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

QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2025

REDWOOD MORTGAGE INVESTORS VIII, L.P.

Consolidated Balance Sheets
March 31, 2025 and December 31, 2024 (unaudited)
(\$ in thousands)

	March 31, 2025	December 31, 2024
<u>ASSETS</u>		
Cash, in banks	\$ 2,852	\$ 4,734
Loans		
Principal	21,508	25,183
Advances	9	9
Accrued interest	110	114
Loan balances secured by deeds of trust	21,627	25,306
Allowance for credit losses	(2,662)	(2,540)
Loan balances secured by deeds of trust, net	18,965	22,766
Mortgage note acquired	3,656	3,656
Real estate owned (REO), net	14,514	14,514
Receivable from related mortgage fund	11	—
Other assets	218	61
Total assets	\$ 40,216	\$ 45,731
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
Accounts payable	\$ 70	\$ 78
Payable to manager	46	61
Accrued liabilities	1,634	1,477
Mortgage payable	1,255	1,263
Total liabilities	3,005	2,879
Commitments and Contingencies		
Partners' capital		
Limited partners' capital	39,922	45,903
General partners' deficit	(647)	(637)
Total partners' capital	39,275	45,266
Receivable from manager (formation loan)	(2,064)	(2,414)
Partners' capital, net of formation loan	37,211	42,852
Total liabilities and partners' capital	\$ 40,216	\$ 45,731

REDWOOD MORTGAGE INVESTORS VIII, L.P.

Consolidated Statements of Income (Loss)
For the Three Months Ended March 31, 2025 and 2024 (unaudited)
(\$ in thousands)

	Three Months Ended March 31 ,	
	2025	2024
Revenue		
Interest income	\$ 516	\$ 786
Interest expense		
Line of credit	—	(162)
Mortgages payable	(19)	(14)
Total interest expense	(19)	(176)
Net interest income	497	610
Late fees	3	—
Total revenue, net	500	610
Provision for credit losses	122	70
Operations expense		
Dissolution fee to Redwood Mortgage Corp.	350	—
Mortgage servicing fees to Redwood Mortgage Corp.	93	173
Asset management fees to Redwood Mortgage Corp.	43	50
Costs from Redwood Mortgage Corp.	105	134
Professional services	426	436
REO, net	345	137
Dissolution Consent Solicitation	2	2
Other	5	6
Total operations expense	1,369	938
Net (loss)	\$ (991)	\$ (398)
Net (loss)		
Limited partners (99%)	\$ (981)	\$ (394)
General partners (1%)	(10)	(4)
Net (loss)	\$ (991)	\$ (398)

Consolidated Statements of Changes in Partners' Capital
For the Three Months Ended March 31, 2025 (unaudited)
(\$ in thousands)

	Limited Partners' Capital	General Partners' Capital (Deficit)	Total Partners' Capital
Balance, December 31, 2024	\$ 45,903	\$ (637)	\$ 45,266
Net loss	(981)	(10)	(991)
Withdrawals	(5,000)	—	(5,000)
Balance, March 31, 2025	\$ 39,922	\$ (647)	\$ 39,275

REDWOOD MORTGAGE INVESTORS VIII, L.P.

Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2025 and 2024 (unaudited)
(\$ in thousands)

	Three Months Ended March 31 ,	
	2025	2024
Operating activities		
Interest income received	\$ 520	\$ 1,607
Interest expense	(13)	(174)
Late fees and other loan income	2	—
Operations expense	(1,408)	(1,107)
Total cash (used in) provided by operating activities	(899)	326
Investing activities		
Loans principal and advances collected	3,675	5,025
Total cash provided by investing activities	3,675	5,025
Financing activities		
Partners' capital – withdrawals	(5,000)	—
RMC payments – formation loan	350	—
Line of credit – repayments	—	(2,539)
Promissory note repaid to related mortgage fund	—	(2,800)
Mortgage repayment	(8)	—
Total cash (used in) financing activities	(4,658)	(5,339)
Net (decrease) increase in cash	(1,882)	12
Cash, beginning of year	4,734	397
Cash, end of period	\$ 2,852	\$ 409

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

	2025	2024
Cash flows from operating activities		
Net (loss)	\$ (991)	\$ (398)
Adjustments to reconcile net (loss) to net cash (used in) provided by operating activities		
Provision for credit losses	122	70
Amortization of debt issuance costs	—	7
REO – valuation adjustment	—	98
Change in operating assets and liabilities		
Accrued interest	4	836
Prepaid interest	—	(15)
Receivable from related party	(11)	18
Other assets	(157)	(50)
Accounts payable and accrued liabilities	149	(284)
Payable to related party	(15)	44
Total cash (used in) provided by operating activities	\$ (899)	\$ 326

REDWOOD MORTGAGE INVESTORS VIII, L.P.

March 31, 2025 (unaudited)

Overview

Redwood Mortgage Investors VIII, L.P., a California Limited Partnership (“RMI VIII” or “the partnership”), was formed in 1993 to engage in business as a mortgage lender and investor by making and holding-for-investment mortgage loans secured by California real estate, primarily through first and second deeds of trust. The general partners are Redwood Mortgage Corp. (“RMC” or “the manager”) and Michael R. Burwell, the President, Secretary and Treasurer of RMC and RMC’s principal shareholder.

The partnership is externally managed by RMC.

- RMC is solely responsible for managing the business and affairs of RMI VIII, subject to the voting rights of the limited partners on specified matters. The manager acting alone has the power and authority to act for and bind the partnership.
- RMC provides personnel and services necessary for RMI VIII to conduct its business as the partnership has no employees of its own.
- The mortgage loans the partnership funded and invested in were arranged and generally are serviced by RMC.

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

Plan of Dissolution (2023 August)

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

Under the Plan of Dissolution: RMI VIII ceased making new loans and only engages in business activities necessary or convenient to wind-up the partnership’s business and distribute partnership assets. As part of the wind-up activities, RMC, in its sole discretion, is to liquidate the partnership’s assets as promptly as is consistent with obtaining the current fair value thereof, which may include: (i) collecting loan payments from borrowers under existing loan terms; (ii) selling loans to third parties; (iii) selling loans to either or both general partners or their affiliates, subject to the limitations set forth in the Partnership Agreement; (iv) enforcing delinquent loans through foreclosure or negotiating settlements with the borrowers and/or any guarantors or other obligors on such loans; (v) selling any “real estate owned” (property acquired by foreclosure) held by the partnership; and (vi) taking any other actions determined by RMC to be consistent with recovering the fair market value of any partnership assets and authorized in the Partnership Agreement and the Plan. RMC may sell all, or substantially all, of the loans in the partnership’s portfolio to one or more unaffiliated third party purchasers, provided RMC determines, in its reasonable judgment, that the applicable portfolio sale is in the interest of the partnership and the limited partners taking into account the value of the loans in the portfolio being sold and the potential cost savings and other economic advantages gained from the sale of several loans in a single transaction rather than on a loan-by-loan basis. Under the Plan, RMC is entitled to a dissolution fee in an amount equal to 7.0% of each capital distribution to be made to the limited partners over the course of the wind-up period (the “Dissolution Fee”). The Dissolution Fee is to be paid to RMC quarterly, on or by the last business day of each calendar quarter based on the expected capital distribution to be paid to the limited partners for such quarter. The Dissolution Fee is treated as an expense of the partnership and included in the allocation of income/losses to limited partners’ capital accounts. RMC will continue to collect loan servicing fees, cost reimbursements, and other fees received as manager of the partnership, in addition to the Dissolution Fee, and the general partners will continue to collect asset management and other fees and be entitled to cost reimbursements.

Under the Plan of Dissolution: (i) all limited partners, including limited partners who previously elected not to receive periodic distributions of partnership net income under the Partnership Agreement, 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.

March 31, 2025 (unaudited)

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 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.

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.

REDWOOD MORTGAGE INVESTORS VIII, L.P.

March 31, 2025 (unaudited)

Real estate owned (REO)

Real estate owned (“REO”) is property acquired in full or partial settlement of loan obligations generally through foreclosure and is recorded at acquisition at the property’s fair value less estimated costs to sell, as are other assets acquired and liabilities assumed (or any senior debt the property is taken subject to). The fair value estimates are derived from information available in the real estate markets, including similar property, and often require the experience and judgment of third parties such as commercial real estate appraisers and brokers. The estimates figure materially in calculating the value of the property at acquisition, the level of charge to the allowance for credit losses and any subsequent valuation reserves. After acquisition, costs incurred relating to the development and improvement of property are capitalized to the extent they do not cause the recorded value to exceed the net realizable value, whereas costs relating to holding and disposition of the property are expensed as incurred 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.

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.

Dissolution fee

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

Payments received from RMC (upon the receipt by RMC of the Dissolution Fee triggered by the redemption distributions) as of March 31, 2025 have totaled \$350 thousand.

Mortgage servicing fees

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

Asset management fees

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

Costs from RMC

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

REDWOOD MORTGAGE INVESTORS VIII, L.P.

March 31, 2025 (unaudited)

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 \$2.1 million remains outstanding at March 31, 2025.

Limited partners’ capital – redemption distributions

Redemption distributions made pro rata to all limited partners during the three months ended March 31, 2025 were \$5.0 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 March 31, 2025, the payable to related parties of approximately \$46 thousand consisted exclusively of accounts payable due to the manager. The receivable from related parties of approximately \$11 thousand consisted exclusively of accounts receivable from a related mortgage fund.

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

- Loan transactions with related mortgage funds

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

In the three months ended March 31, 2025 and 2024, no loans were transferred from related mortgage funds to RMI VIII. No loans were transferred to related mortgage funds from RMI VIII.

REDWOOD MORTGAGE INVESTORS VIII, L.P.

March 31, 2025 (unaudited)

LOANS

Prior to the Dissolution Date, loans were generally funded at a fixed interest rate with a loan term of up to five years. Loans acquired between related mortgage funds are generally done so within the first six months of origination and are purchased at par value, which approximates fair value. See “General Partners and Other Related Parties” for a description of loans transferred by executed assignments between the related mortgage funds.

The partnership’s loans are secured by real estate in coastal California metropolitan areas. The portfolio segments are first and second trust deeds mortgages and the key credit quality indicator is the LTV. First mortgages are predominant, but second lien deeds of trust are not infrequent nor insignificant. First-mortgage loans comprised 68% of the portfolio at March 31, 2025 (72% at December 31, 2024).

Secured loans unpaid principal balance (principal)

Secured loan transactions for the three months ended March 31, 2025 are summarized in the following table (\$ in thousands).

	Total	First Trust Deeds	Second Trust Deeds
Principal, beginning of year	\$ 25,183	\$ 18,254	\$ 6,929
Principal collected	(3,675)	(3,673)	(2)
Principal, end of period	<u>\$ 21,508</u>	<u>\$ 14,581</u>	<u>\$ 6,927</u>

Loan characteristics

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

	March 31, 2025	December 31, 2024
Number of secured loans	7	7
First trust deeds	5	5
Second trust deeds	2	2
Secured loans – principal	\$ 21,508	\$ 25,183
First trust deeds	\$ 14,581	\$ 18,254
Second trust deeds	\$ 6,927	\$ 6,929
Secured loans – lowest interest rate (fixed)	8.0%	8.0%
Secured loans – highest interest rate (fixed)	11.0%	11.0%
Average secured loan – principal	\$ 3,073	\$ 3,598
Average principal as percent of total principal	14.3%	14.3%
Average principal as percent of partners’ capital, net of formation loan	8.3%	8.4%
Average principal as percent of total assets	7.6%	7.9%
Largest secured loan – principal	\$ 8,668	\$ 8,689
Largest principal as percent of total principal	40.3%	34.5%
Largest principal as percent of partners’ capital, net of formation loan	23.3%	20.3%
Largest principal as percent of total assets	21.6%	19.0%
Smallest secured loan – principal	\$ 530	\$ 880
Smallest principal as percent of total principal	2.5%	3.5%
Smallest principal as percent of partners’ capital, net of formation loan	1.4%	2.1%
Smallest principal as percent of total assets	1.3%	1.9%
Number of California counties where security is located	6	6
Largest percentage of principal in one California county	40.3%	34.5%

REDWOOD MORTGAGE INVESTORS VIII, L.P.

March 31, 2025 (unaudited)

As of March 31, 2025, 4 loans with principal of approximately \$10.7 million provide for monthly payments of interest only, with the principal due at maturity, and 3 loans with principal of approximately \$10.9 million (representing approximately 50% of the aggregate principal of the partnership's loan portfolio) provide for monthly payments of principal and interest, typically calculated on a 30-year amortization, with the remaining principal due at maturity.

As of March 31, 2025, there were 2 loans in second lien position. The aggregate principal of these loans is approximately \$6.9 million and the weighted average LTV at origination (OLTV) was 52.3%.

As of March 31, 2025, there were 3 loans each with principal in excess of 10% of the total outstanding principal. The aggregate principal of these loans was approximately \$17.9 million and the weighted average OLTV is 39.6%.

- The partnership's largest loan, with principal of approximately \$8.7 million (OLTV 25.1%), is secured by a commercial building in the City of Santa Clara in Santa Clara County, bears an interest rate of 8.375% per annum 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'.

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.*)

- The third 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 an interest 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).

	March 31, 2025			December 31, 2024		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	5	\$ 14,581	68%	5	\$ 18,254	72%
Second trust deeds	2	6,927	32	2	6,929	28
Total principal, secured loans	<u>7</u>	<u>21,508</u>	<u>100%</u>	<u>7</u>	<u>25,183</u>	<u>100%</u>
Liens due other lenders at loan closing		8,051			8,051	
Total debt		<u>\$ 29,559</u>			<u>\$ 33,234</u>	
Appraised property value at loan closing		<u>\$ 85,150</u>			<u>\$ 85,150</u>	
OLTV (weighted average)		<u>43.3%</u>			<u>41.9%</u>	

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.

REDWOOD MORTGAGE INVESTORS VIII, L.P.

March 31, 2025 (unaudited)

Secured loans, principal by OLTV and lien position at March 31, 2025 are presented in the following table (\$ in thousands).

OLTV ⁽¹⁾	Secured loans, principal							
	First trust deeds	Percent	Count	Second trust deeds	Percent	Count	Total principal	Percent
<40%	\$ 9,198	42.8%	2	\$ —	0.0%	—	\$ 9,198	42.8%
40-49%	—	0.0	—	—	0.0	—	—	0.0
50-59%	4,430	20.6	2	5,691	26.5	1	10,121	47.1
60-69%	—	0.0	—	1,236	5.7	1	1,236	5.7
Subtotal <70%	13,628	63.4	4	6,927	32.2	2	20,555	95.6
70-79%	—	0.0	—	—	0.0	—	—	0.0
Subtotal <80%	13,628	63.4	4	6,927	32.2	2	20,555	95.6
≥80% ⁽²⁾	953	4.4	1	—	0.0	—	953	4.4
Total	<u>\$ 14,581</u>	<u>67.8%</u>	<u>5</u>	<u>\$ 6,927</u>	<u>32.2%</u>	<u>2</u>	<u>\$ 21,508</u>	<u>100.0%</u>

(1) LTV classifications in the table above are based on principal, advances and interest unpaid at March 31, 2025.

(2) 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).

	March 31, 2025			December 31, 2024		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family ⁽³⁾	1	\$ 1,236	6%	1	\$ 1,238	5%
Multi-family	1	953	4	1	1,000	4
Commercial						
Office	1	530	2	1	4,135	16
Retail	1	880	4	1	880	4
Industrial	—	—	0	—	—	0
Commercial – Other	3	17,909	83	3	17,930	71
Commercial Total	5	19,319	90	5	22,945	91
Total principal, secured loans	<u>7</u>	<u>\$ 21,508</u>	<u>100%</u>	<u>7</u>	<u>\$ 25,183</u>	<u>100%</u>

(3) Single family includes one to four unit residential buildings, condominium units, townhouses and condominium complexes. At March 31, 2025, single family consists of one loan with aggregate principal of approximately \$1.2 million that are non-owner occupied. At December 31, 2024, single family consisted of one loan with aggregate principal of approximately \$1.2 million that is non-owner occupied.

REDWOOD MORTGAGE INVESTORS VIII, L.P.

March 31, 2025 (unaudited)

Distribution of secured loans-principal by California counties

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

	March 31, 2025		December 31, 2024	
	Principal	Percent	Principal	Percent
San Francisco Bay Area ⁽⁴⁾				
San Francisco	\$ 6,644	30.9%	\$ 6,691	26.6%
Santa Clara	8,668	40.3	8,689	34.5
Solano	3,550	16.5	3,550	14.1
Alameda	1,236	5.7	1,238	4.9
Northern California Total	20,098	93.4	20,168	80.1
Southern California Coastal				
Los Angeles	880	4.1	880	3.5
Orange	530	2.5	4,135	16.4
Southern California Total	1,410	6.6	5,015	19.9
Total principal, secured loans	<u>\$ 21,508</u>	<u>100.0%</u>	<u>\$ 25,183</u>	<u>100.0%</u>

(4) Includes the Silicon Valley

Scheduled maturities/Secured loans-principal

Secured loans scheduled to mature in periods as of and after March 31, 2025 are presented in the following table (\$ in thousands).

	Loans	Principal	Percent	First Trust Deeds		Second Trust Deeds	
				Loans	Principal	Loans	Principal
2025	2	1,634	8%	2	1,634	—	—
2026	1	1,565	7	—	329	1	1,236
2027	3	12,618	59	3	12,618	—	—
2028	—	—	0	—	—	—	—
Total scheduled maturities	6	15,817	74	5	14,581	1	1,236
Matured ⁽⁵⁾	1	5,691	26	0	—	1	5,691
Total principal, secured loans	<u>7</u>	<u>\$ 21,508</u>	<u>100%</u>	<u>5</u>	<u>\$14,581</u>	<u>2</u>	<u>6,927</u>

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

Scheduled maturities are presented based on the most recent in-effect agreement with the borrower, including forbearance agreements, if any. As a result, matured loans at March 31, 2025, 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

At March 31, 2025 and December 31, 2024, there were no loan forbearance agreements in effect. The one loan past due at March 31, 2025 was in second lien position, was past maturity and had principal payments in arrears of approximately \$5.7 million. (See Provision/allowance for credit losses.)

REDWOOD MORTGAGE INVESTORS VIII, L.P.

March 31, 2025 (unaudited)

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 at March 31, 2025. No allowance for credit losses was recorded at acquisition as the first-lien was deemed well collateralized. See *Allowance for credit losses/provision (recovery)*.

Allowance for credit losses/provision (recovery)

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

	2025	2024
Balance, December 31	\$ 2,540	\$ 160
Provision for (recovery of) credit losses	122	70
Balance, March 31	<u>\$ 2,662</u>	<u>\$ 230</u>

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.

As of March 31, 2025, this loan was the only loan in non-accrual status and had an unpaid principal balance of approximately \$5.7 million, advances of approximately 9 thousand, accrued interest of approximately \$5 thousand and foregone interest of \$154 thousand. Interest income of \$5 thousand was recognized for the loan in non-accrual status in the three months ended March 31, 2025.

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 \$1.2 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.

The number of secured loans and their principal and weighted average OLV at March 31, 2025 and the projected number of secured loans at year-end in 2025 through 2027 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
March 31, 2025	7	\$ 21,508	43.3%	5	\$ 14,581	39.0%	2	\$ 6,927	52.3%
December 31,									
2025	4	14,183	40.4	3	12,947	38.0	1	1,236	65.8
2026	3	12,618	36.3	3	12,618	36.3	—	—	0.0
2027	—	—	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. A loan with \$953 thousand of unpaid principal at March 31, 2025 maturing on December 31, 2027 was paid off in May 2025. A loan with \$530 thousand of unpaid principal at

REDWOOD MORTGAGE INVESTORS VIII, L.P.

March 31, 2025 (unaudited)

March 31, 2025 maturing on September 1, 2025 was paid off in July 2025. A loan with \$5.7 million of unpaid principal at March 31, 2025 matured on April 1, 2023 was paid down to approximately \$1.3 million in August 2025, and this amount was charged off.

REAL ESTATE OWNED (REO) AND MORTGAGE PAYABLE

REO transactions and valuation adjustments for the three months ended March 31, 2025 are summarized in the following tables (\$ in thousands).

	2025		
	Three Months Ended March 31, 2025		
	REO	Valuation Allowance	REO, net
Balance, beginning of year	\$ 15,018	\$ (504)	\$ 14,514
Balance, March 31, 2025	\$ 15,018	\$ (504)	\$ 14,514

REO at March 31, 2025 was comprised of three properties with a carrying value of approximately \$14.5 million.

- In Los Angeles County (Hollywood Hills), two single-family residences on separate, adjoining parcels.
- In San Francisco, a multi-family building acquired (and possession was taken) in December 2023 by deed in lieu of foreclosure, to be converted and sold to tenants-in-common.
- In San Francisco, a 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.

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 were resolved by settlement in July 2024. The settlement included a general release of all known and unknown claims.

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 of 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 March 31, 2025, principal was approximately \$1.3 million. Monthly payments were approximately \$16 thousand, and as of March 31, 2025, were paid through March 1, 2025. Accounts payable at March 31, 2025 includes \$0 for negative escrow and unpaid late charges.

San Francisco multi-family

The multi-family building in San Francisco was acquired (and possession was taken) on December 30, 2023, by a deed in lieu of foreclosure and a corresponding transfer agreement. The building's net realizable value was determined based on the present value of expected cash flows, including sales proceeds (net), conversion cost (to tenants-in-common), repair and upgrade costs and operating costs (net of rental income), discounted at a market rate of return.

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.

REDWOOD MORTGAGE INVESTORS VIII, L.P.

March 31, 2025 (unaudited)

San Francisco real estate interest

The storage lockers and the signage rights are being offered for sale.

REO, net

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

	Three Months Ended March 31,	
	2025	2024
Holding costs, net of other income	\$ (345)	\$ (39)
Gain/(loss) on foreclosure	—	(98)
REO, net	<u>\$ (345)</u>	<u>\$ (137)</u>

Holding costs, net of other income includes month-to-month rents received of approximately \$42 thousand and 51 thousand for a multi-family building, unit-storage lockers and signage in San Francisco County for the three months ended March 31, 2025 and 2024, respectively.

LINE OF CREDIT

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 \$0 and \$7 thousand for the three months ended March 31, 2025 and 2024, respectively. Debt issuance costs of approximately \$57 thousand from the modification agreement were amortized over the two-year term.

SUBSEQUENT EVENTS

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

RESULTS OF OPERATIONS

The following supplemental information should be read in conjunction with the unaudited financial statements and notes thereto as well as the audited financial statements and the notes thereto for the year ended December 31, 2024. The results of operations for the three months ended March 31, 2025 are not necessarily indicative of the results to be expected for the full year.

Key performance indicators

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

	2025	2024
Limited partners' capital – end of period	\$ 39,922	\$ 52,252
Limited partners' capital – average balance	\$ 42,913	\$ 52,449
Limited partners' capital – withdrawals ⁽¹⁾	\$ 5,000	\$ —
Secured loans principal – end of period balance	\$ 21,508	\$ 42,758
Secured loans principal – average daily balance	\$ 23,237	\$ 45,045
Number of first trust deeds	5	9
Principal – first trust deeds	\$ 14,581	\$ 40,015
Weighted average OLTV – first trust deeds ⁽²⁾	39.0%	50.1%
Number of second trust deeds	2	2
Principal – second trust deeds	\$ 6,927	\$ 2,743
Weighted average OLTV – second trust deeds ⁽²⁾	52.3%	61.1%
Interest income	\$ 516	\$ 786
Portfolio interest rate ⁽³⁾	8.6%	8.9%
Effective yield rate ⁽⁴⁾	8.9%	7.0%
Line of credit – end of period	\$ —	\$ 4,571
Line of credit – average daily balance	\$ —	\$ 5,746
REO	\$ 14,514	\$ 5,911
Mortgages payable – end of period	\$ 1,255	\$ 1,312
Mortgages payable – average daily balance	\$ 1,307	\$ 1,312
Average interest rate – line of credit	0.0%	8.6%
Interest expense		
Line of credit	\$ —	\$ 162
Mortgages payable	\$ 19	\$ 14
Provision for (recovery of) loan losses	\$ 122	\$ 70
Operations expense	\$ 1,369	\$ 938
Net income (loss)	\$ (991)	\$ (398)
Percent ⁽⁵⁾⁽⁶⁾	-9.1%	-3.0%

(1) Under the Plan of Dissolution, quarterly pro rata withdrawals to all limited partners of cash received from the liquidation of partnership assets and available to fund capital distributions, net of payments on borrowings.

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

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

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

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

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

Analysis and discussion of income from operations 2025 v. 2024 (three months ended)

Significant changes to net income for the three months ended March 31, 2025 compared to the same period in 2024 are summarized in the following table (\$ in thousands).

	Net interest income	Provision for (recovery of) credit losses	Operations expense	Net income
<u>Three months ended</u>				
March 31, 2025	\$ 497	122	1,369	\$ (991)
March 31, 2024	610	70	938	(398)
Change	<u>\$ (113)</u>	<u>52</u>	<u>431</u>	<u>\$ (593)</u>
<u>Change</u>				
Decrease secured loans principal – average daily balance	(484)	—	(80)	(404)
Effective yield rate	214	—	—	214
Amortization of debt issuance costs	7	—	—	7
Interest on line of credit and promissory note from a related mortgage fund	155	—	—	155
Interest on mortgages payable assumed at foreclosure	(5)	—	—	(5)
Increase in provision year-over-year	—	52	—	(52)
Dissolution fee	—	—	350	(350)
Decrease limited partners' capital – average balance	—	—	(18)	18
Decrease in allocable expenses from the manager	—	—	(18)	18
Legal, audit and consulting	—	—	(12)	12
REO foreclosure, net	—	—	(98)	98
REO holding costs	—	—	306	(306)
Late fees	—	—	—	3
Other	—	—	1	(1)
Change	<u>\$ (113)</u>	<u>52</u>	<u>431</u>	<u>\$ (593)</u>

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

Net interest income

Net interest income decreased approximately \$113 thousand (18.5%) for the three months ended March 31, 2025 compared to the same period in 2024. The decrease in net interest income was due to a decrease in interest income of approximately \$270 thousand (34.4%), as the partnership is no longer making new loans as a result of the Dissolution and existing loans are being paid off, converted to REO, or moving to non-accrual status. The decrease in interest income was partially offset by a decrease in interest expense of approximately \$157 thousand (89.2%), primarily resulting from a decrease in interest expense of approximately \$125 thousand (100%) on the line of credit and a decrease in interest expenses of approximately \$30 thousand (100%) on a promissory note from a related mortgage fund.

The line of credit – average daily balance decreased approximately \$5.7 million (100.0%) for the three months ended March 31, 2025 compared to the same period in 2024 due to the pay off of the term note (to which the outstanding balance under the line of credit was converted) in December 2024.

Provision for (recovery of) credit losses

In three months ended March 31, 2025, a provision for credit losses of approximately \$122 thousand was recorded due to an allowance relating to one secured loan (matured April 1, 2023 – unpaid principal balance of \$5.7 million at March 31, 2025) secured by a second lien on a hotel, both in the City and County of San Francisco. In the three months ended June 30, 2025, RMI VIII recorded a recovery of credit losses of approximately \$1.2 million when the hotel was sold, the terms of the sales contract (the proceeds of which are to be remitted to the partnership) were completed and the conditions precedent to the sale (and certain contingencies) were met and/or released (see Loans – Allowance for credit losses/provision (recovery)).

In the three months ended March 31, 2024, a provision for credit losses of approximately \$70 thousand was recorded, primarily due to an allowance relating to one secured loan (matured April 1, 2023 – principal balance of \$8.0 million at funding) which 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. 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.

Operations expense

Significant changes to operations expense for the three months ended March 31, 2025 compared to the same period in 2024 are summarized in the following table (\$ in thousands).

	Dissolution fee	Mortgage servicing fees	Asset management fees	Costs from RMC	Professional services	Dissolution Consent expense	REO, net	Other	Total
Three months ended									
March 31, 2025	\$ 350	93	43	105	426	2	345	5	\$ 1,369
March 31, 2024	—	173	50	134	436	2	137	6	938
Change	<u>\$ 350</u>	<u>(80)</u>	<u>(7)</u>	<u>(29)</u>	<u>(10)</u>	<u>—</u>	<u>208</u>	<u>(1)</u>	<u>\$ 431</u>
Change									
Dissolution fee	350	—	—	—	—	—	—	—	350
Decrease secured loans principal – average daily balance	—	(80)	—	—	—	—	—	—	(80)
Decrease limited partners’ capital – average balance	—	—	(7)	(11)	—	—	—	—	(18)
Decrease in allocable expenses from the manager	—	—	—	(18)	—	—	—	—	(18)
Legal, audit and consulting	—	—	—	—	(12)	—	—	—	(12)
REO foreclosure, net	—	—	—	—	—	—	(98)	—	(98)
REO holding costs	—	—	—	—	—	—	306	—	306
Other	—	—	—	—	2	—	—	(1)	1
Change	<u>\$ 350</u>	<u>(80)</u>	<u>(7)</u>	<u>(29)</u>	<u>(10)</u>	<u>-</u>	<u>208</u>	<u>(1)</u>	<u>\$ 431</u>

Dissolution fee

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

Payments received from RMC (upon the receipt by RMC of the Dissolution Fee triggered by the redemption distributions of approximately \$14.3 million) in the three months ended March 31, 2025 have totaled approximately \$350 thousand.

Mortgage servicing fees

The decrease in mortgage servicing fees of approximately \$80 thousand for the three months ended March 31, 2025 as compared to the same period in 2024, was due to a decrease in the secured loans principal – average daily balance to approximately \$23.2 million from approximately \$45.0 million. The decrease in the secured loans principal – average daily balance was primarily due to loan payoffs received and loans converted to REO. Mortgage servicing fees are expected to continue to decline through the wind-up period.

Asset Management Fees

For the management of the partnership’s loan portfolio, the general partners are entitled to a monthly Asset Management Fee in an amount up to 1/32 of 1% of the “net asset value” of the partnership (3/8 of 1% annually). The decrease in Asset Management Fees for the three months ended March 31, 2025, as compared to the same period in 2024 was due to the decrease in limited partners’ capital – average balance to approximately \$42.9 million from \$52.4 million. Asset management fees are expected to continue to decline through the wind-up period.

Costs from RMC

RMC is entitled to request reimbursement for operations expense incurred on behalf of RMI VIII, including without limitation, RMC's personnel and non-personnel costs incurred for qualifying business activities, including investor services, accounting, tax and data processing, postage and out-of-pocket general and administration expenses. The decrease in costs from RMC of approximately \$29 thousand for the three months ended March 31, 2025 as compared to the same period in 2024 was due to a decrease in allocable payroll and professional services and a reduction of the partnership's limited partners' capital as a percent of the total capital of the related mortgaged funds managed by RMC. Allocable costs are expected to continue to decline through the wind-up period.

Professional services

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

The decrease in professional services of approximately \$10 thousand for the three months ended March 31, 2025 compared to the same period in 2024 was due to a decrease in legal, audit and consulting fees.

Dissolution Consent Solicitation

The expense related to the Dissolution Consent Solicitation for the three months ended March 31, 2025 was about the same as the expense for the three months ended March 31, 2024.

REO sales

The REO balance was approximately \$14.5 million and \$12.6 million at March 31, 2025 and 2024, respectively. There were no REO acquisitions in the three months ended March 31, 2025 and 2024.

REO holding costs

The increase in holding costs, net of other income for the three months ended March 31, 2025 compared to the same period in 2024 was due to an increase in REO operating expenses of approximately \$281 thousand, primarily resulting from an increase in repair costs of the San Francisco multi-family building and the two Hollywood Hills SFRs.

Cash flows and liquidity

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

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

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

	Three Months Ended March 31 ,	
	2025	2024
Limited partners' capital – withdrawals	\$ (5,000)	\$ —
Borrowings		
Line of credit advances, net	—	(2,539)
Interest paid	(13)	(174)
Mortgages repaid	(8)	—
Promissory note repaid to related party	—	(2,800)
Cash (used in) borrowings	(21)	(5,513)
Loan earnings and payments		
Interest received, net	520	1,607
Late fees and other loan income	2	—
Principal collected	3,675	4,877
Advances received from (funded by) loans	—	148
Cash provided by loan production	4,197	6,632
REO – holding costs	(519)	(373)
RMC payments – formation loan	350	—
Operations expense, excluding REO holding costs	(889)	(734)
Net (decrease) increase in cash	\$ (1,882)	\$ 12
Cash, end of period	\$ 2,852	\$ 409