

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2024 and 2023



## **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, 2024 and 2023, and the related consolidated statements of operations, 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, 2024 and 2023, 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.

### ***Emphasis of Matter***

We draw attention to Note 1 to the consolidated financial statements, which describes the Partnership's plan of dissolution approved on August 4, 2023, and the commencement of wind-up activities. As disclosed, these activities will continue until the complete liquidation of the Partnership's assets and termination of the Partnership in accordance with the Plan of Dissolution. Our opinion is not modified in respect of this matter.

### ***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.*

September 3, 2025

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Consolidated Balance Sheets**  
**December 31, 2024 and 2023**  
**(\$ in thousands)**

	December 31, 2024	December 31, 2023
<b><u>ASSETS</u></b>		
Cash, in banks	\$ 4,734	\$ 397
Loans		
Principal	25,183	47,635
Advances	9	174
Accrued interest	114	1,515
Prepaid interest	—	(15)
Loan balances secured by deeds of trust	25,306	49,309
Allowance for credit losses	(2,540)	(160)
Loan balances secured by deeds of trust, net	22,766	49,149
Mortgage note acquired (Note 4)	3,656	—
Real estate owned (REO), net (Note 5)	14,514	12,732
Receivable from related mortgage fund (Note 3)	—	18
Debt issuance costs, net	—	7
Other assets	61	81
Total assets	<u>\$ 45,731</u>	<u>\$ 62,384</u>
<b><u>LIABILITIES AND PARTNERS' CAPITAL</u></b>		
Accounts payable	\$ 78	\$ 437
Payable to manager (Note 3)	61	50
Accrued liabilities	1,477	1,339
Line of credit	—	7,110
Promissory note to related mortgage fund	—	2,800
Mortgage payable	1,263	1,312
Total liabilities	2,879	13,048
<b>Commitments and Contingencies (Note 8)</b>		
<b>Partners' capital</b>		
Limited partners' capital	45,903	52,646
General partners' deficit	(637)	(608)
Total partners' capital	45,266	52,038
Receivable from manager (formation loan) (Note 3)	(2,414)	(2,702)
Partners' capital, net of formation loan	42,852	49,336
Total liabilities and partners' capital	<u>\$ 45,731</u>	<u>\$ 62,384</u>

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 Operations**  
**For the Years Ended December 31, 2024 and 2023**  
**(\$ in thousands)**

	2024	2023
Revenue		
Interest income	\$ 3,719	\$ 4,823
Interest expense		
Line of credit	(324)	(909)
Mortgages payable	(57)	(55)
Total interest expense	(381)	(964)
Net interest income	3,338	3,859
Late fees	38	31
Total revenue, net	3,376	3,890
Provision for credit losses	2,539	40
Operations expense		
Dissolution fee to Redwood Mortgage Corp.	287	—
Mortgage servicing fees to Redwood Mortgage Corp.	588	853
Asset management fees to Redwood Mortgage Corp.	196	206
Costs from Redwood Mortgage Corp.	462	641
Professional services	1,259	1,293
REO, net	959	244
Dissolution Consent Solicitation	9	558
Other	27	30
Total operations expense	3,787	3,825
Net (loss) income	<u>\$ (2,950)</u>	<u>\$ 25</u>
Net (loss) income		
Limited partners (99%)	\$ (2,921)	\$ 25
General partners (1%)	(29)	—
Net (loss) income	<u>\$ (2,950)</u>	<u>\$ 25</u>

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, 2024 and 2023**  
**(\$ in thousands)**

	Limited Partners' Capital	General Partners' Capital (Deficit)	Total Partners' Capital
Balance at December 31, 2023	\$ 52,646	\$ (608)	\$ 52,038
Net loss	(2,921)	(29)	(2,950)
Withdrawals	(3,822)	—	(3,822)
Balance, December 31, 2024	<u>\$ 45,903</u>	<u>\$ (637)</u>	<u>\$ 45,266</u>

	Limited Partners' Capital	General Partners' Capital (Deficit)	Total Partners' Capital
Balance, 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	<u>\$ 52,646</u>	<u>\$ (608)</u>	<u>\$ 52,038</u>

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, 2024 and 2023**  
**(\$ in thousands)**

	2024	2023
Operating activities		
Interest income received	\$ 4,863	\$ 3,214
Interest expense	(427)	(957)
Late fees and other loan income	38	31
Operations expense	(3,483)	(3,593)
Total cash provided by (used in) operating activities	991	(1,305)
Investing activities		
Loans		
Loans funded	—	(5,700)
Mortgage note acquired	(3,656)	—
Principal collected	16,917	7,897
Loans transferred to related mortgage fund	—	3,956
Proceeds from loans sold to non-affiliate, net	3,430	—
Advances (funded) collected	151	(125)
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	1,700	—
Total – Loans	16,842	6,028
REO – sales proceeds, net	—	(1)
Total cash provided by investing activities	16,842	6,027
Financing activities		
Partners' capital		
Partner withdrawals, net of early withdrawal penalties	(3,825)	(4,750)
Early withdrawal penalties	—	(49)
Partner distributions	—	(363)
Cash distributions to partners	(3,825)	(5,162)
Line of credit		
Repayments	(7,110)	(2,890)
Cash (used in) line of credit	(7,110)	(2,890)
Promissory note received from related mortgage fund	—	3,300
Promissory note repaid to related mortgage fund	(2,800)	(500)
Mortgages repayment	(49)	(36)
RMC payments – formation loan	288	—
Total cash (used in) financing activities	(13,496)	(5,288)
Net increase (decrease) in cash	4,337	(566)
Cash, beginning of year	397	963
Cash, end of year	\$ 4,734	\$ 397

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, 2024 and 2023**  
**(\$ in thousands)**

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

	2024	2023
Cash flows from operating activities		
Net (loss) income	\$ (2,950)	\$ 25
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities		
Provision for credit losses	2,539	40
Amortization of debt issuance costs	7	29
REO – (gain) on acquisition by deed in lieu	—	(57)
REO – decrease (increase) in valuation allowance	454	50
Change in operating assets and liabilities		
Accrued interest	1,255	(1,127)
Prepaid interest	(15)	(481)
Allowance for credit losses	(49)	—
Receivable from related party	18	50
Other assets	25	6
Accounts payable and accrued liabilities	(304)	264
Payable to related party	11	(104)
Total cash provided by (used in) operating activities	<u>\$ 991</u>	<u>\$ (1,305)</u>
Supplemental disclosures of cash flow information		
Non-cash investing activities		
Real estate acquired by foreclosure	\$ 2,400	\$ 6,871
Property taxes, and other liabilities assumed at foreclosure, net	(82)	(87)
Settlement of loan and interest receivable net of liabilities assumed at foreclosure	(2,318)	(6,784)

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



**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**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 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.

*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, began 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 as described in the paragraph below.

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

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.

Under the Plan of Dissolution: (i) RMC may establish and withhold from distributions made to the limited partners any reserves reasonably deemed necessary by RMC in light of known liabilities and liquidating expenses payable by RMI VIII as well as estimated, unknown and potential contingent liabilities and expenses; and (ii) at any time distributions to any limited partner has reduced the limited partner's capital account balance to \$10,000 or less, RMC is authorized to return the entire remaining capital account balance to a limited partner rather than continuing to make diminishing pro rata distributions to the limited partner in accordance with the distribution provisions of the Plan ("Low Balance Distributions"). The Plan permits the Partnership to give priority to Low Balance Distributions among other redemption payments in order to reduce operations expense.

The first distributions under the Plan were made in December 2024, and were limited to Low Balance Distributions which reduced the outstanding number of limited partner capital accounts by 44.0%.

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.

*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.

*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.

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 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.

*Formation Loans to Redwood Mortgage Corp.*

Prior to the Dissolution Date: The Partnership Agreement provided that the formation loans made to RMC were repayable: (i) principally from loan brokerage commissions earned on loans, early withdrawal penalties on partner withdrawals and other fees paid by the partnership; and (ii) in annual installments of approximately \$650 thousand which were 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.

Effective as of the Dissolution Date: The total amount due from RMC to the Partnership under the formation loans is repayable to the partnership over the course of the Wind-Up Period (as defined in the Plan) from the periodic Dissolution Fees payable to RMC and in accordance with the distribution provisions of the Plan described above.

**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.

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

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).

Payments on loans are applied in the following order: accrued interest, advances, and lastly to principal. Late fees and post-maturity/default interest are recognized in the period received, as collectability is not assured until then, and are calculated based on the terms of the note. 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.

Loans are placed on non-accrual status when the manager 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 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 (and the corresponding recognition of interest revenue) 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.

Payments received on loans on non-accrual status are applied using the cash basis method, whereby payments received by the creditor are recorded as interest income provided the amount does not exceed the amount that would have been earned at the asset's original effective interest rate.

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.

In periods prior to the Dissolution Date, performing loans that were maturing or matured could be extended at then current market rates of interest. Such loan extensions were typically deemed to be modifications rather than new originations under GAAP per the manager's evaluation of the changes to terms of the loans.

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

*Allowance for credit losses*

The allowance for credit losses is recognized based on current expected lifetime credit losses at the time a loan is originated or acquired. For RMI VIII's loans, generally no loss was expected at origination, given the substantial protective equity (resulting from low LTVs), the predominance of first lien loans, the short duration of the loans, and the property-type and location of the collateral.

The present fair values of the collateral are reassessed periodically (determined by the manager's assessment of markets and/or property types that are deemed possibly to have changed and the time since the last valuation of the loan's collateral) and the resultant 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 and claims, exceeds the loan balance.

Loan balances (as stated on the Balance Sheets, is the sum of principal, advances and interest) are analyzed on a periodic basis for ultimate recoverability, and the allowance for credit losses is adjusted each period for changes in expected credit losses. The ultimate collectability of the amounts owed is reliant on the estimation of the present fair value of the real property collateral and the remaining time to maturity.

The determination of the probability-of-loss (and, accordingly, the determination of the amount of the allowance for expected credit losses) considers current fair value of collateral and the resultant protective equity, the time to maturity, the lien position, current real estate and financial markets, as well as reasonable and supportable forecasts about future economic scenarios and – to a lesser extent – historical loss experience. 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.

Expected credit losses are determined on a collective (pool) basis when similar risk characteristic(s) exist. When determining risk characteristics to include in its pooling assessment, the following are most determinant.

- 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.

- Location and property type: The partnership's loans are secured by commercial and residential real estate in coastal California metropolitan areas, typically in the Bay Area (including Silicon Valley) but also elsewhere in Northern and Southern California.

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 (by property type) in the California areas in which loan collateral is located and performs a loan-by-loan analysis to determine the current net realizable value of the real property collateral and the remaining time to maturity. Loans with similar LTVs are included in pools and the weighted average 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 amount outstanding in any future period in the contractual lifetime of the loan(s) in which a real estate market decline in values is expected to occur that would be sufficient to put at risk the collection in full of amounts owed, including accrued interest and advances, if any, secured by the deeds of trust. For loans (and/or pools of loans) for which the LTVs are such that a loss within the contractual lifetime is expected, loan by loan analyses are undertaken using the likelihood of loss and the percentage (and/or amount) of the loss to determine the expected loss.

In arriving at the market determinations above, the manager consults 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 recorded investment in the loan is adjusted to an amount not to exceed the net realizable value of the real estate and other assets to be acquired, net of senior liens/mortgage debt plus the liabilities to be assumed. The determination of whether a loan is determined to be collateral-dependent requires judgment and considers the status of the loan (i.e., whether legal action has been undertaken to enforce the lender's rights to repayment) and the status of the borrower (e.g., whether the borrower has filed for bankruptcy protection).

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

For a loan that is deemed collateral dependent for repayment, a provision for credit losses is recorded, if necessary, to adjust the allowance for credit losses by 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 net realizable value of the related collateral, net of any senior liens/mortgage debt or the loan balance.

Uncollectible loans are charged off 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.

*Acquisition of loans with more-than-insignificant credit impairment since origination*

The partnership records financial instruments purchased with more-than-insignificant credit impairment since origination at the purchase price and may record an allowance for credit losses (and the offsetting entry) as an addition to the amortized cost basis. The initial amortized cost basis for these loans is an amount equal to the sum of the purchase price and the allowance for credit losses (commonly referred to as the gross-up approach). The difference, if any, between the amortized cost basis and the par value is a noncredit discount which is accreted or amortized to interest income. Applying the gross-up approach results in the amount embedded in the purchase price attributable to expected credit losses being excluded from interest income.

*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 and recorded in REO, net on the statement of operations. REO is analyzed periodically for changes in fair values and any subsequent write down is charged to REO, net on the statement of operations. 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, 2024 and 2023 were approximately \$1.6 million and \$1.3 million, respectively, the significant components of which are accrued professional and consulting fees (approximately \$1.4 million and \$1.2 million, respectively) and accrued interest on the line of credit (approximately \$0 thousand and \$53 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 as interest expense over the term of the line of credit.

**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.

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

*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 \$2.4 million was outstanding at December 31, 2024.

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

	2024	2023
Balance, January 1	\$ 2,702	\$ 2,702
Payments received from RMC	(288)	—
Balance, December 31	<u>\$ 2,414</u>	<u>\$ 2,702</u>

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 is treated as an expense of the partnership and included in the allocation of income/losses to limited partners' capital accounts.

Payments received from RMC (upon the receipt by RMC of the Dissolution Fee triggered by the redemption distributions of approximately \$14.3 million) in 2025 have totaled \$1.0 million.

*Limited partners' capital – withdrawals (Prior to the Dissolution Date)*

The table below sets forth withdrawals of limited partners' capital (\$ in thousands), prior to the Dissolution Date.

Withdrawals	2023
Without penalty	\$ 4,310
With penalty	489
Total	<u>\$ 4,799</u>

*Limited partners' capital – redemption distributions (Plan of Distribution)*

Under the Plan of Dissolution, 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 redemption distributions in accordance with the distribution provisions set forth in the Plan.

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

The first redemption distribution of approximately \$3.8 million – in accordance with the Plan – to redeem in full accounts with a balance of approximately \$10 thousand or less – was made in December 2024, and reduced the number of accounts by 44% (to 1,097 from 1,948).

Redemption distributions in March and June 2025 were made to all limited partners and have totaled approximately \$14.3 million.

*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 December 31, 2024, the payable to related parties of approximately \$61 thousand consisted exclusively of accounts payable and cost reimbursements to the manager.

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 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 2024, no loans were transferred from related mortgage funds to RMI VIII. No loans were transferred to related mortgage funds from RMI VIII.

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.

*- 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. 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. In June 2024, \$1.2 million was repaid to RMI VIII and the remaining \$500 thousand was repaid to RMI VIII in July 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 loan-to-value ratio (“LTV”). First mortgages are predominant, but second lien deeds of trust are not infrequent nor insignificant. First-mortgage loans comprised 72% of the portfolio at December 31, 2024 (94% at December 31, 2023).



**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

*Secured loans unpaid principal balance (principal)*

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

	2024			2023		
	Total	First Trust Deeds	Second Trust Deeds	Total	First Trust Deeds	Second Trust Deeds
Principal, beginning of year	\$ 47,635	\$ 44,890	\$ 2,745	\$ 60,088	\$ 55,803	\$ 4,285
Loans funded	—	—	—	5,700	4,200	1,500
Principal collected	(16,917)	(15,410)	(1,507)	(7,897)	(6,789)	(1,108)
Loans transferred to related mortgage fund	—	—	—	(3,956)	(2,024)	(1,932)
Loan to REO acquired by foreclosure (2024) or deed in lieu (2023)	(2,105)	(2,105)	—	(6,300)	(6,300)	—
Recategorized <sup>(1)</sup>	—	(5,691)	5,691	—	—	—
Loans sold to non-affiliate	(3,430)	(3,430)	—	—	—	—
Principal, end of year	<u>\$ 25,183</u>	<u>\$ 18,254</u>	<u>\$ 6,929</u>	<u>\$ 47,635</u>	<u>\$ 44,890</u>	<u>\$ 2,745</u>

(1) Partial release of security by the reconveyance of the first lien deed of trust (the primary collateral) was affected (pursuant to the terms of the note) after receipt in December 2024, of the proceeds from the sale of the primary collateral (by the borrower) which resulted in a reduction of the unpaid principal balance of approximately \$2.3 million; the second lien deed of trust thereby became the primary collateral and the loan was reclassified in the above table.

In December 2024, the partnership received a secured note from a borrower with a principal of \$1.0 million and bearing interest at 11.00% per annum, with monthly payments of principal and interest such that full amount owed is paid at maturity in 2027. The note refinanced a previously existing note with the same borrower that matured in 2024 with a principal of \$1.25 million and interest only payments at a rate of 7.25% per annum and was paid in full in May 2025.

In April 2024, the partnership acquired by foreclosure the property that collateralized a secured loan with a balance of approximately \$2.4 million (principal of \$2.1 million and approximately \$306 thousand of interest). In December, 2023, the partnership acquired by deed in lieu of foreclosure the property that collateralized a secured loan with a balance of approximately \$6.7 million (principal of \$6.3 million and approximately \$427 thousand of accrued interest and advances).

In 2024, one loan with principal of \$3.4 million was sold at par to an unaffiliated third party. Interest accrued of approximately \$98 thousand was charged off.

In 2024 and 2023, the partnership collected post-maturity and default interest – above the note-rate of \$343 thousand and \$89 thousand, respectively.

As of December 31, 2024, there were no construction or rehabilitation loans outstanding.

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

*Loan characteristics*

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

	December 31, 2024	December 31, 2023
Number of secured loans	7	12
First trust deeds	5	10
Second trust deeds	2	2
Secured loans – principal	\$ 25,183	\$ 47,635
First trust deeds	\$ 18,254	\$ 44,890
Second trust deeds	\$ 6,929	\$ 2,745
Secured loans – lowest interest rate (fixed)	8.0%	7.3%
Secured loans – highest interest rate (fixed)	11.0%	12.0%
Average secured loan – principal	\$ 3,598	\$ 3,970
Average principal as percent of total principal	14.3%	8.3%
Average principal as percent of partners’ capital, net of formation loan	8.4%	8.0%
Average principal as percent of total assets	7.9%	6.4%
Largest secured loan – principal	\$ 8,689	\$ 9,000
Largest principal as percent of total principal	34.5%	18.9%
Largest principal as percent of partners’ capital, net of formation loan	20.3%	18.2%
Largest principal as percent of total assets	19.0%	14.4%
Smallest secured loan – principal	\$ 880	\$ 880
Smallest principal as percent of total principal	3.5%	1.8%
Smallest principal as percent of partners’ capital, net of formation loan	2.1%	1.8%
Smallest principal as percent of total assets	1.9%	1.4%
Number of California counties where security is located	6	7
Largest percentage of principal in one California county	34.5%	27.7%

As of December 31, 2024, four loans with an aggregate principal of approximately \$14.3 million provide for monthly payments of interest only, with the principal due at maturity, and three loans with an aggregate principal of approximately \$10.9 million (representing approximately 43% of the aggregate principal of the partnership’s loan portfolio) provide for monthly payments of principal and interest – two loans with principal payments calculated on a 30-year amortization (with the remaining principal due at maturity) and one loan with principal of \$1.0 million is fully amortizing over its three-year term.

As of December 31, 2024, there were two loans in second lien position. The aggregate principal of the loans was approximately \$6.9 million as of December 31, 2024 and the weighted average LTV at loan origination (OLTV) was 52.3%. One of the two loans was past maturity as of December 31, 2024.

As of December 31, 2024, there were four loans with principal in excess of 10% of the total outstanding principal. The aggregate principal of these loans was approximately \$22.1 million as of December 31, 2024 and the weighted average LTV at loan origination was 37.4%.

- The partnership’s largest loan, with principal of approximately \$8.7 million (OLTV 25.2%), 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 \$5.7 million (OLTV 49.3%) – principal balance of \$8.0 million at funding – was 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 bore an interest rate of 8.375% per annum and matured on April 1, 2023. In December 2024, the principal was reduced to approximately \$5.7 million (and all interest then owing paid) by the proceeds received from the borrower’s sale of the mixed-use property. Also in December 2024, the partnership acquired the first-lien mortgage note with respect to the hotel from the lending bank at par (approximately \$3.7 million), as the bank had filed a notice-of-sale, with a foreclosure sale imminent. The acquired loan is presented on the balance sheet as ‘Mortgage note acquired’.

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

In April 2025, the hotel was sold, and the partnership received approximately \$7.3 million, comprised of proceeds from the sale plus cash contributed to the escrow per an agreement with the borrower. The proceeds were applied, as follows: First, approximately \$3.8 million to the payment in full of the acquired (in December 2024) first-lien mortgage note; and second, approximately \$3.5 million to the second-lien mortgage note as follows: approximately \$185 thousand payment in full of interest then owed, approximately \$35 thousand payment in full of advances then owed, and approximately \$3.3 million to pay down principal. (The resulting unpaid principal balance is approximately \$2.4 million. See *Provision/allowance for credit losses* later in this Note 4 – Loans.)

- The third loan, with principal of approximately \$4.1 million (OLTV 27.9%), is secured by an office building in the City of Newport Beach in Orange County, bears interest at a rate of 7.990% per annum and matures on September 1, 2025. The loan was paid in full in July 2025.
- The fourth loan, with principal of approximately \$3.6 million (OLTV 59.2%), is secured by a commercial/mixed use building in the City of Fairfield in Solano County, bears interest at a rate of 7.990% per annum and matures on February 1, 2027.

*Lien position/OLTV*

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

	December 31, 2024			December 31, 2023		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	5	\$ 18,254	72%	10	\$ 44,890	94%
Second trust deeds	2	6,929	28	2	2,745	6
Total principal, secured loans	7	25,183	100%	12	47,635	100%
Liens due other lenders at loan closing		8,051			9,412	
Total debt		\$ 33,234			\$ 57,047	
Appraised property value at loan closing		\$ 85,150			\$ 118,610	
OLTV (weighted average)		41.9%			52.6%	

At the time each loan was funded, the LTV was such that the protective equity in the collateral securing the loan was expected to be sufficient to preclude any expected credit losses of the principal of the loan, except where 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 December 31, 2024 are presented in the following table (\$ in thousands).

OLTV <sup>(2)</sup>	Secured loans, principal							
	First trust deeds	Percent	Count	Second trust deeds	Percent	Count	Total principal	Percent
<40%	\$ 12,824	50.9%	2	\$ —	0.0%	—	\$ 12,824	50.9%
40-49%	—	0.0	—	5,691	22.6	1	5,691	22.6
50-59%	4,430	17.6	2	—	0.0	—	4,430	17.6
60-69%	—	0.0	—	1,238	4.9	1	1,238	4.9
Subtotal <70%	17,254	68.5	4	6,929	27.5	2	24,183	96.0
70-79%	—	0.0	—	—	0.0	—	—	0.0
Subtotal <80%	17,254	68.5	4	6,929	27.5	2	24,183	96.0
≥80% <sup>(3)</sup>	1,000	4.0	1	—	0.0	—	1,000	4.0
Total	\$ 18,254	72.5%	5	\$ 6,929	27.5%	2	\$ 25,183	100.0%

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

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

- (3) In December 2024, the partnership received a secured note from a borrower with a principal of \$1.0 million and bearing interest at 11.00% per annum, with monthly payments of principal and interest such that full amount owed is paid at maturity in 2027, which refinanced a note evidencing a loan with the same borrower that matured in 2024 with a principal of \$1.25 million and interest only payments at a rate of 7.25% per annum. The loan was paid off in May 2025.

*Property type*

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

	December 31, 2024			December 31, 2023		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family <sup>(4)</sup>	1	\$ 1,238	5%	2	\$ 3,350	7%
Multi-family	1	1,000	4	1	1,250	3
Commercial						
Office	1	4,135	16	2	10,500	22
Retail	1	880	4	1	880	1
Industrial	—	—	0	1	4,200	9
Commercial – Other	3	17,930	71	5	27,455	58
Commercial Total	5	22,945	91	9	43,035	90
Total principal, secured loans	7	\$ 25,183	100%	12	\$ 47,635	100%

- (4) Single family includes one to four unit residential buildings, condominium units, townhouses and condominium complexes. At December 31, 2024, single family consisted of one loan with aggregate principal of approximately \$1.2 million that is non-owner occupied. At December 31, 2023, single family consisted of two loans with aggregate principal of approximately \$3.4 million that are 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, 2024		December 31, 2023	
	Principal	Percent	Principal	Percent
San Francisco Bay Area <sup>(5)</sup>				
San Francisco	\$ 6,691	26.6%	\$ 11,345	23.8%
Santa Clara	8,689	34.5	12,195	25.6
Solano	3,550	14.1	3,550	7.5
Marin	—	—	1,500	3.1
Alameda	1,238	4.9	1,245	2.6
Northern California Total	20,168	80.1	29,835	62.6
Southern California Coastal				
Los Angeles	880	3.5	4,600	9.7
Orange	4,135	16.4	13,200	27.7
Southern California Total	5,015	19.9	17,800	37.4
Total principal, secured loans	\$ 25,183	100.0%	\$ 47,635	100.0%

- (5) Includes Silicon Valley

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

*Scheduled maturities/Secured loans-principal*

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

	Loans	Principal	Percent	First Trust Deeds		Second Trust Deeds	
				Loans	Principal	Loans	Principal
2025	2	5,287	21%	2	5,287	—	—
2026	1	1,567	6	—	329	1	1,238
2027	3	12,638	50	3	12,638	—	—
Total scheduled maturities	6	19,492	77	5	18,254	1	1,238
Matured <sup>(6)</sup>	1	5,691	23	0	—	1	5,691
Total principal, secured loans	7	\$ 25,183	100%	5	\$ 18,254	2	6,929

(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, 2024, for the scheduled maturities table above may differ from the same captions in the tables of delinquencies and payments 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 or 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, 2024		December 31, 2023	
	Loans	Principal	Loans	Principal
Current	6	\$ 19,492	8	\$ 32,940
Past Due				
30-89 days	—	—	1	880
90-179 days	—	—	—	—
180 or more days	1	5,691	3	13,815
Total past due	1	5,691	4	14,695
Total principal, secured loans	7	\$ 25,183	12	\$ 47,635

At December 31, 2024 and December 31, 2023, there were no loan forbearance agreements in effect. The one loan past due at December 31, 2024 was in second lien position, was past maturity and had principal payments in arrears of approximately \$5.7 million. (See the table below - Secured loans payments in arrears at December 31, 2024 – for discussion of the updated status of the loan of \$5.7 million.).

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

*Delinquency/Secured loans with payments in arrears*

Secured loans with payments in arrears (one loan), principal by LTV and lien position at December 31, 2024 are presented in the following table (\$ in thousands).

OLTV <sup>(7)</sup>	Secured loans with payments in arrears, principal					
	First trust deeds	Percent <sup>(8)</sup>	Second trust deeds	Percent <sup>(8)</sup>	Total Principal	Percent <sup>(8)</sup>
<40%	\$ —	0.0%	\$ —	0.0%	\$ —	0.0%
40-49%	—	0.0	5,691	22.6	5,691	22.6
50-59%	—	0.0	—	0.0	—	0.0
60-69%	—	0.0	—	0.0	—	0.0
Subtotal <70%	—	0.0	5,691	22.6	5,691	22.6
70-79%	—	0.0	—	0.0	—	0.0
Subtotal <80%	—	0.0	5,691	22.6	5,691	22.6
≥80%	—	0.0	—	0.0	—	0.0
Total <sup>(9)</sup>	\$ —	0.0%	\$ 5,691	22.6%	\$ 5,691	22.6%

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

(8) Percent of total principal, secured loans (totaling \$25.2 million) at December 31, 2024.

(9) At December 31, 2024, \$5.7 million of principal included in the table was past maturity. See table below for more details on payments in arrears.

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

	Loans		Principal		Interest <sup>(10)</sup>		Total payments in arrears
	Past maturity	Monthly payments	Past maturity	Monthly payments	Past maturity	Monthly payments	
<b>At December 31, 2024</b>							
Past due							
30-89 days (1-3 payments)	—	—	\$ —	\$ —	\$ —	\$ —	\$ —
90-179 days (4-6 payments)	—	—	—	—	—	—	—
180 or more days (more than 6 payments)	1	—	5,691	—	—	—	5,691
Total past due	1	—	\$ 5,691	\$ —	\$ —	\$ —	\$ 5,691

(10) Interest for December 2024 is due January 1, 2025 and is not included in payments in arrears at December 31, 2024.

The matured loan with approximately \$5.7 million of unpaid principal (OLTV 49.3%) at December 31, 2024 (original principal of \$8.0 million at funding) was 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. The loan had an interest rate of 8.375% per annum and matured April 1, 2023. In December, 2024, the principal was reduced to approximately \$5.7 million (and all interest then owing paid) by the proceeds received from the borrower's sale of the mixed-use property. In December 2024, the partnership acquired the first-lien mortgage note with respect to the hotel from the lending bank at par (approximately \$3.7 million), as the bank had filed a notice-of-sale, with a foreclosure sale imminent.

In April 2025, the hotel was sold, and the partnership received approximately \$7.3 million, comprised of proceeds from the sale plus cash contributed to the escrow per an agreement with the borrower. The proceeds were applied, as follows: First, approximately \$3.8 million to the payment in full of the acquired (in December 2024) first-lien mortgage note; and second, approximately \$3.5 million to the second-lien mortgage note as follows: approximately \$185 thousand payment in full of interest then owed, approximately \$35 thousand payment in full of advances then owed, and approximately \$3.3 million to pay down the principal. (The resulting unpaid principal balance is approximately \$2.4 million. See *Provision/allowance for credit losses* later in this Note 4 – Loans.)

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

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

OLTV <sup>(11)</sup>	Secured loans past maturity, principal					
	First trust deeds	Percent <sup>(12)</sup>	Second trust deeds	Percent <sup>(12)</sup>	Total principal	Percent <sup>(12)</sup>
<40%	\$ —	0.0%	\$ —	0.0%	\$ —	0.0%
40-49%	—	0.0	5,691	22.6	5,691	22.6
50-59%	—	0.0	—	0.0	—	0.0
60-69%	—	0.0	—	0.0	—	0.0
Subtotal <70%	—	0.0	5,691	22.6	5,691	22.6
70-79%	—	0.0	—	0.0	—	0.0
Subtotal <80%	—	0.0	5,691	22.6	5,691	22.6
≥80%	—	0.0	—	0.0	—	0.0
Total	\$ —	0.0%	\$ 5,691	22.6%	\$ 5,691	22.6%

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

(12) Percent of total principal, secured loans (totaling \$25.2 million) at December 31, 2024.

*Non-accrual status/Secured loans*

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

	December 31, 2024	December 31, 2023
Number of loans	1	2
Principal	\$ 5,691	\$ 10,095
Advances	—	6
Accrued interest <sup>(13)</sup>	—	365
Total recorded investment	\$ 5,691	\$ 10,466
Foregone interest	\$ 34	\$ 265

(13) Accrued interest in the table above is the amount of interest accrued prior to the loan being placed on non-accrual status, net of any subsequent payments. Interest income of \$812 thousand and \$623 thousand were recognized for loans in non-accrual status in 2024 and 2023.

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.



**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

*Mortgage note acquired with more-than-insignificant credit impairment since origination*

In December 2024, the partnership acquired a first-lien mortgage note secured by property (a hotel in San Francisco) on which the partnership had a second lien from a lending bank at par (approximately \$3.7 million), as the bank had filed a notice-of-sale, with a foreclosure sale imminent. The acquired loan is presented on the balance sheet as ‘Mortgage note acquired’. The principal of the second lien note which the partnership held was approximately \$5.7 million. No allowance for credit losses was recorded at acquisition as the first-lien was deemed well collateralized.

*Provision/allowance for credit losses*

Activity in the allowance for credit losses for 2024 and 2023 are presented in the following table (\$ in thousands).

	2024	2023
Balance, December 31	\$ 160	\$ 55
Adoption of ASC 326 (CECL)	—	65
Balance, January 1	160	120
Charges-off – loan sale	(49)	—
Charges-off – loan to REO acquired by foreclosure	(110)	—
Provision for (recovery of) credit losses	2,539	40
Balance, December 31	\$ 2,540	\$ 160

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.

At December 31, 2024, one secured loan (matured April 1, 2023) with an unpaid principal balance of approximately \$5.7 million, which was secured by a second lien on a hotel in San Francisco, was deemed to be collateral dependent. The partnership recorded an estimated credit loss of \$2.4 million on the loan, which represented the difference between the amounts owed to the partnership and the net realizable value of the remaining underlying collateral less amounts owed to the first-lien holder.

In December 2024, the principal was reduced by \$2.3 million to approximately \$5.7 million (and all interest then owing paid) by the proceeds (approximately \$3.4 million) received from the borrower’s sale of the mixed-use property. Also in December 2024, the partnership acquired the first-lien mortgage note with respect to the hotel from the lending bank at par (approximately \$3.7 million), as the bank had filed a notice-of-sale, with a foreclosure sale imminent.

In April 2025, the hotel was sold, and the partnership received approximately \$7.3 million, comprised of proceeds from the sale plus cash contributed to the escrow per an agreement with the borrower. The proceeds were applied, as follows: First, approximately \$3.8 million to the payment in full of the acquired (in December 2024) first-lien mortgage note; and second, approximately \$3.5 million to the second-lien mortgage note as follows: approximately \$185 thousand payment in full of interest then owed, approximately \$35 thousand payment in full of advances then owed, and approximately \$3.3 million to pay down principal. The resulting unpaid principal balance approximates \$2.4 million, for which a provision for credit losses was recorded in 2024.

In August 2025, a sale of the future rents from a cell tower installed at the hotel closed and the partnership received approximately \$1.1 million. The proceeds were applied to the then owed balances on the second-lien mortgage note as follows: interest then owed paid in full and approximately \$1.0 million applied to principal. The resulting unpaid principal balance approximates \$1.3 million and was charged off in August 2025, as it was deemed uncollectible. The recovery for credit losses of \$1.1 million was recorded in the quarter ended June 2025 when the terms of the sale were completed and the conditions precedent to the sale (and certain contingencies) were expected to be met and/or released.



**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

The number of secured loans and their principal and weighted average OLV at December 31, 2024 and the projected number of secured loans at year-end in 2025 through 2028 and their projected principal and weighted average OLV based on contractual maturities (by lien position) are presented in the following table (\$ in thousands).

	Loans	Principal	OLTV	First Trust Deeds			Second Trust Deeds		
				Loans	Principal	OLTV	Loans	Principal	OLTV
December 31, 2024	7	\$ 25,183	41.9%	5	\$ 18,254	38.0%	2	\$ 6,929	52.3%
December 31,									
2025	4	14,205	41.1	3	12,967	38.7	1	1,238	65.8
2026	3	12,638	37.1	3	12,638	37.1	—	—	0.0
2027	—	—	0.0	—	—	0.0	—	—	0.0
2028	—	—	0.0	—	—	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.

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

REO transactions and valuation adjustments for 2024 and 2023 are summarized in the following tables (\$ in thousands).

	2024		
	REO	Valuation Allowance	REO, net
Balance, beginning of year	\$ 12,782	\$ (50)	\$ 12,732
Acquisitions from foreclosure	2,236	—	2,236
Valuation allowance adjustment	—	(454)	(454)
Balance, December 31, 2024	<u>\$ 15,018</u>	<u>\$ (504)</u>	<u>\$ 14,514</u>
	2023		
	REO	Valuation Allowance	REO, net
Balance, beginning of year	\$ 5,911	\$ —	\$ 5,911
Acquisitions from foreclosure	6,871	—	6,871
Valuation allowance adjustment	—	(50)	(50)
Balance, December 31, 2023	<u>\$ 12,782</u>	<u>\$ (50)</u>	<u>\$ 12,732</u>

REO at December 31, 2024 was comprised of four properties with an aggregate carrying value of approximately \$14.5 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 signage rights for the exterior façade of the building.

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

*Hollywood Hills SFRs*

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. The partnership has secured possession and control of the SFRs and agreed to pay \$127 thousand upon surrender of the properties and compliance with other terms. These matters have been resolved by dismissal, final judgment, or settlement in July 2024. The settlement included a general release of all known and unknown claims. In 2024, the partnership recorded an increase in the valuation allowance of approximately \$400 thousand for these properties based on current estimates of their fair market values less costs to sell.

Both SFRs were listed for sale in May 2025, and in August 2025 the larger of the two SFRs sold for an amount that – net of sales costs – approximated the carrying cost of the REO (\$3.5 million). RMI VIII facilitated the transaction with financing by a \$2.0 million first mortgage note at 6% interest, maturing in August 2026.

A mortgage note payable to a third-party lender secured by a first trust deed on the sold property was paid in full from the proceeds of the sale. The mortgage note was scheduled to mature in November 2044, with interest at 6.125% per annum until November 1, 2025, and at a variable rate thereafter. At December 31, 2024, principal was approximately \$1.3 million. Monthly payments were approximately \$17 thousand, and as of December 31, 2024, were paid through December 1, 2024. Accounts payable at December 31, 2024, includes \$29 thousand for negative escrow and unpaid late charges.

In August 2024, a reinstatement payment was made on the mortgage note payable to bring amounts owing current through August 2024. As a result, the notice of default previously recorded due to defaults by the original borrower was rescinded.

*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. In June 2025, the unit sold for \$2.4 million and the net proceeds to the partnership approximated the carrying value of \$2.2 million.

*San Francisco real estate interest*

The storage lockers and the signage rights are being offered for sale. In 2024, the partnership recorded an increase in the valuation allowance of approximately \$54 thousand for this property.

*REO, net*

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

	2024	2023
Holding costs, net of other income	\$ (505)	\$ (251)
Gain/(loss) on foreclosure	—	57
Valuation allowance adjustments	(454)	(50)
REO, net	<u>\$ (959)</u>	<u>\$ (244)</u>

Holding costs, net of other income, include month-to-month rental income of approximately \$195 thousand in 2024 (from two properties) and \$33 thousand in 2023 (from one property). These amounts relate to a multi-family building, unit-storage lockers, and signage located in San Francisco County.

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**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* – 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.

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**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).

	2024	2023
Balance, January 1	\$ 7,110	\$ 10,000
Draws	—	—
Repayments	(7,110)	(2,890)
Balance, December 31,	\$ —	\$ 7,110
Line of credit – average daily balance	\$ 3,274	\$ 8,914

At December 31, 2024, in conjunction with the Plan of Dissolution, the term note (to which the line of credit had been converted as of March 13, 2024, in conjunction with the Plan of Dissolution) was paid in full. Amortized debt issuance costs included in interest expense approximated \$7 thousand and \$29 thousand for 2024 and 2023, respectively. Debt issuance costs of approximately \$57 thousand from the modification agreement were amortized over the two-year term.

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 payments 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 had no obligation to maintain a loan payment delinquency rate (described below) as the outstanding principal balance of borrowings had been reduced to below \$5.0 million, and non-compliance with the debt service coverage covenant (unless coincident with another covenant violation) did not accelerate the payment terms. Payoffs of loans pledged to secure the term note continued 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 existing 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 was \$45 million or greater, the partnership was able to borrow up to \$9.1 million; (ii) the tangible net worth of the partnership was less than \$45 million but was at least \$35 million, the partnership was able to borrow up to \$5.25 million; and (iii) the tangible net worth of the partnership was less than \$35 million but was at least \$30 million, the partnership was able to 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; additionally, the partnership was required to have a loan payment delinquency rate of less than fifty percent (50.0%) at calendar quarter-end if borrowings under the 2023 agreement were greater than \$5.0 million, calculated as the principal of loans with payments over 61 days past due as determined by the lender’s guidance, less loan loss allowances, divided by total principal of the partnership’s loans.

**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 limited partners’ capital at December 31, 2024.

*Legal proceedings*

As of December 31, 2024, 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 year ended 2024.

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 have any material financial impact to the net income or balance sheet of the partnership.

**REDWOOD MORTGAGE INVESTORS VIII, L.P.**  
**(A California Limited Partnership)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**NOTE 9 – SUBSEQUENT EVENTS**

The partnership evaluated subsequent events that have occurred after December 31, 2024 through September 3, 2025, 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.