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

**QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2024**

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

**Consolidated Balance Sheets**  
**June 30, 2024 and December 31, 2023 (unaudited)**  
(\$ in thousands)

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
<b><u>ASSETS</u></b>		
Cash, in banks	\$ 1,951	\$ 397
Loans		
Principal	38,609	47,635
Advances	24	174
Accrued interest	570	1,515
Prepaid interest	—	(15)
Loan balances secured by deeds of trust	39,203	49,309
Allowance for credit losses	(1,670)	(160)
Loan balances secured by deeds of trust, net	37,533	49,149
Unsecured note to related mortgage fund	500	—
Real estate owned (REO), net	15,093	12,732
Receivable from related mortgage fund	—	18
Debt issuance costs, net	—	7
Other assets	98	81
Total assets	\$ 55,175	\$ 62,384
<b><u>LIABILITIES AND PARTNERS' CAPITAL</u></b>		
Accounts payable	\$ 252	\$ 437
Payable to manager	31	50
Accrued liabilities	2,320	1,339
Line of credit	3,929	7,110
Promissory note to related mortgage fund	—	2,800
Mortgage payable	1,312	1,312
Total liabilities	7,844	13,048
Commitments and Contingencies (Note 8)		
Partners' capital		
Limited partners' capital	50,661	52,646
General partners' deficit	(628)	(608)
Total partners' capital	50,033	52,038
Receivable from manager (formation loan)	(2,702)	(2,702)
Partners' capital, net of formation loan	47,331	49,336
Total liabilities and partners' capital	\$ 55,175	\$ 62,384

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

**Consolidated Statements of Income (Loss)**  
**For the Three and Six Months Ended June 30, 2024 and 2023 and 2023 (unaudited)**  
**(\$ in thousands)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Revenue</b>				
Interest income	\$ 752	\$ 1,304	\$ 1,538	\$ 2,572
Interest expense				
Line of credit	(99)	(215)	(261)	(416)
Mortgages payable	(13)	(14)	(27)	(28)
Total interest expense	(112)	(229)	(288)	(444)
Net interest income	640	1,075	1,250	2,128
Late fees	4	3	4	6
Total revenue, net	644	1,078	1,254	2,134
Provision for credit losses	1,550	—	1,620	—
<b>Operations expense</b>				
Mortgage servicing fees to Redwood Mortgage Corp.	155	217	328	438
Asset management fees to Redwood Mortgage Corp.	49	52	99	106
Costs from Redwood Mortgage Corp.	97	167	231	345
Professional services	282	256	718	638
Dissolution Consent Solicitation	—	342	2	433
REO, net	103	78	240	132
Other	15	14	21	24
Total operations expense	701	1,126	1,639	2,116
Net (loss) income	<u>\$ (1,607)</u>	<u>\$ (48)</u>	<u>\$ (2,005)</u>	<u>\$ 18</u>
<b>Net (loss) income</b>				
Limited partners (99%)	\$ (1,591)	\$ (47)	\$ (1,985)	\$ 18
General partners (1%)	(16)	(1)	(20)	—

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

**Consolidated Statements of Changes in Partners' Capital**

**For the Three Months Ended June 30, 2024 (unaudited)**  
**(\$ in thousands)**

	<b>Limited Partners' Capital</b>	<b>General Partners' Capital (Deficit)</b>	<b>Total Partners' Capital</b>
Balance, March 31, 2024	\$ 52,252	\$ (612)	\$ 51,640
Net loss	(1,591)	(16)	(1,607)
Balance, June 30, 2024	<u>\$ 50,661</u>	<u>\$ (628)</u>	<u>\$ 50,033</u>

**For the Six Months Ended June 30, 2024 (unaudited)**  
**(\$ in thousands)**

	<b>Limited Partners' Capital</b>	<b>General Partners' Capital (Deficit)</b>	<b>Total Partners' Capital</b>
Balance at December 31, 2023	\$ 52,646	\$ (608)	\$ 52,038
Net loss	(1,985)	(20)	(2,005)
Balance, June 30, 2024	<u>\$ 50,661</u>	<u>\$ (628)</u>	<u>\$ 50,033</u>

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

**Consolidated Statements of Cash Flows**  
**For the Six Months Ended June 30, 2024 and 2023 (unaudited)**  
**(\$ in thousands)**

	<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Operating activities</b>		
Interest income received	\$ 2,322	\$ 1,886
Interest expense	(302)	(435)
Late fees and other loan income	4	6
Operations expense	(1,046)	(1,937)
Total cash provided by (used in) operating activities	978	(480)
<b>Investing activities</b>		
Loans		
Loans funded	—	(5,700)
Principal collected	6,921	4,540
Loans transferred to related mortgage fund	—	3,956
Advances (funded) collected	136	(50)
Promissory note funded to related mortgage fund	(420)	—
Promissory note repaid by related mortgage fund	420	—
Unsecured lending funded to related mortgage fund	(1,700)	—
Unsecured lending repaid by related mortgage fund	1,200	—
Total – Loans	6,557	2,746
Total cash provided by investing activities	6,557	2,746
<b>Financing activities</b>		
Partners' capital		
Partner withdrawals, net of early withdrawal penalties	—	(4,723)
Early withdrawal penalties	—	(49)
Partner distributions	—	(360)
Cash distributions to partners	—	(5,132)
Line of credit		
Repayments	(3,181)	(900)
Cash (used in) line of credit	(3,181)	(900)
Promissory note repaid to related mortgage fund	(2,800)	—
Total cash (used in) financing activities	(5,981)	(2,760)
Net increase in cash	1,554	(494)
Cash, beginning of year	397	963
Cash, end of period	\$ 1,951	\$ 469

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

**Consolidated Statements of Cash Flows**  
**For the Six Months Ended June 30, 2024 and 2023 (unaudited)**  
**(\$ in thousands)**

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

	<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
Cash flows from operating activities		
Net income	\$ (2,005)	\$ 18
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Provision for credit losses	1,620	—
Amortization of debt issuance costs	7	14
REO – increase (decrease) in valuation allowance	39	—
Change in operating assets and liabilities		
Accrued interest	799	(530)
Prepaid interest	(15)	(155)
Receivable from related party	18	49
Other assets	(15)	(10)
Accounts payable and accrued liabilities	549	236
Payable to related party	(19)	(102)
Total cash provided by (used in) operating activities	<u>\$ 978</u>	<u>\$ (480)</u>
Supplemental disclosures of cash flow information		
Non-cash investing activities		
Real estate acquired by foreclosure	\$ 2,400	\$ —
Property taxes, and other liabilities assumed at foreclosure, net	(246)	—
Settlement of loan and interest receivable net of liabilities assumed at foreclosure	(2,154)	—

## REDWOOD MORTGAGE INVESTORS VIII, L.P.

June 30, 2024 (unaudited)

### Overview

Redwood Mortgage Investors VIII, L.P., a California Limited Partnership (“RMI VIII” or “the partnership”), was formed in 1993 to engage in business as a mortgage lender and investor by making and holding-for-investment mortgage loans secured by California real estate, primarily through 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 is solely responsible for managing the business and affairs of RMI VIII, subject to the voting rights of the limited partners on specified matters. The manager acting alone has the power and authority to act for and bind the partnership.
- RMC provides personnel and services necessary for RMI VIII to conduct its business as the partnership has no employees of its own.
- The mortgage loans the partnership funded and invested in were arranged and generally are serviced by RMC.

The financial statements/information presented were prepared in conformity with accounting principles generally accepted in the USA. The partnership’s consolidated financial statements include the accounts of the partnership and its wholly-owned subsidiaries (consisting of single-member limited liability companies owning a single real property asset). All significant intercompany transactions and balances have been eliminated in consolidation. In the opinion of management of RMC, the accompanying unaudited consolidated financial statements/information contain all adjustments, consisting of normal, recurring adjustments – including any adjustments (and/or disclosures) that would be warranted by events that occurred subsequent to the balance sheet date, necessary to present fairly and accurately the consolidated financial information.

### *Plan of Dissolution (2023 August)*

On August 4, 2023 (the “Dissolution Date”), the general partners of RMI VIII entered into a plan of dissolution (the “Plan” or “Plan of Dissolution”) following the receipt of required consents of the limited partners approving the dissolution of the partnership (the “Dissolution”) and the Plan of Dissolution. Pursuant to the Plan of Dissolution, RMC commenced winding up the affairs of the partnership commencing from the Dissolution Date and will continue wind up activities until the complete liquidation of the partnership’s assets and the termination of the partnership in accordance with the Plan of Dissolution, the partnership’s Sixth Amended and Restated Limited Partnership Agreement dated July 28, 2005 (as amended, the “Partnership Agreement”), and the California Uniform Limited Partnership Act of 2008 (the “California Act”). In the event of any inconsistency between a provision of the Partnership Agreement and the Plan the applicable provision of the Plan is controlling.

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.

## REDWOOD MORTGAGE INVESTORS VIII, L.P.

June 30, 2024 (unaudited)

Under the Plan of Dissolution: The Partnership Agreement and the California Act, distributions to limited partners, if any, did not commence until all obligations and liabilities of the Partnership had been paid (and/or cash set aside for their settlement).

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, is 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.

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

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

### *Distributions to limited partners*

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

### *Capital withdrawals and early withdrawals*

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



## REDWOOD MORTGAGE INVESTORS VIII, L.P.

June 30, 2024 (unaudited)

### *Real estate owned (REO)*

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

### **GENERAL PARTNERS AND OTHER RELATED PARTIES**

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

### *Mortgage servicing fees*

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

### *Asset Management Fees*

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

### *Costs from RMC*

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

### *Formation loan*

Commissions for sales of limited partnership units paid to broker-dealers (“B/D sales commissions”) were paid by RMC and were not paid directly by the partnership out of offering proceeds. Instead, the partnership advanced to RMC amounts (sufficient up to 7% of offering proceeds) to pay the B/D sales commissions and premiums paid to partners in connection with unsolicited orders. The receivable from the manager arising from these advances is unsecured and non-interest bearing and is referred to as the “formation loan.” Since its inception, these advances totaled \$22.6 million, of which \$2.7 million remains outstanding at June 30, 2024.

## REDWOOD MORTGAGE INVESTORS VIII, L.P.

June 30, 2024 (unaudited)

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.

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

### *Other related party transactions*

#### *- Payable to/receivable from related parties*

From time to time, in the normal course of business operations, the partnership may have payables to and/or receivables from related parties. At June 30, 2024, the payable to related parties of approximately \$31 thousand consisted of exclusively accounts payable due to the manager. There were no receivables from related parties at June 30, 2024.

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

#### *- Loan transactions with related mortgage funds*

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

In the six months ended June 30, 2024, no loans were transferred from related mortgage funds to RMI VIII. No loans were transferred to related mortgage funds from RMI VIII.

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

#### *- Promissory note with related mortgage funds*

In June 2023, RMI VIII borrowed from a related mortgage fund \$3.3 million secured by the net cash flow payable on three mortgage loans totaling approximately \$7.5 million. The promissory note payable to the related mortgage fund was secured by all proceeds payable to RMI VIII upon the payoff or repayments of the pledged mortgage loans, net of any amounts outstanding by RMI VIII on its line of credit secured by the pledged mortgage loans. Interest on the loan accrued at 8.75% per annum. The promissory note was paid in full in February 2024.

In May 2024, a related mortgage fund borrowed \$420 thousand from RMI VIII pursuant to a secured promissory note issued by the related mortgage fund (the "May Note"). The May Note was secured by all proceeds payable to the related mortgage fund under a single mortgage loan in the principal amount of \$9.1 million with a contractual maturity date of June 1, 2027. The maturity date for the May Note was July 15, 2024. All obligations of the related mortgage fund under the May Note were satisfied in full on May 31, 2024.

In June 2024, a related mortgage fund borrowed \$1.7 million from RMI VIII pursuant to an unsecured promissory note issued by the related mortgage fund (the "June Note"). The loan evidenced by the June Note was an unsecured obligation of the related mortgage fund with a contractual maturity date of August 12, 2024. \$1.2 million was repaid to RMI VIII in June 2024. The remaining \$500 thousand was repaid to RMI VIII on July 12, 2024.

# REDWOOD MORTGAGE INVESTORS VIII, L.P.

June 30, 2024 (unaudited)

## 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 “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. First mortgages are predominant, but second lien deeds of trust are not infrequent nor insignificant. First-mortgage loans comprised 97% of the portfolio at June 30, 2024 (94% at December 31, 2023).

### *Secured loans unpaid principal balance (principal)*

Secured loan transactions for the three and six months ended June 30, 2024 are summarized in the following table (\$ in thousands).

	Three Months Ended June 30, 2024			Six Months Ended June 30, 2024		
	Total	First Trust Deeds	Second Trust Deeds	Total	First Trust Deeds	Second Trust Deeds
Principal, beginning of period	\$ 42,758	\$ 40,015	\$ 2,743	\$ 47,635	\$ 44,890	\$ 2,745
Principal collected	(2,044)	(542)	(1,502)	(6,921)	(5,417)	(1,504)
Loan to REO acquired by foreclosure	(2,105)	(2,105)	—	(2,105)	(2,105)	—
Principal, end of period	<u>\$ 38,609</u>	<u>\$ 37,368</u>	<u>\$ 1,241</u>	<u>\$ 38,609</u>	<u>\$ 37,368</u>	<u>\$ 1,241</u>

# REDWOOD MORTGAGE INVESTORS VIII, L.P.

June 30, 2024 (unaudited)

## Loan characteristics

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

	June 30, 2024	December 31, 2023
Number of secured loans	9	12
First trust deeds	8	10
Second trust deeds	1	2
Secured loans – principal	\$ 38,609	\$ 47,635
First trust deeds	\$ 37,368	\$ 44,890
Second trust deeds	\$ 1,241	\$ 2,745
Secured loans – lowest interest rate (fixed)	7.3%	7.3%
Secured loans – highest interest rate (fixed)	11.0%	12.0%
Average secured loan – principal	\$ 4,290	\$ 3,970
Average principal as percent of total principal	11.1%	8.3%
Average principal as percent of partners' capital, net of formation loan	8.8%	8.0%
Average principal as percent of total assets	7.6%	6.4%
Largest secured loan – principal	\$ 8,728	\$ 9,000
Largest principal as percent of total principal	22.6%	18.9%
Largest principal as percent of partners' capital, net of formation loan	17.9%	18.2%
Largest principal as percent of total assets	15.4%	14.4%
Smallest secured loan – principal	\$ 880	\$ 880
Smallest principal as percent of total principal	2.3%	1.8%
Smallest principal as percent of partners' capital, net of formation loan	1.8%	1.8%
Smallest principal as percent of total assets	1.6%	1.4%
Number of California counties where security is located	6	7
Largest percentage of principal in one California county	31.5%	27.7%

As of June 30, 2024, 7 loans with principal of approximately \$28.6 million provide for monthly payments of interest only, with the principal due at maturity, and 2 loans with principal of approximately \$10.0 million (representing approximately 26% of the aggregate principal of the partnership's loan portfolio) provide for monthly payments of principal and interest, typically calculated on a 30-year amortization, with the remaining principal due at maturity.

As of June 30, 2024, there was 1 loan in second lien position with principal of approximately \$1.2 million and the LTV at origination (OLTV) was 65.8%.

As of June 30, 2024, there were 4 loans each with principal in excess of 10% of the total outstanding principal. The aggregate principal of these loans was approximately \$28.3 million and the weighted average OLTV is 43.1%. The loans were in first lien position.

- The partnership's largest loan, with principal of approximately \$8.7 million (OLTV 25.3%), is secured by a commercial building in the City of Santa Clara in Santa Clara County, bears an interest rate of 8.375% and matures on July 1, 2027.
- The second loan, with principal of approximately \$8.0 million (OLTV 62.2%), secured by a first lien on a mixed-use property and a second lien on a hotel, both in the City and County of San Francisco with an interest rate of 8.375%, matured on April 1, 2023. The loan was in non-accrual status as of June 30, 2024.
- The third loan, with principal of approximately \$7.3 million (OLTV 49.6%), is secured by an office building in the City of Orange in Orange County, bears an interest rate of 7.990 % and matures on September 1, 2025.
- The fourth loan, with principal of approximately \$4.2 million (OLTV 32.3%), is secured by an industrial building in the City of Orange in Orange County, bears an interest rate of 11.000 % and matured on April 1, 2024.

# REDWOOD MORTGAGE INVESTORS VIII, L.P.

June 30, 2024 (unaudited)

## Lien position/OLTV

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

	June 30, 2024			December 31, 2023		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	8	\$ 37,368	97%	10	\$ 44,890	94%
Second trust deeds	1	1,241	3	2	2,745	6
Total principal, secured loans	9	38,609	100%	12	47,635	100%
Liens due other lenders at loan closing		8,051			9,412	
Total debt		\$ 46,660			\$ 57,047	
Appraised property value at loan closing		\$ 104,010			\$ 118,610	
OLTV (weighted average)		48.6%			52.6%	

At the time a loan is funded, the LTV is such that the protective equity in the collateral securing the loan is sufficient to preclude any expected credit losses – principal 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.

Secured loans, principal by OLTV and lien position at June 30, 2024 are presented in the following table (\$ in thousands).

OLTV <sup>(1)</sup>	Secured loans, principal							
	First trust deeds	Percent	Count	Second trust deeds	Percent	Count	Total principal	Percent
<40%	\$ 12,928	33.5%	2	\$ —	0.0%	0	\$ 12,928	33.5%
40-49%	7,340	19.0	1	—	0.0	—	7,340	19.0
50-59%	4,430	11.5	2	—	0.0	—	4,430	11.5
60-69%	9,240	23.9	2	1,241	3.2	1	10,481	27.1
Subtotal <70%	33,938	87.9	7	1,241	3.2	1	35,179	91.1
70-79%	3,430	8.9	1	—	0.0	—	3,430	8.9
Subtotal <80%	37,368	96.8	8	1,241	3.2	1	38,609	100.0
≥80%	—	0.0	—	—	0.0	—	—	0.0
Total	\$ 37,368	96.8%	8	\$ 1,241	3.2%	1	\$ 38,609	100.0%

(1) LTV classifications in the table above are based on principal, advances and interest unpaid at June 30, 2024.

## Property type

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

	June 30, 2024			December 31, 2023		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family <sup>(2)</sup>	1	\$ 1,241	3%	2	\$ 3,350	7%
Multi-family	1	1,250	3	1	1,250	3
Commercial						
Office	1	7,340	19	2	10,500	22
Retail	1	880	2	1	880	1
Industrial	1	4,200	11	1	4,200	9
Commercial – Other	4	23,698	61	5	27,455	58
Commercial Total	7	36,118	94	9	43,035	90
Land	—	—	—	—	—	0
Total principal, secured loans	9	\$ 38,609	100%	12	\$ 47,635	100%

# REDWOOD MORTGAGE INVESTORS VIII, L.P.

June 30, 2024 (unaudited)

- (2) Single family includes one to four unit residential buildings, condominium units, townhouses and condominium complexes. At June 30, 2024, single family consists of one loan with aggregate principal of approximately \$1.2 million that are non-owner occupied. At December 31, 2023, single family consisted of two loans with aggregate principal of approximately \$3.4 million that were non-owner occupied.

## Distribution of secured loans-principal by California counties

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

	June 30, 2024		December 31, 2023	
	Principal	Percent	Principal	Percent
San Francisco Bay Area <sup>(3)</sup>				
San Francisco	\$ 9,240	23.9%	\$ 11,345	23.8%
San Mateo	—	0.0	—	0.0
Santa Clara	12,158	31.5	12,195	25.6
Solano	3,550	9.2	3,550	7.5
Marin	—	—	1,500	3.1
Alameda	1,241	3.2	1,245	2.6
Northern California Total	26,189	67.8	29,835	62.6
Southern California Coastal				
Los Angeles	880	2.3	4,600	9.7
Orange	11,540	29.9	13,200	27.7
Southern California Total	12,420	32.2	17,800	37.4
Total principal, secured loans	\$ 38,609	100.0%	\$ 47,635	100.0%

- (3) Includes the Silicon Valley

## Scheduled maturities/Secured loans-principal

Secured loans scheduled to mature in periods as of and after June 30, 2024 are presented in the following table (\$ in thousands).

	Loans	Principal	Percent	First Trust Deeds		Second Trust Deeds	
				Loans	Principal	Loans	Principal
2024 (scheduled to mature after June 30)	1	\$ 1,250	3%	1	\$ 1,250	—	\$ —
2025	2	8,220	21	2	8,220	—	—
2026	1	1,241	3	—	—	1	1,241
2027	2	12,278	32	2	12,278	—	—
Total scheduled maturities	6	22,989	59	5	21,748	1	1,241
Matured <sup>(4)</sup>	3	15,620	41	3	15,620	—	—
Total principal, secured loans	9	\$ 38,609	100%	8	\$ 37,368	1	\$ 1,241

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

Scheduled maturities are presented based on the most recent in-effect agreement with the borrower, including forbearance agreements, if any. As a result, matured loans at June 30, 2024, for the scheduled maturities table above may differ from the same captions in the tables of delinquencies and payment in arrears presented below that 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.

# REDWOOD MORTGAGE INVESTORS VIII, L.P.

June 30, 2024 (unaudited)

## Delinquency/Secured loans

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

	June 30, 2024		December 31, 2023	
	Loans	Principal	Loans	Principal
Current	5	\$ 22,109	8	\$ 32,940
Past Due				
30-89 days	1	880	1	880
90-179 days	2	7,630	—	—
180 or more days	1	7,990	3	13,815
Total past due	4	16,500	4	14,695
Total principal, secured loans	9	\$ 38,609	12	\$ 47,635

At June 30, 2024 and December 31, 2023, there were no loan forbearance agreements in effect. All four loans past due at June 30, 2024 were in first lien position and had principal payments in arrears of approximately \$15.6 million.

## Delinquency/Secured loans with payments in arrears

Secured loans with payments in arrears (four loans), principal by OLV and lien position at June 30, 2024 are presented in the following table (\$ in thousands).

OLV <sup>(5)</sup>	Secured loans with payments in arrears, principal					
	First trust deeds	Percent <sup>(6)</sup>	Second trust deeds	Percent <sup>(6)</sup>	Total Principal	Percent <sup>(6)</sup>
<40%	\$ 4,200	10.9%	\$ —	0.0%	\$ 4,200	10.9%
40-49%	—	0.0	—	0.0	—	0.0
50-59%	880	2.3	—	0.0	880	2.3
60-69%	7,990	20.7	—	0.0	7,990	20.7
Subtotal <70%	13,070	33.9	—	0.0	13,070	33.9
70-79%	3,430	8.9	—	0.0	3,430	8.9
Subtotal <80%	16,500	42.8	—	0.0	16,500	42.8
≥80%	—	0.0	—	0.0	—	0.0
Total <sup>(7)</sup>	\$ 16,500	42.8%	\$ —	0.0%	\$ 16,500	42.8%

(5) LTV classifications in the table above are based on principal, advances and interest unpaid at June 30, 2024.

(6) Percent of total principal, secured loans (totaling \$38.6 million) at June 30, 2024.

(7) At June 30, 2024, \$15.6 million of principal included in the table above was past maturity. See table below for more details on payments in arrears.

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

**June 30, 2024 (unaudited)**

Payments in arrears for secured loans at June 30, 2024 are presented in the following tables (\$ in thousands).

	Loans		Principal		Interest <sup>(8)</sup>		Total payments in arrears
	Past maturity	Monthly payments	Past maturity	Monthly payments	Past maturity	Monthly payments	
<b>At June 30, 2024</b>							
Past due							
30-89 days (1-3 payments)	—	1	\$ —	\$ —	\$ —	\$ 7	\$ 7
90-179 days (4-6 payments)	2	—	7,630	—	140	—	7,770
180 or more days (more than 6 payments)	1	—	7,990	—	669	—	8,659
Total past due	<u>3</u>	<u>1</u>	<u>\$ 15,620</u>	<u>\$ —</u>	<u>\$ 809</u>	<u>\$ 7</u>	<u>\$ 16,436</u>

(8) Interest for June 2024 is due on July 1, 2024 and is not included in the amounts of payments in arrears at June 30, 2024.

As to the three matured loans with \$15.6 million of principal at June 30, 2024,

- one loan, with principal of approximately \$8.0 million (OLTV 62.2%), secured by a first lien on a mixed-use property and a second lien on a hotel, both in the City and County of San Francisco with an interest rate of 8.375%, matured on April 1, 2023. The loan was in non-accrual status as of June 30, 2024.
- one loan with principal of approximately \$3.4 million matured on April 1, 2024, and is secured by a first lien on a commercial building in Santa Clara county, was placed in non-accrual status as of July 1, 2024.
- one loan, with principal of approximately \$4.2 million (OLTV 32.3%), and is secured by an industrial building in the City of Orange in Orange County, bears an interest rate of 11.000% and matured on April 1, 2024.

Matured loans, principal by OLTV and lien position at June 30, 2024 are presented in the following table (\$ in thousands).

OLTV <sup>(9)</sup>	Secured loans past maturity, principal					
	First trust deeds	Percent <sup>(10)</sup>	Second trust deeds	Percent <sup>(10)</sup>	Total principal	Percent <sup>(10)</sup>
<40%	\$ 4,200	10.9%	\$ —	0.0%	\$ 4,200	10.9%
40-49%	—	0.0	—	0.0	—	0.0
50-59%	—	0.0	—	0.0	—	0.0
60-69%	7,990	20.7	—	0.0	7,990	20.7
Subtotal <70%	12,190	31.6	—	0.0	12,190	31.6
70-79%	3,430	8.9	—	0.0	3,430	8.9
Subtotal <80%	15,620	40.5	—	0.0	15,620	40.5
≥80%	—	0.0	—	0.0	—	0.0
Total	<u>\$ 15,620</u>	<u>40.5%</u>	<u>\$ —</u>	<u>0.0%</u>	<u>\$ 15,620</u>	<u>40.5%</u>

(9) LTV classifications in the table above are based on principal, advances and interest unpaid at June 30, 2024.

(10) Percent of total principal, secured loans (totaling \$38.6 million) at June 30, 2024.



# REDWOOD MORTGAGE INVESTORS VIII, L.P.

June 30, 2024 (unaudited)

## Non-accrual status/Secured loans

Secured loans in non-accrual status at June 30, 2024 are summarized in the following table (\$ in thousands).

	June 30, 2024	December 31, 2023
Number of loans	1	2
Principal	\$ 7,990	\$ 10,095
Advances	8	6
Accrued interest <sup>(11)</sup>	216	365
Total recorded investment	\$ 8,214	\$ 10,466
Foregone interest	\$ 509	\$ 265

(11) Accrued interest in the table above is the amount of interest accrued prior to the loan being placed on non-accrual status, net of any payments subsequently. Interest income of \$0 was recognized for loans in non-accrual status in the six months ended June 30, 2024.

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

## Provision/allowance for credit losses

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

	2024			2023		
	Principal and Advances	Interest	Total	Principal and Advances	Interest	Total
Balance, December 31	\$ 60	\$ 100	\$ 160	\$ 30	\$ 25	\$ 55
Adoption of ASC 326 (CECL)	—	—	—	30	35	65
Balance, January 1	60	100	160	60	60	120
Charges-off – loan to REO acquired by foreclosure	—	(110)	(110)	—	—	—
Provision for (recovery of) credit losses	1,323	297	1,620	—	—	—
Balance, June 30	\$ 1,383	\$ 287	\$ 1,670	\$ 60	\$ 60	\$ 120

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

In 2024, there was a \$1.6 million provision for credit losses, primarily due to a specific allowance recorded on one loan and a \$110 thousand loss that was charged to the allowance for credit loss – interest in conjunction with an REO acquired through foreclosure for the six months ended June 30, 2024.

Secured loans count, principal and weighted average OLTV at June 30, 2024 and the projected year-end count, principal and weighted average OLTV based on contractual maturities (by lien position) are presented in the following table (\$ in thousands).

	First Trust Deeds			Second Trust Deeds		
	Loans	Principal	OLTV	Loans	Principal	OLTV
June 30, 2024	9	\$ 38,609	48.6%	8	\$ 37,368	48.0%
December 31,						
2024	5	21,739	42.5	4	20,498	41.1
2025	3	13,519	37.9	2	12,278	35.1
2026	2	12,278	35.1	2	12,278	35.1
2027	—	—	0.0	—	—	0.0

The above analysis does not include any forward period extensions, renewals or modifications that the partnership may undertake at its sole and unconditional discretion, which could extend the contractual maturities.

# REDWOOD MORTGAGE INVESTORS VIII, L.P.

June 30, 2024 (unaudited)

## REAL ESTATE OWNED (REO) AND MORTGAGE PAYABLE

REO transactions and valuation adjustments for the three and six months ended June 30, 2024 are summarized in the following tables (\$ in thousands).

	2024			2024		
	Three Months Ended June 30, 2024			Six Months Ended June 30, 2024		
	REO	Valuation Allowance	REO, net	REO	Valuation Allowance	REO, net
Balance, beginning of period	\$ 12,782	\$ (148)	\$ 12,634	\$ 12,782	\$ (50)	\$ 12,732
Acquisitions from foreclosure	2,400	—	2,400	2,400	—	2,400
Valuation allowance adjustment	—	59	59	—	(39)	(39)
Balance, June 30, 2024	<u>\$ 15,182</u>	<u>\$ (89)</u>	<u>\$ 15,093</u>	<u>\$ 15,182</u>	<u>\$ (89)</u>	<u>\$ 15,093</u>

REO at June 30, 2024 was comprised of four properties with a carrying value of approximately \$15.1 million.

- In Los Angeles County (Hollywood Hills), two single-family residences (SFRs) 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 condominium unit acquired by the partnership through foreclosure in April, 2024.
- 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 SFRs were acquired in June 2020 by foreclosure. The borrower contested the foreclosure, including a post-foreclosure eviction proceeding and other related legal actions. These matters have been resolved by dismissal, final judgment, or settlement. The partnership has secured possession and control of the SFRs. The partnership agreed to pay \$127 thousand upon surrender of properties and compliance with other terms. The settlement included 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 6.125% until November 1, 2025, after which interest is calculated at LIBOR plus 2.25%. At June 30, 2024, principal was approximately \$1.3 million. Monthly payments are approximately \$17 thousand, and as of June 30, 2024, were paid through August 31, 2023. Accounts payable at June 30, 2024, includes \$97 thousand for negative escrow and unpaid late charges.

### *San Francisco multi-family*

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.

### *San Francisco condominium unit*

In April 2024, the partnership acquired by foreclosure sale a condominium unit in a San Francisco high rise. The unit had been vacated by the borrower.

### *San Francisco real estate interest*

The storage lockers and the signage rights are expected to be offered for sale.

### *REO, net*

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Holding costs, net of other income	\$ (162)	\$ (78)	\$ (201)	\$ (132)
Valuation allowance adjustments	59	—	(39)	—
REO, net	<u>\$ (103)</u>	<u>\$ (78)</u>	<u>\$ (240)</u>	<u>\$ (132)</u>

# REDWOOD MORTGAGE INVESTORS VIII, L.P.

June 30, 2024 (unaudited)

Holding costs, net of other income includes month-to-month rents received of approximately \$54 thousand and 1 thousand for the three months ended June 30, 2024 and 2023, respectively and \$105 thousand and \$3 thousand for the six months ended June 30, 2024 and 2023 for a multi-family building, unit-storage lockers and signage in San Francisco County.

## LINE OF CREDIT

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

	2024	2023
Balance, January 1	\$ 7,110	\$ 10,000
Draws	—	—
Repayments	(3,181)	(900)
Balance, June 30,	\$ 3,929	\$ 9,100
Line of credit – average daily balance	\$ 5,132	\$ 9,995

At June 30, 2024 and December 31, 2023, aggregate principal of loans outstanding under the line of credit provided by Western Alliance Bank (“WAB”) was approximately \$5.4 million and \$18.1 million, respectively. Amortized debt issuance costs included in interest expense approximated \$0 and \$7 thousand for the three months ended June 30, 2024 and 2023 and \$7 thousand and \$14 thousand for the six months ended June 30, 2024 and 2023.

As of March 13, 2024, 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.

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.

## **RESULTS OF OPERATIONS**

The following supplemental information should be read in conjunction with the unaudited financial statements and notes thereto as well as the audited financial statements and the notes thereto for the year ended December 31, 2023. The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results to be expected for the full year.

### **Overview**

Redwood Mortgage Investors VIII, L.P., a California Limited Partnership (“RMI VIII” or the “partnership”), was formed in 1993 to engage in business as a mortgage lender and investor by making and holding-for-investment mortgage loans secured by California real estate, primarily by first and second deeds of trust. The partnership is externally managed by Redwood Mortgage Corp. (“RMC” or “the manager”).

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

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

Prior to the Dissolution Date, no more than 20% of the total limited partners’ capital account balances at the beginning of any year could be liquidated during any calendar year.

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

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

### Key performance indicators

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

	2024	2023
Limited partners' capital – end of period	\$ 50,661	\$ 52,691
Limited partners' capital – average balance	\$ 52,365	\$ 55,132
Limited partners' capital – withdrawals <sup>(1)</sup>	\$ —	\$ 4,772
Secured loans principal – end of period balance	\$ 38,609	\$ 57,292
Secured loans principal – average daily balance	\$ 42,825	\$ 58,411
Number of first trust deeds	8	18
Principal – first trust deeds	\$ 37,368	\$ 55,803
Weighted average OLTV – first trust deeds <sup>(2)</sup>	48.1%	55.6%
Number of second trust deeds	1	3
Principal – second trust deeds	\$ 1,241	\$ 4,285
Weighted average OLTV – second trust deeds <sup>(2)</sup>	65.8%	52.1%
Interest income	\$ 1,538	\$ 2,572
Portfolio interest rate <sup>(3)</sup>	8.8%	8.7%
Effective yield rate <sup>(4)</sup>	7.2%	8.8%
Line of credit – end of period	\$ 3,929	\$ 9,100
Line of credit – average daily balance	\$ 5,132	\$ 9,995
REO	\$ 15,093	\$ 5,911
Mortgages payable – end of period	\$ 1,312	\$ 1,319
Mortgages payable – average daily balance <sup>(5)</sup>	\$ 1,312	\$ 1,347
Average interest rate – line of credit	8.6%	8.0%
Interest expense		
Line of credit	\$ 261	\$ 416
Mortgages payable	\$ 27	\$ 28
Provision for (recovery of) loan losses	\$ 1,620	\$ —
Operations expense	\$ 1,639	\$ 2,116
Net income (loss)	\$ (2,005)	\$ 18
Percent <sup>(6)(7)</sup>	-7.6%	0.1%

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

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

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

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

(5) In June 2020, the partnership acquired by foreclosure sale two adjoining properties subject to two first mortgages.

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

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

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

	2024	2023
Limited partners' capital – end of period	\$ 50,661	\$ 52,691
Limited partners' capital – average balance	\$ 51,457	\$ 53,891
Limited partners' capital – withdrawals <sup>(1)</sup>	\$ —	\$ 2,221
Secured loans principal – end of period balance	\$ 38,609	\$ 57,292
Secured loans principal – average daily balance	\$ 40,606	\$ 57,885
Number of first trust deeds	8	18
Principal – first trust deeds	\$ 37,368	\$ 55,803
Weighted average OLTV – first trust deeds <sup>(2)</sup>	48.1%	55.6%
Number of second trust deeds	1	3
Principal – second trust deeds	\$ 1,241	\$ 4,285
Weighted average OLTV – second trust deeds <sup>(2)</sup>	65.8%	52.1%
Interest income	\$ 752	\$ 1,304
Portfolio interest rate <sup>(3)</sup>	8.8%	8.8%
Effective yield rate <sup>(4)</sup>	7.4%	9.0%
Line of credit – end of period	\$ 3,929	\$ 9,100
Line of credit – average daily balance	\$ 4,518	\$ 9,990
REO	\$ 15,093	\$ 5,911
Mortgages payable – end of period	\$ 1,312	\$ 1,319
Mortgages payable – average daily balance <sup>(5)</sup>	\$ 1,312	\$ 1,347
Average interest rate – line of credit	8.6%	8.2%
Interest expense		
Line of credit	\$ 99	\$ 215
Mortgages payable	\$ 13	\$ 14
Provision for (recovery of) loan losses	\$ 1,550	\$ —
Operations expense	\$ 701	\$ 1,126
Net income (loss)	\$ (1,607)	\$ (48)
Percent <sup>(6)(7)</sup>	-12.4%	-0.4%

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

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

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

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

(5) In June 2020, the partnership acquired by foreclosure sale two adjoining properties subject to two first mortgages.

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

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

*Limited partners' capital and limited partners' capital – withdrawals*

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

There were no withdrawals of limited partners' capital for the three and six months ended June 30, 2024.

*Secured loans, principal, advances and interest unpaid, by LTV and lien position*

LTVs presented in the following tables have been updated for changes in fair values of the collateral as indicated by appraisals, broker opinion of value, or other external market evidence received by the manager after the origination of the loan, if any.

The weighted-average loan-to-value ratio (LTV) – at time of origination – for loans at June 30, 2024 was 48.6%. Secured loans, principal by LTV and lien position at June 30, 2024 are presented in the following table (\$ in thousands).

LTV <sup>(1)</sup>	Secured loans, principal					
	First trust deeds	Percent	Second trust deeds	Percent	Total principal	Percent
<40%	\$ 20,268	52.5%	\$ —	0.0%	\$ 20,268	52.5%
40-49%	—	0.0	—	0.0	—	0.0
50-59%	7,860	20.4	—	0.0	7,860	20.4
60-69%	—	0.0	1,241	3.2	1,241	3.2
Subtotal <70%	28,128	72.9	1,241	3.2	29,369	76.1
70-79%	—	0.0	—	0.0	—	0.0
Subtotal <80%	28,128	72.9	1,241	3.2	29,369	76.1
≥80%	9,240	23.9	—	0.0	9,240	23.9
Total	\$ 37,368	96.8%	\$ 1,241	3.2%	\$ 38,609	100.0%

(1) LTV classifications in the table above are based on principal, advances and interest unpaid at June 30, 2024.

Loans with payments in arrears, principal by LTV and lien position at June 30, 2024 are presented in the following table (\$ in thousands).

LTV <sup>(2)</sup>	Secured loans with payments in arrears, principal					
	First trust deeds	Percent <sup>(3)</sup>	Second trust deeds	Percent <sup>(3)</sup>	Total Principal	Percent <sup>(3)</sup>
<40%	\$ 4,200	10.9%	\$ —	0.0%	\$ 4,200	10.9%
40-49%	—	0.0	—	0.0	—	0.0
50-59%	4,310	11.2	—	0.0	4,310	11.2
60-69%	—	0.0	—	0.0	—	0.0
Subtotal <70%	8,510	22.1	—	0.0	8,510	22.1
70-79%	—	0.0	—	0.0	—	0.0
Subtotal <80%	8,510	22.1	—	0.0	8,510	22.1
≥80%	7,990	20.7	—	0.0	7,990	20.7
Total	\$ 16,500	42.8%	\$ —	0.0%	\$ 16,500	42.8%

(2) LTV classifications in the table above are based on principal, advances and interest unpaid at June 30, 2024.

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

Payments in arrears for secured loans (i.e., principal and interest payments past due 30 or more days) at June 30, 2024, totaled approximately \$16.4 million of which \$15.6 million was principal, and approximately \$816 thousand was accrued interest.

Matured loans, principal by LTV and lien position at June 30, 2024 are presented in the following table (\$ in thousands).

LTV <sup>(4)</sup>	Secured loans past maturity, principal					
	First trust deeds	Percent <sup>(5)</sup>	Second trust deeds	Percent <sup>(5)</sup>	Total principal	Percent <sup>(5)</sup>
<40%	\$ 4,200	10.9%	\$ —	0.0%	\$ 4,200	10.9%
40-49%	—	0.0	—	0.0	—	0.0
50-59%	3,430	8.9	—	0.0	3,430	8.9
60-69%	—	0.0	—	0.0	—	0.0
Subtotal <70%	7,630	19.8	—	0.0	7,630	19.8
70-79%	—	0.0	—	0.0	—	0.0
Subtotal <80%	7,630	19.8	—	0.0	7,630	19.8
≥80%	7,990	20.7	—	0.0	7,990	20.7
Total	\$ 15,620	40.5%	\$ —	0.0%	\$ 15,620	40.5%

(1) LTV classifications in the table above are based on principal, advances and interest unpaid at June 30, 2024.

(2) Percent of total principal, secured loans (totaling \$38.6 million) at June 30, 2024.

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

Significant changes to net income for the six months ended June 30, 2024 compared to the same period in 2023 are summarized in the following table (\$ in thousands).

	Net interest income	Provision for (recovery of) loan losses	Operations expense	Net income
<u>Six months ended</u>				
June 30, 2024	\$ 1,250	\$ 1,620	\$ 1,639	\$ (2,005)
June 30, 2023	2,128	—	2,116	18
Change	<u>\$ (878)</u>	<u>\$ 1,620</u>	<u>\$ (477)</u>	<u>\$ (2,023)</u>
<u>Change</u>				
Decrease secured loans principal – average daily balance	(562)	—	(110)	(452)
Effective yield rate	(472)	—	—	(472)
Amortization of debt issuance costs	7	—	—	7
Interest on line of credit and promissory note from a related mortgage fund	148	—	—	148
Interest on mortgages payable assumed at foreclosure	1	—	—	1
Decrease limited partners' capital – average balance	—	—	(15)	15
Decrease in allocable expenses from the manager	—	—	(106)	106
Legal, audit and consulting	—	—	(318)	318
Timing of services rendered	—	—	18	(18)
REO holding costs	—	—	69	(69)
REO valuation adjustments	—	—	39	(39)
Increase in provision year-over-year	—	1,620	—	(1,620)
Late fees	—	—	—	(2)
Dissolution Activity	—	—	(66)	66
Other	—	—	12	(12)
Change	<u>\$ (878)</u>	<u>\$ 1,620</u>	<u>\$ (477)</u>	<u>\$ (2,023)</u>

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



### Net interest income

Net interest income decreased approximately \$878 thousand (41.3%) for the six months ended June 30, 2024 compared to the same period in 2023. The decrease in net interest income is due to a decrease in interest income of approximately \$1.0 million (40.2%), as the partnership is no longer making new loans as a result of the Dissolution and existing loans are being paid off, converted to REO, or moving to non-accrual status. Decreased interest income is partially offset by a decrease in interest expense of approximately \$156 thousand (35.1%) resulting from a decrease in the line of credit – average daily balance of approximately \$4.9 million (49.0%) partially offset by an increase in interest expenses of approximately \$30 thousand (100%) on a promissory note from a related mortgage fund.

The line of credit – average daily balance decreased approximately \$4.9 million (49.0%) for the six months ended June 30, 2024 compared to the same period in 2023, but the average interest rate on the line of credit increased 0.6 percent (7.1%) over the same period, resulting in a decrease of approximately \$177 thousand (44.0%) in interest expenses on the line of credit. See Key performance indicators table included above for details on the average interest rate on the line of credit.

### Provision for (recovery of) credit losses

In the six months ended June 30, 2024, there was a \$1.6 million provision for credit losses, primarily due to a specific allowance recorded on one loan. See “Provision/allowance for credit losses” in Loans for charges-off to allowance for credit losses.

### Operations expense

Significant changes to operations expense for the six months ended June 30, 2024 compared to the same period in 2023 are summarized in the following table (\$ in thousands).

	Mortgage servicing fees	Asset management fees	Costs from RMC	Professional services	Dissolution Consent expense	REO, net	Other	Total
<b>Six months ended</b>								
June 30, 2024	\$ 328	99	231	718	2	240	21	\$ 1,639
June 30, 2023	438	106	345	638	433	132	24	2,116
Change	<u>\$ (110)</u>	<u>(7)</u>	<u>(114)</u>	<u>80</u>	<u>(431)</u>	<u>108</u>	<u>(3)</u>	<u>\$ (477)</u>
<b>Change</b>								
Decrease secured loans principal – average daily balance	(110)	—	—	—	—	—	—	(110)
Decrease limited partners’ capital – average balance	—	(7)	(8)	—	—	—	—	(15)
Decrease in allocable expenses from the manager	—	—	(106)	—	—	—	—	(106)
Legal, audit and consulting	—	—	—	77	(395)	—	—	(318)
Timing of services rendered	—	—	—	18	—	—	—	18
REO holding costs	—	—	—	—	—	69	—	69
REO valuation adjustments	—	—	—	—	—	39	—	39
Dissolution activity	—	—	—	(30)	(36)	—	—	(66)
Other	—	—	—	15	—	—	(3)	12
Change	<u>\$ (110)</u>	<u>(7)</u>	<u>(114)</u>	<u>80</u>	<u>(431)</u>	<u>108</u>	<u>(3)</u>	<u>\$ (477)</u>

### Mortgage servicing fees

The decrease in mortgage servicing fees of approximately \$110 thousand for the six months ended June 30, 2024 as compared to the same period in 2023, was due to a decrease in the secured loans principal – average daily balance to approximately \$42.8 million from approximately \$58.4 million. The decrease in the secured loans principal – average daily balance was primarily due to loan payoffs received and a reduction in Line of Credit utilization in conjunction with the Plan of Dissolution. Mortgage servicing fees are expected to continue to decline through the wind-up period.

### Asset Management Fees

For the management of the partnership’s loan portfolio, the general partners are entitled to a monthly Asset Management Fee in an amount up to 1/32 of 1% of the “net asset value” of the partnership (3/8 of 1% annually). The decrease in Asset Management Fees for the six months ended June 30, 2024 as compared to the same period in 2023, was due to the decrease in limited partners’ capital – average balance to approximately \$52.4 million from \$55.1 million. Asset management fees are expected to continue to decline through the wind-up period.

### *Costs from RMC*

RMC is entitled to request reimbursement for operations expense incurred on behalf of RMI VIII, including without limitation, RMC's personnel and non-personnel costs incurred for qualifying business activities, including investor services, accounting, tax and data processing, postage and out-of-pocket general and administration expenses. The decrease in costs from RMC of approximately \$114 thousand for the six months ended June 30, 2024 as compared to the same period in 2023 was due to a decrease in allocable payroll and professional services and a reduction of the partnership's limited partners' capital as a percent of the total capital of the related mortgaged funds managed by RMC. Allocable costs are expected to continue to decline through the wind-up period.

### *Professional services*

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

The increase in professional services of approximately \$80 thousand for the six months ended June 30, 2024 compared to the same period in 2023 was due to timing differences of services rendered, an increase in legal, audit and consulting fees, offset partially by a reduction in dissolution consent related activity.

### *Dissolution Consent Solicitation*

On May 19, 2023, the partnership filed a Consent Solicitation Statement pursuant to Section 14(a) of the Securities Exchange Act of 1934 with the SEC in connection with the Dissolution Consent Solicitation. On August 4, 2023, the partnership entered into the Plan of Dissolution following the receipt of required consents of limited partners approving the Dissolution and the Plan of Dissolution. The expense related to the Dissolution Consent Solicitation decreased approximately \$431 thousand for the six months ended June 30, 2024 compared to the same period in 2023.

### *REO acquisitions/sales*

The REO balance was approximately \$15.1 million and \$5.9 million at June 30, 2024 and 2023, respectively. The partnership acquired a condominium unit in San Francisco through foreclosure in April, 2024. There were no REO acquisitions in the six months ended June 30, 2023.

### *REO holding costs*

The increase in holding costs, net of other income when comparing the six months ended June 30, 2024 to the same period in 2023 is due to an increase in REO operating expenses of approximately \$171 thousand, partially offset by an increase in month-to-month rents of approximately \$102 thousand for a multi-family building, unit-storage lockers and signage in San Francisco County.

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

Significant changes to net income for the three months ended June 30, 2024 compared to the same period in 2023 are summarized in the following table (\$ in thousands).

	Net interest income	Provision for (recovery of) credit losses	Operations expense	Net income
<b>Three months ended</b>				
June 30, 2024	\$ 640	1,550	701	\$ (1,607)
June 30, 2023	1,075	—	1,126	(48)
Change	<u>\$ (435)</u>	<u>1,550</u>	<u>(425)</u>	<u>\$ (1,559)</u>
<b>Change</b>				
Decrease secured loans principal – average daily balance	(320)	—	(62)	(258)
Effective yield rate	(232)	—	—	(232)
Amortization of debt issuance costs	7	—	—	7
Interest on line of credit	109	—	—	109
Interest on mortgages payable assumed at foreclosure	1	—	—	1
Decrease limited partners' capital – average balance	—	—	(5)	5
Decrease in allocable expenses from the manager	—	—	(68)	68
Legal, audit and consulting	—	—	(264)	264
Timing of services rendered	—	—	(31)	31
REO holding costs	—	—	84	(84)
REO valuation adjustments	—	—	(59)	59
Increase in provision year-over-year	—	1,550	—	(1,550)
Late fees	—	—	—	1
Dissolution activity	—	—	(36)	36
Other	—	—	16	(16)
Change	<u>\$ (435)</u>	<u>1,550</u>	<u>(425)</u>	<u>\$ (1,559)</u>

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

*Net interest income*

Net interest income decreased approximately \$435 thousand (40.5%) for the three months ended June 30, 2024 compared to the same period in 2023. The decrease in net interest income is due to a decrease in interest income of approximately \$552 thousand (42.3%), as the partnership is no longer making new loans as a result of the Dissolution and existing loans are being paid off, converted to REO, or moving to non-accrual status. The decrease in interest income is partially offset by a decrease in interest expense of approximately \$117 thousand (51.1%) resulting from a decrease in the line of credit – average daily balance of approximately \$5.5 million (54.8%) and a decrease in the amortization of debt issuance costs of approximately \$7 thousand (100%).

The line of credit – average daily balance decreased approximately \$5.5 million (54.8%) for the three months ended June 30, 2024 compared to the same period in 2023, but the average interest rate on the line of credit increased 0.4 percent (4.6%) over the same period, resulting in a decrease of approximately \$109 thousand (52.4%) in interest expenses on the line of credit. See Key performance indicators table included above for details on the average interest rate on the line of credit.

*Provision for (recovery of) credit losses*

In the three months ended June 30, 2024, there was a \$1.6 million provision for credit losses due to a specific allowance recorded on one loan. See “Provision/allowance for credit losses” in Loans for charges-off to allowance for credit losses.

### Operations expense

Significant changes to operations expense for the three months ended June 30, 2024 compared to the same period in 2023 are summarized in the following table (\$ in thousands).

	Mortgage servicing fees	Asset management fees	Costs from RMC	Professional services	Dissolution Consent expense	REO, net	Other	Total
<b>Three months ended</b>								
June 30, 2024	\$ 155	49	97	282	—	103	15	\$ 701
June 30, 2023	217	52	167	256	342	78	14	1,126
Change	<u>\$ (62)</u>	<u>(3)</u>	<u>(70)</u>	<u>26</u>	<u>(342)</u>	<u>25</u>	<u>1</u>	<u>\$ (425)</u>
<b>Change</b>								
Decrease secured loans principal – average daily balance	(62)	—	—	—	—	—	—	(62)
Decrease limited partners’ capital – average balance	—	(3)	(2)	—	—	—	—	(5)
Decrease in allocable expenses from the manager	—	—	(68)	—	—	—	—	(68)
Legal, audit and consulting	—	—	—	42	(306)	—	—	(264)
Timing of services rendered	—	—	—	(31)	—	—	—	(31)
REO holding costs	—	—	—	—	—	84	—	84
REO valuation adjustments	—	—	—	—	—	(59)	—	(59)
Dissolution activity	—	—	—	—	(36)	—	—	(36)
Other	—	—	—	15	—	—	1	16
Change	<u>\$ (62)</u>	<u>(3)</u>	<u>(70)</u>	<u>26</u>	<u>(342)</u>	<u>25</u>	<u>1</u>	<u>\$ (425)</u>

### Mortgage servicing fees

The decrease in mortgage servicing fees of approximately \$62 thousand for the three months ended June 30, 2024 as compared to the same period in 2023, was due to a decrease in the secured loans principal – average daily balance to approximately \$40.6 million from approximately \$57.9 million. The decrease in the secured loans principal – average daily balance was primarily due to loan payoffs received and a reduction in Line of Credit utilization in conjunction with the Plan of Dissolution. Mortgage servicing fees are expected to continue to decline through the wind-up period.

### Asset Management Fees

For the management of the partnership’s loan portfolio, the general partners are entitled to a monthly Asset Management Fee in an amount up to 1/32 of 1% of the “net asset value” of the partnership (3/8 of 1% annually). The decrease in Asset Management Fees for the three months ended June 30, 2024, as compared to the same period in 2023, was due to the decrease in limited partners’ capital – average balance to approximately \$51.5 million from \$53.9 million. Asset management fees are expected to continue to decline through the wind-up period.

### Costs from RMC

RMC is entitled to request reimbursement for operations expense incurred on behalf of RMI VIII, including without limitation, RMC’s personnel and non-personnel costs incurred for qualifying business activities, including investor services, accounting, tax and data processing, postage and out-of-pocket general and administration expenses. The decrease in costs from RMC of approximately \$70 thousand for the three months ended June 30, 2024 as compared to the same period in 2023 was due to a decrease in allocable payroll and professional services and a reduction of the partnership’s limited partners’ capital as a percent of the total capital of the related mortgaged funds managed by RMC. Allocable costs are expected to continue to decline through the wind-up period.

### Professional services

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

The increase in professional services of approximately \$26 thousand for the three months ended June 30, 2024 compared to the same period in 2023 was due to timing differences of services rendered, an increase in legal, audit and consulting fees, offset partially by a reduction in dissolution consent related activity.

### *Dissolution Consent Solicitation*

On May 19, 2023, the partnership filed a Consent Solicitation Statement pursuant to Section 14(a) of the Securities Exchange Act of 1934 with the SEC in connection with the Dissolution Consent Solicitation. On August 4, 2023, the partnership entered into the Plan of Dissolution following the receipt of required consents of limited partners approving the Dissolution and the Plan of Dissolution. The expense related to the Dissolution Consent Solicitation decreased approximately \$341 thousand for the three months ended June 30, 2024 compared to the same period in 2023.

### *REO sales*

The REO balance was approximately \$15.1 million and \$5.9 million at June 30, 2024 and 2023, respectively. The partnership acquired a condominium unit in San Francisco through foreclosure in April, 2024. There were no REO acquisitions in the three months ended June 30, 2023.

### *REO holding costs*

The increase in holding costs, net of other income when comparing the three months ended June 30, 2024 to the three months ended June 30, 2023 is due to an increase in REO operating expenses of approximately \$137 thousand, partially offset by an increase in month-to-month rents of approximately \$53 thousand.

### **Cash flows and liquidity**

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

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

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

	Six Months Ended June 30,	
	2024	2023
Limited partners' capital		
Withdrawals, net of early withdrawal fees	\$ —	\$ (4,723)
Early withdrawal penalties	—	(49)
Distributions	—	(360)
Cash (used in) limited partners' capital	—	(5,132)
Borrowings		
Line of credit advances, net	(3,181)	(900)
Interest paid	(302)	(435)
Mortgages repaid	—	(28)
Promissory note received from related party	—	3,300
Promissory note repaid to related party	(2,800)	—
Cash (used in) provided by borrowings	(6,283)	1,937
Loan earnings and payments		
Interest received, net	2,322	1,886
Late fees and other loan income	4	6
Loans funded, net	—	(5,700)
Principal collected	6,921	4,540
Loans transferred to related mortgage fund	—	3,956
Promissory note funded to related mortgage fund	(420)	—
Promissory note repaid by related mortgage fund	420	—
Unsecured lending funded to related mortgage fund	(1,700)	—
Unsecured lending repaid by related mortgage fund	1,200	—
Advances received from (funded by) loans	136	(50)
Cash provided by loan production	8,883	4,638
REO		
Holding costs	(467)	(156)
Cash (used in) REO operations and sales	(467)	(156)
Operations expense, excluding REO holding costs	(579)	(1,781)
Net increase in cash	\$ 1,554	\$ (494)
Cash, end of period	\$ 1,951	\$ 469