SELECTED PORTIONS OF
SUPPLEMENT NO. 7 DATED APRIL 27, 2012
TO THE COMPANY'S PROSPECTUS, DATED JUNE 8, 2009
INCLUDED IN POST-EFFECTIVE AMENDMENT NO. 6 TO FORM S-11 REGISTRATION STATEMENT
(SEC FILE NO. 333-155428) FILED ON APRIL 27, 2012

(pages 50 – 68 of Supplement No. 7)

REDWOOD MORTGAGE CORP.

CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2011

WITH INDEPENDENT AUDITORS' REPORT

REDWOOD
MORTGAGE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Redwood Mortgage Corp.
Redwood City, California

We have audited the consolidated balance sheet of Redwood Mortgage Corp. and Subsidiaries (the “Company”) as of September 30, 2011. This consolidated balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated balance sheet based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated balance sheet is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of Redwood Mortgage Corp. and Subsidiaries as of September 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

/s/ ARMANINO McKENNA LLP

December 12, 2011
San Ramon, California

REDWOOD MORTGAGE CORP.
and Subsidiaries
CONSOLIDATED BALANCE SHEET
September 30, 2011

ASSETS

Cash and cash equivalents	$	3,290,431
Tax refunds receivable		96,866
Receivables, due from affiliates/related parties		
Mortgage servicing fees, RMI VIII		1,029,844
Other		251,540
Prepaid expenses		51,445
Loans, net of discount of $10,451		303,096
Real estate owned (REO) held as investment, net		3,132,247
Advances, RMI IX, syndication costs		1,098,517
Brokerage-related rights, loan originations, net		8,103,930
Investments in affiliates		172,161
Fixed assets, net		40,374
Total assets	$	17,570,451

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities		
Accrued compensated absences	$	211,532
Accrued liabilities, other		290,225
Due to related parties		91,413
Mortgage notes payable		1,655,462
Loans (formation) from affiliates, net		7,647,379
Deferred income taxes		2,549,000
Total liabilities		12,445,011
Stockholders' equity		
Common stock: 100,000 shares authorized, 1,000 shares issued and outstanding at stated value		4,000
Additional paid-in capital		550,152
Retained earnings		4,571,288
Total stockholders' equity		5,125,440
Total liabilities and stockholders' equity	$	17,570,451

The accompanying notes are an integral part of the consolidated balance sheet

REDWOOD MORTGAGE CORP.
and Subsidiaries
NOTES TO THE CONSOLIDATED BALANCE SHEET
September 30, 2011

NOTE 1 – ORGANIZATION

Redwood Mortgage Corp. ("RMC"), until September 30, 2011, was a wholly-owned subsidiary of The Redwood Group, Ltd. ("Group"), which was then owned by Michael R. Burwell ("Burwell") and the D. Russell Burwell and Carol E. Burwell 1994 Irrevocable Trust (the "Trust"). Effective as of the close of business on September 30, 2011, Group merged with and into RMC. Immediately prior to and in conjunction with that merger, Group issued additional shares of its own common stock in exchange for all of the outstanding shares of Gymno Corporation ("Gymno"), which at that time were also owned by Burwell, the Trust and a related Burwell family trust. As a result of the foregoing share exchange and the ensuing merger, Gymno became a wholly-owned subsidiary of RMC. Gymno then converted to a California limited liability company.

RMC, Gymno and Burwell are the general partners in Redwood Mortgage Investors VIII ("RMI VIII"). RMC and Gymno are the managing members of a Delaware limited liability company, Redwood Mortgage Investors IX, LLC ("RMI IX"). Gymno and Burwell are the general partners of four other affiliated limited partnerships – Redwood Mortgage Investors IV, V, VI and VII ("RMI IV, V, VI and VII").

The rights, duties and powers of the general and limited partners of the partnership's are governed by the limited partnership agreement and Sections 15900 et seq. of the California Corporations Code, and the rights, duties and powers of the members and managers of RMI IX are governed by the operating agreement and the Delaware Limited Liability Company Act.

RMC, Burwell and Gymno, as the general partners, were each entitled to one-third of one percent of the profits and losses of RMI VIII. Beginning with calendar year 2010, and continuing until January 1, 2020, RMC and Gymno each assigned to Burwell, its one-third of one percent of the profits and losses in RMI VIII, in exchange for Burwell assuming the general partners' equity deficit in RMI VIII. Gymno, as general partner of RMI IV, V, VI and VII, is entitled to two-thirds of one percent of the profits and losses of each. RMC and Gymno, as the managing members of RMI IX, are each entitled to one-half of one percent of the profits and losses.

RMC, as a real estate broker licensed with the State of California, arranges and services loans with various maturities for RMI VIII, the four other affiliated limited partnerships and RMI IX, all of which were organized to engage in business as mortgage lenders for the primary purpose of making loans secured by deeds of trust on California real estate. Mortgage loans originated for RMI IX are funded by RMC and then assigned to RMI IX. Mortgage loans originated for RMI VIII and the other four affiliated partnerships are funded by the partnership for which the loan was originated. As of September 30, 2011, RMC was servicing a loan portfolio of approximately $120,060,000 and total assets of $328,910,000 (which includes real estate owned (REO) of $182,050,000) primarily for the affiliated limited partnerships and RMI IX.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated balance sheet includes the accounts of RMC, Group (at and prior to the merger with and into RMC), and RMC's wholly-owned subsidiary, Weeks, LLC ("Weeks") at and for the fiscal year ended September 30, 2011, and Gymno's balance sheet as of September 30, 2011. All significant intercompany transactions and balances have been eliminated in consolidation. RMC and its subsidiaries (collectively the "Company") operate on a fiscal year ending September 30.

RMC maintains "trust accounts" to service mortgage investments made principally by the aforementioned five limited partnerships and RMI IX. The accompanying consolidated balance sheet does not include the activities of the trust cash accounts maintained by RMC.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

The accompanying consolidated balance sheet was prepared in conformity with accounting principles generally accepted in the United States of America.

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 relate principally to the determination of the allowance for loan losses, including the valuation of impaired loans, (which itself requires determining the fair value of the collateral), and the valuation of real estate held as investment, at acquisition and subsequently. Actual results could differ significantly from these estimates.

Collateral fair values are reviewed quarterly and the protective equity for each loan is computed. As used herein, "protective equity" is the arithmetic difference between the fair value of the collateral, net of any senior liens, and the loan balance, where "loan balance" is the sum of the unpaid principal, advances and the recorded interest thereon.

The fair value of the collateral is determined by exercise of judgment based on management's experience informed by appraisals (by licensed appraisers), brokers' opinion of values, and publicly available information on in-market transactions. Historically, it has been rare for determinations of fair value to be made without substantial reference to current market transactions. However, in recent years, due to the low levels of real estate transactions, and the rising number of transactions that are distressed (i.e., that are executed by an unwilling seller – often compelled by lenders or other claimants – and/or executed without broad exposure or with market exposure but with few, if any, resulting offers), more interpretation, judgment and interpolation/extrapolation within and across property types is required.

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 investment approach. These approaches may or may not result in a common, single value. The market-comparables approach may yield several different values depending on certain basic assumptions, such as, determining highest and best use (which may or may not be the current use); determining the condition (e.g. as-is, when-completed, or for land when-entitled); and determining the unit of value (e.g. as a series of individual unit sales or as a bulk disposition). Further complicating this process already subject to judgment, uncertainty and imprecision are the current low transaction volumes in the residential, commercial and land markets, and the variability that has resulted. This exacerbates the imprecision in the process, and requires additional considerations and inquiries as to whether the transaction was entered into by a willing seller in a functioning market or the transaction was completed in a distressed market, in which the predominant number of sellers are surrendering properties to lenders in partial settlement of debt (as is currently prevalent in the residential markets and is occurring more frequently in commercial markets) and/or participating in "arranged sales" to achieve partial settlement of debts and claims and to generate tax advantage. Either way, the present market is at historically low transaction volumes with neither potential buyers nor sellers willing to transact. In certain asset classes the time elapsed between transactions – other than foreclosures – was twelve or more months.

<u>NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (continued)

Management estimates (continued)

The uncertainty in the process is exacerbated by the tendency in distressed markets for lesser-quality properties to transact while upper echelon properties remain off the market – or come on and off the market – because these owners often believe in the intrinsic value of their properties (and the recoverability of that value) and are unwilling to accept non-economic offers from opportunistic – often all cash – acquirers taking advantage of distressed markets. This accounts for the ever lower transaction volumes for higher quality properties which exacerbate the perception of a broadly declining market in which each succeeding transaction establishes a new low.

Management is acquainted with market participants – investors, developers, brokers, 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 (such as land held for development and for units in a condominium conversion). Multiple inputs from different sources often collectively provide the best evidence of fair value. In these cases expected cash flows would be considered alongside other relevant information.

Cash and cash equivalents

Cash represents cash and short-term, highly liquid investments with maturities of three months or less. Periodically, the Company maintains cash balances at financial institutions in excess of federally insured limits.

Loans, advances and interest income

Loans and advances generally are stated at the unpaid principal balance (principal). Management has discretion to pay amounts (advances) to third parties on behalf of borrowers to protect RMC's interest in the loan. Advances include, but are not limited to, the payment of interest and principal on a senior lien to prevent foreclosure by the senior lien holder, property taxes, insurance premiums, and attorney fees. Advances generally are stated at the unpaid balance and accrue interest until repaid by the borrower.

RMC may on occasion fund a specific loan origination net of an interest reserve to insure timely interest payments at the inception (typically for one to two years) of the loan. As monthly interest payments become due, RMC funds the payments into the affiliated trust account.

If, based upon current information and events, it is probable RMC will be unable to collect all amounts due according to the contractual terms of the loan agreement; a loan may be designated as impaired. Impaired loans are included in management's periodic analysis of recoverability. Any subsequent payments on impaired loans are applied to late fees and then to reduce first the accrued interest, then advances, and then unpaid principal balances.

RMC may negotiate and enter into contractual workout agreements with borrowers whose loans are past maturity or who are delinquent in making payments which can delay and/or alter the loan's cash flow and delinquency status.

Interest is accrued daily based on the principal of the loans. An impaired loan continues to accrue as long as the loan is in the process of collection and is considered to be well-secured. Loans are placed on non-accrual status at the earlier of management's determination that the primary source of repayment will come from the foreclosure and subsequent sale of the collateral securing the loan (which usually occurs when a notice of sale is filed) or when the loan is no longer considered well-secured. When a loan is placed on non-accrual status, the accrual of interest is discontinued; however, previously recorded interest is not reversed. A loan may return to accrual status when all delinquent interest and principal payments become current in accordance with the terms of the loan agreement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for loan losses

Loans and the related accrued interest and advances are analyzed on a periodic basis for ultimate recoverability. Delinquencies are identified and followed as part of the loan system. Delinquencies are determined based upon contractual terms. For impaired loans, a provision is made for loan losses to adjust the allowance for loan losses to an amount considered by management to be adequate, with due consideration to collateral values, such that the net carrying amount (unpaid principal balance, plus advances, plus accrued interest less the specific allowance) is reduced to the present value of future cash flows discounted at the loan's effective interest rate, or, if a loan is collateral dependent, to the estimated fair value of the related collateral net of any senior loans, which would include costs to sell in arriving at net realizable value if planned disposition of the asset securing a loan is by way of sale.

Loans determined not to be individually impaired are grouped by the property type of the underlying collateral, and for each loan and for the total by property type, the amount of protective equity or amount of exposure to loss (i.e., the dollar amount of the deficiency of the fair value of the underlying collateral to the loan balance) is computed. Based on its knowledge of the borrowers and their historical (and expected) performance, and the exposure to loss as indicated in the analysis, management estimates an appropriate reserve by property type for probable credit losses in the portfolio.

Real estate owned (REO) held as investment

REO held as investment includes real estate acquired through purchase or foreclosure not being marketed for sale and is either being operated, such as rental properties; is being managed through the development process, including obtaining appropriate and necessary entitlements, permits and construction; or are idle properties awaiting more favorable market conditions. REO held as investment is recorded at acquisition at the lower of the recorded investment in the loan, plus any senior indebtedness, or at the property's estimated fair value, less estimated costs to sell, as applicable. After acquisition, costs incurred relating to the development and improvement of the property are capitalized, whereas costs relating to operating or holding the property are expensed. Subsequent to acquisition, management periodically compares the carrying value of real estate to expected undiscounted future cash flows for the purpose of assessing the recoverability of the recorded amounts. If the carrying value exceeds future undiscounted cash flows, the assets are reduced to estimated fair value.

REO held as investment that is being operated is depreciated on a straight-line basis over the estimated useful life of the property once the asset is placed in service.

Brokerage-related rights, loan originations, net / formation loans

RMC recognized as an asset, ("brokerage-related rights, loan originations, net") the right to act as the broker in originating mortgage loans for RMI VIII, the four other affiliated limited partnerships and RMI IX. Such rights result in brokerage commissions to RMC when the loan is funded. The initial and deferred cost of these rights is based on the payments for commissions and fees made to broker-dealers on behalf of RMI VIII, the four other affiliated limited partnerships or RMI IX for investments therein. The brokerage-related rights are being amortized over the anticipated 25-year period brokerage commissions and fees are expected to be earned. The brokerage-related rights for RMI IV, V, and VI have been fully amortized as of September 30, 2011. RMI IX's offering is ongoing and it may continue until June 8, 2012, unless prior to such date, RMI IX files a new registration statement, in which event the offering will continue until the earlier of the effective date of the new registration statement or December 5, 2012.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Brokerage-related rights, loan originations, net /formation loans (continued)

RMC financed the payments of commissions to broker-dealers for investments received during the offering period by borrowing ("the formation loans") from RMI VIII, the four other affiliated limited partnerships, and RMI IX. The formation loans are non-interest bearing and are repaid equally over an approximate ten-year period commencing the year after the close of an offering. Interest has been imputed at the market rate of interest in effect in the years the offerings closed.

If the general partners/managing members are removed and RMC is no longer receiving payments for services rendered, the debt on the related formation loan is forgiven, and would be an offset to any impairment resulting to the asset recognized for brokerage-related rights.

RMC evaluates the fair value of these rights to determine if the brokerage-related rights have been impaired. Fair value is determined based on the estimated brokerage fee net cash flows to be received by RMC over the expected 25 year life of each partnership offering's underlying loan portfolio. It is RMC's experience the underlying loan portfolios increase when partner/member capital is raised and accumulated for the first seven years after receipt of partners'/members' capital, and then will begin to decline gradually over the subsequent 18 years. If the carrying value of the brokerage-related rights, net of any expected offset resulting from a reduction in the debt on the formation loans, exceeds their estimated fair value, an allowance for impairment of value is recognized.

Fixed assets

Fixed assets generally are stated at cost. Depreciation and amortization are computed primarily using straight-line and accelerated methods over estimated useful lives ranging from 3 to 39 years. RMC reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized if the sum of undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is to be recognized, the asset's carrying value is reduced to its estimated fair value.

Income taxes

The Company files its income tax returns on a consolidated basis. Income taxes are provided for those taxes currently payable and those deferred. A provision (benefit) for income taxes is provided for deferred taxes resulting from differences in the timing of reporting revenue and expense items for financial versus tax purposes.

The Company evaluated its current tax positions and has concluded that as of September 30, 2011, the Company does not have any significant uncertain tax positions for which a reserve would be necessary.

NOTE 3 – GENERAL PARTNER, MANAGING MEMBER AND RELATED PARTIES

RMC's primary sources of revenue are from: 1) brokerage commissions on loan originations, 2) mortgage servicing fees, 3) loan administrative fees from RMI IX, 4) asset management fees and 5) general partner/managing member interests in profits and losses, each of which is described in the partnership agreements for RMI VIII and the other four affiliated limited partnerships, and the operating agreement for RMI IX. Under the partnership and operating agreements, RMC is entitled to reimbursement for costs it incurs on behalf of those entities.

Brokerage-related rights, loan originations, net/formation loans

Brokerage-related rights are summarized in the following table at September 30, 2011.

Partnership/LLC	Brokerage-Related Rights	Accumulated Amortization	Net	Years Remaining
RMI VII	914,413	(882,912)	31,501	3
RMI VIII	17,634,435	(10,172,345)	7,462,090	23
RMI IX	648,782	(38,443)	610,339	25
Total	$ 19,197,630	$ (11,093,700)	$ 8,103,930	

Additions to the brokerage-related rights (RMI IX only), net of discount, were $348,583 for the year ended September 30, 2011.

Amortization expense charged to operations was $1,041,446 for the year ended September 30, 2011.

Estimated amortization expense for each of the next five years and thereafter is presented in the following table.

Year ending September 30,	
2012	$ 941,833
2013	866,532
2014	734,618
2015	655,293
2016	579,511
Thereafter	4,326,143
	$ 8,103,930

RMC has determined no allowance for impairment was required against its brokerage-related rights.

NOTE 3 – GENERAL PARTNER, MANAGING MEMBER AND RELATED PARTIES (continued)

Brokerage-related rights, loan originations, net/formation loans (continued)

The formation loans are non-interest bearing and are being repaid equally over an approximate ten-year period commencing the year after the close of a partnership offering. Interest has been imputed at the market rate of interest in effect during the offering. The effective interest rates range between 3.25% and 7.752%.

The formation loans are due as summarized in the following table, as of September 30, 2011.

Year ending September 30,	RMI VIII	RMI IX [(1)]	Total
2012	$ 872,610	$ 12,192	$ 884,802
2013	1,898,136	70,943	1,969,079
2014	1,674,153	70,943	1,745,096
2015	1,322,500	70,943	1,393,443
2016	1,162,799	70,943	1,233,742
Thereafter	1,569,423	413,468	1,982,891
Total borrowings	8,499,621	709,432	9,209,053
Less discount on imputed interest	(1,458,310)	(103,364)	(1,561,674)
Total loans (formation), net of discount	$ 7,041,311	$ 606,068	$ 7,647,379

If the general partners/managing members are removed and RMC is no longer receiving payments for services rendered, the debt on the related formation loan is forgiven, and would be an offset to any impairment resulting to the asset recognized for brokerage-related rights.

RMC at its sole discretion may make earlier than required payments on the loans, and any such prepayments are applied against the earliest payment due. All prepayments are reflected in the table above.

(1) The amounts for years 2012 through thereafter are based upon the loan balance at September 30, 2011.

The following commissions and fees are paid by borrowers to RMC.

Brokerage commissions, loan originations

RMC earns brokerage commissions in connection with the review, selection, evaluation, negotiation and extension of mortgage loans for the affiliated partnerships and RMI IX, in an amount not to exceed four percent of the total partnership or RMI IX assets per year. The loan commissions are paid by the borrowers, and thus, are not an expense of the partnerships or RMI IX. During 2011, RMC received approximately $179,000 of loan commissions.

Other fees

The agreements for the limited partnerships and RMI IX provide for other fees such as loan processing, escrow, mortgage assumption and mortgage extension fees. Such fees are incurred by the borrowers and are paid to RMC.

NOTE 3 – GENERAL PARTNER, MANAGING MEMBER AND RELATED PARTIES (continued)

The following fees are paid by affiliates to RMC.

Mortgage servicing fees

RMC earns loan servicing fees of up to 1.5% annually of the unpaid principal of the loan portfolio or such lesser amount as is reasonable and customary in the geographic area where the property securing the mortgage is located from RMI VIII and the four other affiliated partnerships. Historically, RMC charged one percent annually, and at times waived additional amounts to improve the partnership's earnings. Such fee waivers were not made for the purpose of providing the partnerships or RMI IX with sufficient funds to satisfy withdrawal requests, nor were such waivers made in order to meet any required level of distributions, as the partnerships and RMI IX have no such required level of distributions. RMC does not use any specific criteria in determining the amount of fees, if any, to be waived. The decision to waive fees and the amount, if any, to be waived, is made by RMC in its sole discretion. Unpaid mortgage servicing fees as of September 30, 2011 are approximately $1,030,000 (of which $240,000 is currently payable and the remaining $790,000 is accrued on impaired loans, payable when the loan is paid or at foreclosure).

RMC earns loan servicing fees of up to 0.25% annually from RMI IX of the unpaid principal of the loan portfolio or such lesser amount as is reasonable and customary in the geographic area where the property securing the mortgage is located.

Loan administrative fees

RMC earns a loan administrative fee in an amount up to one percent of the principal amount of each new loan originated or acquired by RMC on RMI IX's behalf for services rendered in connection with the selection and underwriting of potential loans. Loan administrative fees are payable by RMI IX upon the closing of each loan.

Asset management fees

RMC as a general partner or a managing member earns monthly asset management fees for managing RMI VIII and RMI IX's loan portfolios and operations. RMC earned approximately $499,000 of asset management fees during 2011. Gymno earns asset management fees as a general partner of RMI IV, V, VI, VII VIII and IX.

RMC waived approximately $43,000 in asset management fees for RMI IX during 2011. Such fee waivers were not made for the purpose of providing RMI IX with sufficient funds to satisfy withdrawal requests, nor were such waivers made in order to meet any required level of distributions, as RMI IX has no such required level of distributions. The managers do not use any specific criteria in determining the amount of fees, if any, to be waived. The decision to waive fees and the amount, if any, to be waived, is made by the managers in their sole discretion.

NOTE 3 – GENERAL PARTNER, MANAGING MEMBER AND RELATED PARTIES (continued)

Other fees

During 2011, RMC received $240,000 from Gymno Corporation for management services.

RMC's interests in profit and losses

RMC, as a general partner of RMI VIII and a manager of RMI IX, is allocated a portion of the 1% allocation of profit and losses per the operating agreements and such other agreements as may subsequently be made among the general partners or managers. RMC's allocation of profits and losses was $2,541 for the year ended September 30, 2011.

Reimbursement of expenses

RMC is reimbursed by RMI IV, V, VI, VII, VIII, and IX for operating expenses incurred on behalf of the partnerships/LLC, including without limitation, accounting and audit fees, legal fees and expenses, postage and preparation of reports to limited partners/members, and out-of-pocket general and administrative expenses. The decision to request reimbursement of any qualifying charges is made by RMC in its sole discretion. Reimbursed operating expenses were approximately $1,087,000 for the year ended September 30, 2011. To the extent some operating expenses incurred on behalf of RMI IV, V, VI, VII, VIII and IX were not charged by RMC, the financial position and results of operations for RMI IV, V, VI, VII, VIII and IX may be different.

Advances to RMI IX, syndication costs

RMC advances certain organizational and offering expenses on behalf of RMI IX. RMI IX is obligated to reimburse RMC for these costs up to an amount equal to 4.5% of gross offering proceeds until RMC has been fully reimbursed.

Syndication cost transactions for the year ended September 30, 2011 are summarized in the following table.

Balance, October 1	$ 1,144,136
Advances made by RMC	225,580
Repayments received from RMI IX	(271,199)
Balance, September 30	$ 1,098,517

NOTE 3 – GENERAL PARTNER, MANAGING MEMBER AND RELATED PARTIES (continued)

Investments in affiliates

Gymno's investment in affiliates is presented in the following table as of September 30, 2011.

	Net Assets	Gymno Investment	Gymno Investment Percent of Net Assets
RMI IV	$ 4,178,696	$ 6,198	0.15 %
RMI V	1,712,796	5,067	0.30 %
RMI VI	5,019,216	10,269	0.20 %
RMI VII	6,945,229	8,377	0.12 %
RMI VIII	222,649,379	95,423	0.04 %
RMI IX, LLC	9,167,441	12,133	0.13 %
Total investments	$ 249,672,757	$ 137,467	

RMC acquired an investment from a limited partner in RMI VIII. This investment is accounted for under the equity method. At September 30, 2011 the recorded value of the investment was $32,868.

RMC as a manager of RMI IX, has an investment in RMI IX of $1,826 at September 30, 2011.

NOTE 4 – LOANS

Loans unpaid principal balance (principal)

Loan transactions are summarized in the following table for the year ended September 30, 2011.

	Secured	Unsecured
Principal, October 1, 2010	$ 316,067	$ 521,290
Originated for affiliates	5,091,750	—
Assigned to RMI IX	(5,091,750)	—
Borrower repayments	—	(3,374)
Foreclosure	(160,000)	—
Charged off	(156,067)	(204,369)
Principal, September 30, 2011	$ —	$ 313,547

At September 30, 2011, RMC had two unsecured loans. One loan is a demand note with a principal balance of $300,000 and an interest rate of 7.6%. The borrower is making monthly payments of interest only. The second loan is co-owned with four affiliated partnerships. RMC's portion of the loan, net of a discount of $10,451, is $3,096. The borrower is making monthly payments to 2015.

At September 30, 2010, RMC had a loan secured by a first trust deed on a single family residence in Monterey County California, with an interest rate of 10.0%. The loan was more than 90 past due in interest payments, was in non-accrual status, and was designated impaired. RMC's carrying amount of principal and advances, net of an allowance for loan losses of $156,067, was $160,244. In November 2010, RMC acquired the property securing the loan through a deed in lieu of foreclosure, and in February, 2011 the property was sold.

Scheduled principal payments

Scheduled principal payment dates of the performing unsecured loans are summarized in the following table as of September 30, 2011.

Year ending September 30,	
2012	$ 3,446
2013	3,446
2014	3,446
2015	3,209
2016	—
Thereafter	—
Total	13,547
Less discount	(10,451)
Demand note	300,000
Total loans, net of discount	$ 303,096

Loans bear interest at rates ranging from zero to 10%. Interest is imputed on loans with no stated interest rate.

NOTE 4 – LOANS (continued)

Matured loans

There were no loans past maturity as of September 30, 2011.

Delinquency

There were no delinquent loans as of September 30, 2011. The Company reports delinquency based upon the most recent contractual agreement with the borrower.

Loans designated impaired/in non-accrual status

There were no loans designated impaired or classified in non-accrual status as of September 30, 2011.

On October 1, 2010, three fully-reserved, impaired-unsecured loans were charged off against the allowance for loan losses.

Allowance for loan losses

Allowance for loan losses activity is presented in the following table for the year ended September 30, 2011.

	2011	
	Secured	Unsecured
Balance, October 1, 2010	$ 156,067	$ 204,369
Provision for loan losses	—	—
Charge-offs, net		
Charge-offs	(156,067)	(204,369)
Recoveries	—	—
Charge-offs, net	(156,067)	(204,369)
Balance, September 30	$ —	$ —
Ratio of charge-offs, net during the period to average loans outstanding during the period	99%	44%

NOTE 5 – REAL ESTATE OWNED (REO) HELD AS INVESTMENT, NET

REO held as investment, net, had the activity and changes in the impairment reserves summarized in the following table for the year ended September 30, 2011.

	REO Held As Investment	Accumulated Depreciation	REO Held As Investment, Net
Balance, October 1, 2010	$ 3,283,959	$ 122,191	$ 3,161,768
Acquisitions	—	—	—
Change in carrying value	(5,352)	—	(5,352)
Depreciation	—	24,169	(24,169)
Balance, September 30, 2011	$ 3,278,607	$ 146,360	$ 3,132,247
Number of properties	3	2	3

RMC owns three California properties. Two of the properties are single-family residences and are rented. One single-family residence is located in San Mateo County and the other is located in Riverside County. The recorded investment in these assets at acquisition was $1,778,607. The third property is undeveloped land in San Mateo County, with a recorded investment at acquisition of $1,600,000.

NOTE 6 – FIXED ASSETS

Fixed assets are summarized in the following table at September 30, 2011.

Office equipment	$ 258,256
Computer equipment	70,849
Software	31,105
Auto	71,297
Leasehold improvements	22,684
Total fixed assets	454,191
Accumulated depreciation and amortization	(413,817)
Fixed assets, net	$ 40,374

NOTE 7 – MORTGAGE NOTES PAYABLE

Mortgage notes payable activity is summarized in the following table for the year ended September 30, 2011.

Balance, October 1, 2010	$	1,689,669
Payments		(34,207)
Balance, September 30, 2011	$	1,655,462

As of September 30, 2011, RMC has mortgage notes payable on two of the REO held as investment. One note is owed to an individual with an unpaid principal balance of $461,634 with an interest rate which increases annually from 4.0% to 5.0%, is interest only, and matures February 2013. The other note is owed to three affiliated limited partnerships with an unpaid principal balance of $1,193,829, an interest rate of 7.0%, amortized for 20 years, and matures January 2016.

Future minimum principal payments are summarized in the following table at September 30, 2011.

Year ending September 30,		
2012	$	36,680
2013		500,966
2014		42,175
2015		45,224
2016		1,030,417
Thereafter		—
Total mortgage notes payable	$	1,655,462

NOTE 8 – PROFIT-SHARING PLAN

RMC has a defined contribution profit-sharing plan which provides for RMC contributions of 5% of eligible wages, plus any discretionary additional RMC contributions.

NOTE 9 – INCOME TAXES

The Company’s estimated net operating loss (“NOL”) carry forwards available are approximately $2,880,000 for federal taxes and $2,094,000 for California taxes. The NOLs can be carried forward twenty years for federal taxes and twenty years for California taxes and expire at various times through the year 2031.

Significant components of the Company’s net deferred tax liability are summarized in the following table at September 30, 2011.

Brokerage-related rights, loan originations, net	$	4,140,745
Net operating loss carry forwards		(1,164,260)
State deferred taxes		(213,584)
Other		(213,901)
Net deferred tax liability	$	2,549,000

NOTE 10 – COMMITMENTS AND GUARANTEES

RMC has contracted with an independent service bureau for computer processing services for the partnership and RMI IX accounting functions at approximately $8,337 per month. The contract is subject to renewal at the end of its term which is May 31, 2012. RMC receives reimbursement of a major portion of its computer processing expenses from the five affiliated limited partnerships and RMI IX.

RMC is a guarantor on a bank loan/line of credit for RMI VIII. The partnership's bank loan/line of credit matured on June 30, 2010, which maturity date was subsequently extended to October 18, 2010. On October 18, 2010, the partnership and the banks entered into an amended and restated loan agreement. The significant terms and conditions in the amended loan agreement include: 1) an extended maturity date of June 30, 2012; with continuing scheduled pay downs of the loan amount to maturity; 2) an interest rate of prime plus 1.5% subject to a floor of 5.0%; 3) an annual facility fee (payable quarterly) of 0.5%; 4) required remittance to the banks of 70% of net proceeds from the sale or refinance of REO and/or net proceeds from loan payoffs in excess of $5 million; 5) required remittance of cash balances in excess of $12 million; 6) restrictions on use of cash including no new loans with the exception of refinance of existing loans, no expenditures in the ordinary course of business to preserve, maintain, repair, or operate property in excess of $1 million without prior written consent (subject to exclusions for funds set aside for REO projects and servicing of senior liens designated in the loan agreement), limitations on distributions to electing limited partners of an amount not to exceed a distribution rate of 2.1%; 7) a collateral covenant, and 8) a financial covenant.

The secured bank loan balance at September 30, 2011 was $26,750,000, and at November 30, 2011 was $21,250,000.

RMC guaranteed two loans issued by four affiliated limited partnerships with balances totaling approximately $318,000 at September 30, 2011. RMC has guaranteed to cover losses, if any, incurred by the partnerships related to these loans to the extent such losses exceed the then existing reserves, as defined in the agreement, and related collateral value. The two loans are substantially reserved for in the partnership loan loss reserves. RMC owns directly $3,096, net, of one of the loans.

RMC rents its office space under a noncancelable operating lease agreement. In 2008, the lease was amended to provide additional space of approximately 2,300 square feet and the lease was extended until December 31, 2013. The amended lease requires monthly payments of $25,644 with stated annual increases. RMC has two, five year options to renew this lease.

Noncancelable future minimum lease payments under this lease are as follows as of September 30, 2011.

2012	$ 380,615
2013	396,542
2014	100,148
Thereafter	—
Total	$ 877,305

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting principles generally accepted in the United States of America (GAAP) defines fair value as the exchange 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. The Company determines the fair values of its financial assets and financial liabilities based on the fair value hierarchy established in GAAP. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company 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. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Company'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 Company's own data.

The Company has no assets or liabilities recorded at fair value on a recurring basis.

The Company had no foreclosures or loans designated impaired during the year ended September 30, 2011.

NOTE 12 – SUBSEQUENT EVENTS

The Company has evaluated events through December 12, 2011, the date the balance sheet was available for issuance. There were no reportable events other than the events listed in other notes.