such as banks, insurance companies, private equity firms), typically in the range of one to three years. The expected duration of the loans (and thereby the forecast period) is shortened further as the loans are written without a prepayment penalty.

- Geographical location: The partnership's loans are secured by real estate in coastal California metropolitan areas, typically in the Bay Area (including Silicon Valley) but also elsewhere in northern and southern California.

ASC 326-20-30-3 does not require reporting entities to use a specific method to calculate the allowance for credit losses, instead, various methods can be used, including discounted cash flow (DCF), loss-rate, and probability-of-default/loss given default, among others. Of these, the probability-of-default/loss given default is most determinant for the partnership given the low LTVs at origination, the predominance of first lien loans and the relatively short duration of the loans. When a reporting entity, such as the partnership uses a measurement technique other than a DCF approach, the allowance ought to reflect the expected credit losses of the amortized cost basis. Therefore, non-DCF methods ought to incorporate the impact of accrued interest (but not future interest /payments that have not yet been accrued) and advances, if any, into the estimate of expected credit losses. No prepayment assumption is factored into the partnership's estimate of credit losses as it is not a significant determinant of the amount of reserve.

Given the limited number of loans and the short terms for which the loans are written (and the potentially even shorter duration given that the loans are written without a prepayment penalty), at each reporting date the partnership performs a risk analysis as to real estate market conditions in the California areas in which loan collateral is located and performs a loan-by-loan analysis to determine the current fair value of the real property collateral and the remaining time to maturity. The results are accumulated and the LTVs in forward periods are forecasted – by lien position – for those loans expected (on a contractual maturity basis) to be then outstanding. No expected extensions, renewals, or modifications are factored in as the partnership's loans do not contain renewal options that can be unconditionally exercised by the borrowers. This methodology/analysis determines if there is any future period in the lifetime of the loan in which a real estate market decline in values is expected to occur that would be sufficient to put at risk the full collection of amounts owed, including accrued interest and advances, if any secured by the deeds of trust. In arriving at the determination, the manager consulted a range of banking/industry and academic studies and forecasts.

If foreclosure (or negotiation of a deed in lieu of foreclosure) is concluded to be probable, the loan is considered to be collateral-dependent and the partnership uses the practical expedient to reduce its recorded investment in the loan to the net realizable value of the real estate and other assets to be acquired, net of the liabilities to be assumed. The determination of whether a loan is determined to be collateral-dependent requires judgment and considers both the current LTV and the financial condition of the borrower, which is monitored by the manager.

Prior to the adoption of ASC 326 (the CECL model), the partnership followed the incurred loss model for recognition of credit losses. Loans and the related accrued interest and advances (i.e., the loan balance) were analyzed on a periodic basis for ultimate recoverability. Collateral fair values were reviewed quarterly and the protective equity for each loan was computed. If based upon current information and events, it was deemed probable the partnership will be unable to collect all amounts due according to the contractual terms of the loan agreement, then a loan would be designated as impaired. An insignificant delay or insignificant shortfall in the amount of payments did not constitute non-performance with the contractual terms of the original loan agreement if the manager expected to collect the amounts due including interest accrued at the contractual interest rate for the period of delay. In determining the probability that the borrower would not substantially perform according to the terms of the original loan agreement, the manager considered the following:

- payment status – if payments were in arrears 90+ days (typically 3 payments past due) loans were designated impaired unless resolution of the delinquency was forthcoming without significant delay;
- bankruptcy – if the borrower filed bankruptcy, the loan was designated impaired;
- notice of sale – if the partnership filed a notice of sale, the loan was designated impaired.

Payments on loans designated impaired were applied to late fees, then to the accrued interest, then to advances, and lastly to principal.

For loans that were deemed to be collateral dependent for repayment, a provision for loan losses was recorded to adjust the allowance for loan losses (principal and/or recorded interest) in an amount such that the net carrying amount (unpaid principal less the specific allowance) was reduced to the lower of the loan balance or the estimated fair value of the related collateral, net of any costs to sell and net of any senior debt and claims.

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

The partnership charged off uncollectible loans directly to the allowance account once it was determined the full amount was not collectible. Any amounts collected after a charge off were deemed a recovery of loan losses. If the loan went to foreclosure, an updated appraisal was ordered and the recorded investment in the loan was adjusted to the net realizable value of the REO to be acquired. The adjustment was made to a specific reserve in the allowance for loan losses by a charge or a credit to the provision for loan losses.

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.

Accrued liabilities

Accrued liabilities at December 31, 2023 and 2022 were approximately $1.3 million and $1.1 million, respectively, the significant components of which are accrued professional and consulting fees (approximately $1.2 million and $993 thousand, respectively), accrued REO property taxes and mortgage interest expense (approximately $0 and $13 thousand, respectively) and accrued interest on the line of credit (approximately $53 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.

Accounting Pronouncements Recently Adopted

As of January 1, 2023, the partnership adopted Accounting Standards Codification 326, Financial Instruments – Credit Losses. See Allowance for Credit Losses above and Note 4 (Loan) for details of implementation.

As of January 1, 2023, the partnership adopted Accounting Standards Update ("ASU") 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02"). This ASU eliminates the accounting guidance for troubled debt restructurings by creditors while adding disclosures for certain loan restructurings by creditors when a borrower is experiencing financial difficulty. This guidance requires an entity to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the ASU requires disclosure of current period gross write-offs by year of origination for financing receivables. The adoption of this ASU did not have a material impact on the partnership's financial results and accompanying disclosures, as there were no modifications to borrowers experiencing financial difficulty. Prior to the adoption of ASU 2022-02, 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.

Recent accounting pronouncements not yet adopted

None at December 31, 2023 are applicable to the partnership.

NOTE 3 –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 was outstanding at December 31, 2023.

Formation loan transactions are presented in the following table ($ in thousands).

	2023	2022
Balance, January 1	$ 2,702	$ 3,361
Payments received from RMC	—	(659)
Balance, December 31	$ 2,702	$ 2,702

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.

Limited partners capital – withdrawals

The table below sets forth withdrawals of limited partners' capital ($ in thousands).

Withdrawals	2023	2022
Without penalty	$ 4,310	$ 11,192
With penalty	489	1,250
Total	$ 4,799	$ 12,442
Scheduled, at December 31,	N/A	$ 13,870
Percentage of scheduled withdrawals in end of period capital	0.0%	24.1%

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 distributions in accordance with the distribution provisions set forth in the Plan.

Prior to the Dissolution Date: The partnership agreement provided that limited partners could withdraw all or a portion of their capital accounts in twenty 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 a limited partner's heirs upon a limited partner's death.

The partnership has 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. The general partner was under no obligation to sell loans from the portfolio to honor withdrawal requests, and the program could have been restricted or suspended at any time. Cash flow is considered to be available only after all current partnership expenses had been paid (including compensation to the general partners and related mortgage funds) and adequate provision had been made for the payment of all periodic cash distributions on a pro rata basis which must be paid to limited partners who elected to receive such distributions upon subscription for units.

As provided in the Limited Partnership Agreement, no more than twenty percent (20%) of the total limited partners' capital account balances at the beginning of any year may be liquidated during any calendar year.

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 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.

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.

- *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 market value.

In 2023, RMI VIII transferred to related mortgage funds five performing 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 2023.

In 2022, RMI VIII transferred to a related mortgage fund four performing loans with aggregate principal of approximately $3.3 million at par value, which approximates fair value. The related mortgage fund paid cash for the loans and RMI VIII has no continuing involvement with the loans. No loans were transferred from related mortgage funds in 2022.

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

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 which were expected to be paid off by October 1, 2023, and subsequently was extended to December 29, 2023. 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 balance at December 31, 2023 of $2.8 million plus accrued interest (2023 expense $135 thousand; 2024 $30 thousand) was paid in full in February, 2024.

NOTE 4 – LOANS

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 between related mortgage funds 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 94% of the portfolio at December 31, 2023 (93% at December 31, 2022).

Secured loans unpaid principal balance (principal)

Secured loan transactions are summarized in the following table ($ in thousands).

	2023			2022		
	Total	First Trust Deeds	Second Trust Deeds	Total	First Trust Deeds	Second Trust Deeds
Principal, beginning of year	$ 60,088	$ 55,803	$ 4,285	$ 55,099	$ 45,992	$ 9,107
Loans funded	5,700	4,200	1,500	48,419	44,464	3,955
Principal collected[(1)]	(7,897)	(6,789)	(1,108)	(30,412)	(22,631)	(7,781)
Loans transferred to related mortgage fund	(3,956)	(2,024)	(1,932)	(3,284)	(2,288)	(996)
Loan to REO acquired by deed in lieu	(6,300)	(6,300)	—	—	—	—
Loans sold to non-affiliate	—	—	—	(9,734)	(9,734)	—
Principal, end of year	$ 47,635	$ 44,890	$ 2,745	$ 60,088	$ 55,803	$ 4,285

(1) Principal collected in 2022 includes principal collected and held in trust of $0 at December 31, 2022 offset by principal collected and held in trust of approximately $465 thousand at December 31, 2021 which was disbursed to the partnership in January 2022.

During 2023 and 2022, the partnership renewed four and nine loans with aggregate principal of approximately $6.5 million and $32.0 million, respectively, which are not included in the activity shown in the above table. The loans have an average extension period of approximately 12 months and nine months during 2023 and 2022, respectively, and were current and deemed well collateralized (i.e., the current LTV for the collateral was within lending guidelines as discussed in Note 2 to these financial statements). Interest rates charged to borrowers may be adjusted in conjunction with loan extensions to reflect current market conditions.

On December 30, 2023, the partnership acquired by deed in lieu of foreclosure the property that collateralized a secured loan with a loan balance of approximately $6.7 million (principal of $6.3 million and approximately $427 thousand of accrued interest and advances).

In 2022, four loans with principal of approximately $9.7 million were sold to unaffiliated third-parties. After commissions and transaction costs to third parties the partnership recognized a gain of approximately $122 thousand (approximately 1.25% of $9.7 million). No loans were sold to unaffiliated third-parties in 2023.

As of December 31, 2023, there were no construction or rehabilitation loans outstanding.

Loan characteristics

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

	December 31, 2023	December 31, 2022
Number of secured loans	12	21
First trust deeds	10	18
Second trust deeds	2	3
Secured loans – principal	$ 47,635	$ 60,088
First trust deeds	$ 44,890	$ 55,803
Second trust deeds	$ 2,745	$ 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	$ 3,970	$ 2,861
Average principal as percent of total principal	8.3%	4.8%
Average principal as percent of partners' capital, net of formation loan	8.0%	5.3%
Average principal as percent of total assets	6.4%	4.3%
Largest secured loan – principal	$ 9,000	$ 9,000
Largest principal as percent of total principal	18.9%	15.0%
Largest principal as percent of partners' capital, net of formation loan	18.2%	16.6%
Largest principal as percent of total assets	14.4%	13.4%
Smallest secured loan – principal	$ 880	$ 437
Smallest principal as percent of total principal	1.8%	0.7%
Smallest principal as percent of partners' capital, net of formation loan	1.8%	0.8%
Smallest principal as percent of total assets	1.4%	0.7%
Number of California counties where security is located	7	10
Largest percentage of principal in one California county	27.7%	30.7%

As of December 31, 2023, eight loans with principal of approximately $34.0 million provide for monthly payments of interest only, with the principal due at maturity, and four loans with principal of approximately $13.6 million (representing approximately 29% 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 December 31, 2023, there were two loans in second lien position. The aggregate principal of these loans was approximately $2.7 million as of December 31, 2023 and the weighted average LTV at loan closing was 61.1%. Both loans were performing as of December 31, 2023.

As of December 31, 2023, there were three loans with principal in excess of 10% of the total outstanding principal. The aggregate principal of these loans was approximately $25.8 million as of December 31, 2023 and the weighted average LTV at loan closing is 49.2%. The loans were in first lien position.

- The partnership's largest loan, with principal of approximately $9.0 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 building is comprised of office condominiums, the marketing and sale of which commenced in the first quarter of 2024. To March 31, 2024, in accordance with the terms of the note, approximately $1.1 million of proceeds from unit sales was received from the borrower. These principal paydowns from unit sales proceeds are in addition to the scheduled monthly payments of interest.
- The second loan, with principal of approximately $8.8 million (LTV 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 third loan, with principal of approximately $8.0 million (LTV 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.

Lien position/LTV at origination

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

	December 31, 2023			December 31, 2022		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	10	$ 44,890	94%	18	$ 55,803	93%
Second trust deeds	2	2,745	6	3	4,285	7
Total principal, secured loans	12	47,635	100%	21	60,088	100%
Liens due other lenders at loan closing		9,412			8,956	
Total debt		$ 57,047			$ 69,044	
Appraised property value at loan closing		$ 118,610			$ 138,924	
LTV (weighted average) at loan closing		52.6%			55.4%	

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.

The LTVs shown in this table use the appraisals at origination of the loans.

	Secured loans, principal							
LTV(2)	First trust deeds	Percent	Count	Second trust deeds	Percent	Count	Total principal	Percent
<40%	$ 12,965	27.2%	2	$ —	0.0%	0	$ 12,965	27.2%
40-49%	—	0.0	—	—	0.0	—	—	0.0
50-59%	4,430	9.3	2	1,500	3.2	1	5,930	12.5
60-69%	18,240	38.3	3	1,245	2.6	1	19,485	40.9
Subtotal <70%	35,635	74.8	7	2,745	5.8	2	38,380	80.6
70-79%	7,150	15.0	2	—	0.0	—	7,150	15.0
Subtotal <80%	42,785	89.8	9	2,745	5.8	2	45,530	95.6
≥80%(3)	2,105	4.4	1	—	0.0	—	2,105	4.4
Total	$ 44,890	94.2%	10	$ 2,745	5.8%	2	$ 47,635	100.0%

(2) LTV classifications in the table above are based on principal, advances and interest unpaid at December 31, 2023.
(3) 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 $40 thousand at December 31, 2023. A foreclosure of the property securing the loan is in process.

Property type

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

	December 31, 2023			December 31, 2022		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family[4]	2	$ 3,350	7%	4	$ 5,874	10%
Multi-family	1	1,250	3	3	8,326	14
Commercial						
Office	2	10,500	22	3	12,699	21
Retail	1	880	1	4	4,358	7
Industrial	1	4,200	9	—	—	0
Commercial – Other	5	27,455	58	5	27,530	46
Commercial Total	9	43,035	90	12	44,587	74
Land	—	—	—	2	1,301	2
Total principal, secured loans	12	$ 47,635	100%	21	$ 60,088	100%

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

	December 31, 2023		December 31, 2022	
	Principal	Percent	Principal	Percent
San Francisco Bay Area[5]				
San Francisco	$ 11,345	23.8%	$ 18,425	30.7%
San Mateo	—	0.0	2,519	4.2
Santa Clara	12,195	25.6	12,266	20.4
Solano	3,550	7.5	3,550	5.9
Marin	1,500	3.1	1,099	1.8
Alameda	1,245	2.6	1,687	2.8
	29,835	62.6	39,546	65.8
Other Northern California				
Stanislaus	—	0.0	1,301	2.2
Northern California Total	29,835	62.6	40,847	68.0
Southern California Coastal				
Los Angeles	4,600	9.7	5,597	9.3
Orange	13,200	27.7	11,600	19.3
Santa Barbara	—	0.0	2,044	3.4
Southern California Total	17,800	37.4	19,241	32.0
Total principal, secured loans	$ 47,635	100.0%	$ 60,088	100.0%

(5) Includes Silicon Valley

Scheduled maturities/Secured loans-principal

Secured loans scheduled to mature in periods as of and after December 31, 2023 are presented in the following table ($ in thousands).

				First Trust Deeds		Second Trust Deeds	
	Loans	Principal	Percent	Loans	Principal	Loans	Principal
2024	4	10,380	22%	3	8,880	1	1,500
2025	2	9,880	21	2	9,880	—	—
2026	1	1,245	3	—	—	1	1,245
2027	2	12,315	25	2	12,315	—	—
Total scheduled maturities	9	33,820	71	7	31,075	2	2,745
Matured(6)	3	13,815	29	3	13,815	—	—
Total principal, secured loans	12	$ 47,635	100%	10	$ 44,890	2	2,745

(6) See Delinquency/Secured loans with payments in arrears below for more 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 December 31, 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 (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).

	December 31, 2023		December 31, 2022	
	Loans	Principal	Loans	Principal
Current	8	$ 32,940	18	$ 54,359
Past Due				
30-89 days	1	880	—	—
90-179 days	—	—	2	2,009
180 or more days	3	13,815	1	3,720
Total past due	4	14,695	3	5,729
Total principal, secured loans	12	$ 47,635	21	$ 60,088

At December 31, 2023 and December 31, 2022, there were no loan forbearance agreements in effect. The four loans past due at December 31, 2023 were in first lien position and had principal payments in arrears of approximately $13.8 million.

Delinquency/Secured loans with payments in arrears

Secured loans with payments in arrears (four loans), principal by LTV and lien position at December 31, 2023 are presented in the following table ($ in thousands). The LTVs shown in this table use the appraisals at origination of the loans.

	Secured loans with payments in arrears, principal					
LTV[7]	**First trust deeds**	**Percent[8]**	**Second trust deeds**	**Percent[8]**	**Total Principal**	**Percent[8]**
<40%	$ —	0.0%	$ —	0.0%	$ —	0.0%
40-49%	—	0.0	—	0.0	—	0.0
50-59%	880	1.8	—	0.0	880	1.8
60-69%	7,990	16.8	—	0.0	7,990	16.8
Subtotal <70%	8,870	18.6	—	0.0	8,870	18.6
70-79%	3,720	7.8	—	0.0	3,720	7.8
Subtotal <80%	12,590	26.4	—	0.0	12,590	26.4
≥80%[9]	2,105	4.4	—	0.0	2,105	4.4
Total[10]	$ 14,695	30.8%	$ —	0.0%	$ 14,695	30.8%

(7) LTV classifications in the table above are based on principal, advances and interest unpaid at December 31, 2023.
(8) Percent of total principal, secured loans (totaling $47.6 million) at December 31, 2023.
(9) 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 $40 thousand at December 31, 2023. A foreclosure of the property securing the loan is in process.
(10) At December 31, 2023, $13.8 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 December 31, 2023, are presented in the following tables ($ in thousands).

	Loans		Principal		Interest[11]		
At December 31, 2023	**Past maturity**	**Monthly payments**	**Past maturity**	**Monthly payments**	**Past maturity**	**Monthly payments**	**Total payments in arrears**
Past due							
30-89 days (1-3 payments)	—	1	$ —	$ —	$ —	$ 7	$ 7
90-179 days (4-6 payments)	—	—	—	—	—	—	—
180 or more days (more than 6 payments)	3	—	13,815	—	1,389	—	15,204
Total past due	3	1	$ 13,815	$ —	$ 1,389	$ 7	$ 15,211

(11) Interest for December 2023 is due January 1, 2024 and is not included in payments in arrears at December 31, 2023.

As to the three matured loans with $13.8 million of principal at December 31, 2023,

- a loan with $3.7 million of principal paid in full in February 2024.
- a loan with $2.1 million of principal matured on July 1, 2023, has an allowance for loan losses (for interest owed) of $40 thousand and foregone interest of approximately $93 thousand. The collateral (a condominium unit is San Francisco) was acquired by the Partnership via 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 LTV and lien position at December 31, 2023 are presented in the following table ($ in thousands). The LTVs shown in this table use the appraisals at origination of the loans.

	Secured loans past maturity, principal					
LTV(12)	**First trust deeds**	**Percent(13)**	**Second trust deeds**	**Percent(13)**	**Total principal**	**Percent(13)**
<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	16.8	—	0.0	7,990	16.8
Subtotal <70%	7,990	16.8	—	0.0	7,990	16.8
70-79%	3,720	7.8	—	0.0	3,720	7.8
Subtotal <80%	11,710	24.6	—	0.0	11,710	24.6
≥80%	2,105	4.4	—	0.0	2,105	4.4
Total	$ 13,815	29.0%	$ —	0.0%	$ 13,815	29.0%

(12) LTV classifications in the table above are based on principal, advances and interest unpaid at December 31, 2023.
(13) Percent of total principal, secured loans (totaling $47.6 million) at December 31, 2023.

Non-accrual status/Secured loans

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

	December 31, 2023	December 31, 2022
Number of loans	2	1
Principal	$ 10,095	$ 3,720
Advances	6	60
Accrued interest(14)	365	233
Total recorded investment	$ 10,466	$ 4,013
Foregone interest	$ 265	$ 233

(14) 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 $623 thousand and $167 thousand was recognized for loans in non-accrual status in 2023 and 2022, respectively.

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.

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 2023 and 2022 are presented in the following table ($ in thousands).

	2023			2022		
	Principal and Advances	Interest	Total	Principal and Advances	Interest	Total
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	—	40	40	—	—	—
Charge-offs	—	—	—	—	—	—
Balance, December 31	$ 60	$ 100	$ 160	$ 30	$ 25	$ 55

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

In conjunction with the adoption of ASC 326 (CECL) as of January 1, 2023, 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 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. 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. The analysis is updated quarterly with any change to the expected credit losses recognized in the period.

In periods prior to the adoption of ASC 326 (CECL), the partnership followed the incurred loss model for recognition of credit losses. Generally, the partnership has not recorded an allowance for loan losses as all loans were deemed to have protective equity sufficient that collection was deemed probable for all recorded amounts due on the loan. From time to time, the manager would deem it in the best interest of the partnership to agree to concessions to borrowers to facilitate a sale of collateral or refinance transactions primarily for secured loans in second lien position. Accordingly, an allowance for loan losses of principal and interest had been recorded totaling approximately $55 thousand to cover incurred, but not known, eventualities that occurred 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.

Secured loans count, principal and weighted average LTV at December 31, 2023 and the projected year-end count, principal and weighted average LTV based on contractual maturities (by lien position) are presented in the following table ($ in thousands).

				First Trust Deeds			Second Trust Deeds		
	Loans	Principal	LTV	Loans	Principal	LTV	Loans	Principal	LTV
December 31, 2023	12	$ 47,635	52.6%	10	$ 44,890	52.1%	2	$ 2,745	61.1%
December 31,									
2024	5	23,440	47.4	4	22,195	46.3	1	1,245	65.9
2025	3	13,560	38.0	2	12,315	35.1	1	1,245	65.9
2026	2	12,315	35.1	2	12,315	35.1	—	—	0.0
2027	—	—	0.0	—	—	0.0	—	—	0.0

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 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.

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

REO transactions and valuation adjustments for 2023 and 2022 are summarized in the following tables ($ in thousands).

	2023		
	REO	Valuation Allowance	REO, net
Balance, beginning of period	$ 5,911	$ —	$ 5,911
Acquisitions from foreclosure	6,871	—	6,871
Valuation allowance adjustment	—	(50)	(50)
Balance, December 31, 2023	$ 12,782	$ (50)	$ 12,732

	2022		
	REO	Valuation Allowance	REO, net
Balance, beginning of period	$ 10,458	$ (2,200)	$ 8,258
Valuation allowance adjustment	—	261	261
Dispositions	(4,547)	1,939	(2,608)
Balance, December 31, 2022	$ 5,911	$ —	$ 5,911

REO at December 31, 2023 was comprised of three properties with a carrying value of approximately $12.7 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 December 31, 2023, principal was approximately $1.3 million. Monthly payments are approximately $8 thousand, and as of December 31, 2023, were paid through September 2023. Accounts payable at December 31, 2023, includes $86 thousand for negative escrow and unpaid late charges.

The multi-family building in San Francisco was acquired (and possession was taken) on December 30, 2023, by a deed in lieu of foreclosure and a corresponding transfer agreement. The building's net realizable value was determined based on the present value of expected cash flows, including sales proceeds (net), conversion cost (to tenants-in-common), repair and upgrade costs and operating costs (net of rental income), discounted at a market rate of return. Cash acquired approximated $38 thousand; the liabilities assumed were delinquent property taxes of approximately $93 thousand, security deposits approximating $12 thousand and accounts payable approximating $20 thousand. A gain of approximately $57 thousand was recorded at possession, as the net realizable value plus the cash acquired minus the liabilities assumed exceeded the loan balance.

The following transactions occurred in 2022.

- The partnership sold – in Stanislaus County, 14 acres of undeveloped land in 2 separate transactions – approximately 9 acres in July 2022, and approximately 5 acres in September 2022 for approximately $2.6 million. The net combined sales proceeds approximated the adjusted carrying value after an adjustment to reduce the valuation allowance by approximately $261 thousand and after fees paid to RMC associated with management of the properties and arranging the sales of approximately $73 thousand, which is included in the Consolidated Statements of Income as a mortgage servicing fee. For the first sale, RMI VIII provided a $664 thousand first mortgage at market terms and an LTV of 40% and for the second sale, RMI VIII provided a $637 thousand first mortgage at market terms and an LTV of 65%. Management believes these terms are reasonable and customary and the borrower has the intent and ability to pay the contracted price.
- The partnership sold - in San Francisco County, 1 residential unit in a condominium complex for approximately $240 thousand, resulting in a gain of approximately $108 thousand.

REO, net

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

	2023	2022
Holding costs, net of other income	$ (251)	$ (256)
Gain on sales	—	108
Gain on acquisition by deed in lieu	57	—
Valuation adjustments	(50)	261
REO, net	$ (244)	$ 113

Holding costs, net of other income includes month-to-month rents received of approximately $33 thousand in 2023 and 2022 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

The fair value of the partnership's secured loan balances is deemed to approximate the amortized cost.

- Terms to maturity are typically one to five years at origination and are shorter than commercial real estate loans by conventional/ institutional lenders and conventional single-family home mortgage lenders;
- Loans are written without a prepayment penalty causing uncertainty/a lack of predictability as to the expected duration; and
- Interest rates are at a premium to rates charged by conventional lenders.

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.

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

Activity involving the line of credit described below during the years ended December 31 is presented in the following table ($ in thousands).

	2023	2022
Balance, January 1	$ 10,000	$ —
Draws	—	11,000
Repayments	(2,890)	(1,000)
Balance, December 31,	$ 7,110	$ 10,000
Line of credit - average daily balance	$ 8,914	$ 8,454

At December 31, 2023 and 2022, aggregate principal of loans outstanding under the line of credit provided by Western Alliance Bank ("WAB") was approximately $18.1 million and $23.2 million, respectively. Amortized debt issuance costs included in interest expense approximated $29 thousand and $34 thousand for 2023 and 2022, respectively. Debt issuance costs of approximately $57 thousand from the modification agreement were amortized over the two-year term.

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).

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

Commitments

Note 3 (General Partners and Other Related Parties) presents detailed discussion of the partnership's contractual obligations to RMC and detail of scheduled withdrawals of limited partners' capital at December 31, 2023.

Legal proceedings

As of December 31, 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 as discussed below and no such legal proceedings were terminated during the fourth quarter of 2023.

In the normal course of its business, the partnership may become involved in legal proceedings (such as bankruptcy proceedings, judicial foreclosures, appointment of receivers, assignment of rents, unlawful detainers, 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 net income or balance sheet of the partnership.

NOTE 9 – SUBSEQUENT EVENTS

The partnership evaluated subsequent events that have occurred after December 31, 2023 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.