UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2019

☐ **TRANSITION REPORT PURSUANT**

TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from_____to_____

Commission file number: 000-55601

REDWOOD MORTGAGE INVESTORS IX, LLC
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**26-3541068** **(I.R.S. Employer Identification Number)**
177 Bovet Road, Suite 520, San Mateo, CA **(Address of principal executive offices)**	**94402** **(Zip Code)**

(650) 365-5341
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ YES ☐ NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).☒ YES ☐ NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ YES ☒ NO

Securities registered pursuant to Section 12(b) of the Act: None

Part I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

REDWOOD MORTGAGE INVESTORS IX, LLC
Balance Sheets
March 31, 2019 (unaudited) and December 31, 2018 (audited)

		2019		2018
ASSETS				
Cash and cash equivalents	$	7,859,242	$	10,674,953
Loans				
Principal		66,416,481		62,115,713
Advances		23,395		21,041
Accrued interest		558,382		473,966
Loan balances secured by deeds of trust		66,998,258		62,610,720
Total assets	$	74,857,500	$	73,285,673
LIABILITIES, INVESTORS IN APPLICANT STATUS, AND MEMBERS' CAPITAL				
Liabilities - Accounts payable and accrued liabilities	$	24,284	$	9,321
Commitments and contingencies (Note 5)				
Investors in applicant status		1,499,263		651,500
Members' capital, net		77,628,139		76,804,195
Receivable from manager (formation loan)		(4,294,186)		(4,179,343)
Members' capital, net, less formation loan		73,333,953		72,624,852
Total liabilities, investors in applicant status and members' capital	$	74,857,500	$	73,285,673

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Income
For the Three Months Ended March 31, 2019 and 2018 (unaudited)

		2019		2018
Revenues, net				
Interest income	$	1,360,992	$	1,177,732
Late fees		16,985		4,711
Total revenues		1,377,977		1,182,443
Provision for loan losses		—		—
Operations expense				
Mortgage servicing fees		38,646		35,184
Asset management fees, net (Note 3)		—		—
Costs from Redwood Mortgage Corp., net (Note 3)		—		—
Professional services, net (Note 3)		147,317		4,685
Other		3,356		85
Total operations expense		189,319		39,954
Net income	$	1,188,658	$	1,142,489
Members (99%)		1,176,771		1,131,064
Manager (1%)		11,887		11,425
	$	1,188,658	$	1,142,489

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statement of Changes in Members' Capital
For the Three Months Ended March 31, 2019 (unaudited)

		Members' Capital, net			
	Investors In Applicant Status	Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' Capital, net
Balance at December 31, 2018	$ 651,500	$ 79,198,453	$ 125,200	$ (2,519,458)	$ 76,804,195
Contributions on application	2,112,263	—	—	—	—
Contributions admitted to members' capital	(1,271,500)	1,271,500	1,272	—	1,272,772
Premiums paid on application by RMC	7,000	—	—	—	—
Net income	—	1,176,771	11,887	—	1,188,658
Earnings distributed to members	—	(1,111,007)	—	—	(1,111,007)
Earnings distributed used in DRIP	—	602,896	—	—	602,896
Members' redemptions	—	(1,092,396)	—	—	(1,092,396)
Organization and offering expenses	—	—	—	(93,239)	(93,239)
Organization and offering expenses allocated	—	(80,808)	—	80,808	—
Organization and offering expenses repaid by RMC	—	—	—	36,845	36,845
Early withdrawal penalties	—	—	—	19,415	19,415
Balance at March 31, 2019	$ 1,499,263	$ 79,965,409	$ 138,359	$ (2,475,629)	$ 77,628,139

For the Three Months Ended March 31, 2018 (unaudited)

		Members' Capital, net			
	Investors In Applicant Status	Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' Capital, net
Balance at December 31, 2017	$ 3,270,312	$ 66,450,424	$ 102,902	$ (2,335,325)	$ 64,218,001
Contributions on application	4,313,438	—	—	—	—
Contributions admitted to members' capital	(3,193,207)	3,193,207	3,200	—	3,196,407
Premiums paid on application by RMC	31,920	—	—	—	—
Premiums admitted to members' capital	(7,105)	7,105	—	—	7,105
Net income	—	1,131,064	11,425	—	1,142,489
Earnings distributed to members	—	(1,090,347)	—	—	(1,090,347)
Earnings distributed used in DRIP	—	598,278	—	—	598,278
Members' redemptions	—	(403,400)	—	—	(403,400)
Organization and offering expenses	—	—	—	(143,694)	(143,694)
Organization and offering expenses allocated	—	(70,208)	—	70,208	—
Organization and offering expenses repaid by RMC	—	—	—	12,193	12,193
Early withdrawal penalties	—	—	—	696	696
Balance at March 31, 2018	$ 4,415,358	$ 69,816,123	$ 117,527	$ (2,395,922)	$ 67,537,728

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Cash Flows
For the Three Months Ended March 31, 2019 and 2018 (unaudited)

	2019	2018
Operations		
Interest received	$ 1,274,865	$ 1,161,061
Other loan income	17,135	4,711
Loan administrative fee reimbursed	—	3,130
Operations expense	(174,539)	(2,453)
Total cash provided by operations	1,117,461	1,166,449
Investing – loan principal/advances		
Principal collected on loans	11,889,592	12,739,617
Loans originated	(16,327,000)	(9,946,500)
Loans sold to non-affiliate, net	143,000	—
Loans transferred from affiliates	—	(5,889,819)
Advances made on loans	(7,003)	(2,648)
Total cash used in investing	(4,301,411)	(3,099,350)
Financing – members' capital		
Contributions by members, net		
Contributions by members	2,120,568	4,348,762
Organization and offering expenses paid, net	(56,394)	(131,500)
Formation loan funding	(140,928)	(357,794)
Total cash provided by members, net	1,923,246	3,859,468
Distributions to members		
Earnings distributed	(508,111)	(492,069)
Redemptions	(1,046,896)	(403,400)
Cash distributions to members	(1,555,007)	(895,469)
Total cash provided by financing	368,239	2,963,999
Net (decrease) increase in cash	(2,815,711)	1,031,098
Cash, beginning of period	10,674,953	8,509,852
Cash, March 31,	$ 7,859,242	$ 9,540,950

Non-cash financing activity of $45,500 in early withdrawal penalties which reduced redemptions during the three months ended March 31, 2019 included in the table above.

Reconciliation of net income to total cash provided by operations

	2019	2018
Net income	$ 1,188,658	$ 1,142,489
Adjustments to reconcile net income to net cash provided by operating activities		
Change in operating assets and liabilities		
Accrued interest	(86,127)	(16,672)
Loan administrative fees reimbursed	—	3,130
Accounts payable and accrued liabilities	14,930	35,754
Other	—	1,748
Total adjustments	(71,197)	23,960
Total cash provided by operations	$ 1,117,461	$ 1,166,449

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

NOTE 1 – ORGANIZATION AND GENERAL

In the opinion of the Redwood Mortgage Corp. (RMC or the manager), the accompanying unaudited financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary to present fairly the financial information included therein. These financial statements should be read in conjunction with the audited financial statements included in the company's Form 10-K for the fiscal year December 31, 2018 filed with the U.S. Securities and Exchange Commission (SEC). The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the operations results to be expected for the full year.

Redwood Mortgage Investors IX, LLC (RMI IX or the company) is a Delaware limited liability company formed in October 2008 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 company is externally managed by Redwood Mortgage Corp ("RMC" or "the manager"). The manager is solely responsible for managing the business and affairs of the company, subject to the voting rights of the members on specified matters. The manager acting alone has the power and authority to act for and bind the company. RMC provides the personnel and services necessary for the company to conduct its business as the company has no employees of its own. The manager is required to contribute to capital one tenth of one percent (0.1%) of the aggregate capital accounts of the members. The mortgage loans the company funds and/or invests in are arranged and generally are serviced by RMC.

The rights, duties and powers of the members and manager of the company are governed by the Ninth Amended and Restated Limited Liability Company Operating Agreement of RMI IX (the "Operating Agreement"), the Delaware Limited Liability Company Act and the California Revised Uniform Limited Liability Company Act.

The following is a summary of certain provisions of the Operating Agreement and is qualified in its entirety by the terms of the Operating Agreement itself. Members should refer to the company's Operating Agreement for complete disclosure of its provisions.

The company's primary investment objectives are to:

- yield a favorable rate of return from the company's business of making and/or investing in loans;
- preserve and protect the company's capital by making and/or investing in loans secured by California real estate, preferably income-producing properties geographically situated in the San Francisco Bay Area and the coastal metropolitan regions of Southern California; and,
- generate and distribute cash flow from these mortgage lending and investing activities.

The ongoing sources of funds for loans are the proceeds (net of redemption of members' capital and operating expenses) from:

- sale of members' units net of reimbursement to RMC of organization and offering expenses ("O&O expenses") and net of amounts advanced for the formation loan to RMC, including units sold by reinvestment of distributions;
- payments from RMC on the outstanding balance of the formation loan;
- borrowers' monthly principal and interest payments;
- loan payoffs;
- loan sales to unaffiliated 3rd parties and loan transfers by executed assignment to affiliated mortgage funds; and,
- a line of credit, if obtained.

Net income and losses are allocated monthly among the members according to their respective capital accounts after one percent (1%) of the profits and losses are allocated to the manager. RMC's allocated one percent (1%) of the profits and losses was $11,887 and $11,425 for the three months ended March 31, 2019 and 2018, respectively. The monthly results are subject to subsequent adjustment as a result of quarterly and year-end accounting and reporting. Investors should not expect the company to provide tax benefits of the type commonly associated with limited liability company tax shelter investments. Federal and state income taxes are the obligation of the members, if and when taxes apply, other than the annual California franchise tax and the California LLC cash receipts taxes paid by the company.

Members representing a majority of the outstanding units may, without the concurrence of the managers, vote to: (i) dissolve the company, (ii) amend the Operating Agreement, subject to certain limitations, (iii) approve or disapprove the sale of all or substantially all of the assets of the company or (iv) remove or replace one or all of the managers. Where there is only one manager, a majority in interest of the members is required to elect a new manager to continue the company business after a manager ceases to be a manager due to its withdrawal.

Distribution policy

Cash available for distribution at the end of each calendar month is allocated ninety-nine percent (99%) to the members and one percent (1%) to the manager. Cash available for distribution means cash flow from operations (excluding repayments for loan principal and other capital transaction proceeds) less amounts set aside for creation or restoration of reserves. The manager may withhold from cash available for distribution otherwise distributable to the members with respect to any period the respective amounts of O&O expenses allocated to the members' accounts for the applicable period pursuant to the company's reimbursement to RMC and allocation to members' accounts of organization and offering expenses policy. The amount otherwise distributable, less the respective amounts of organization and offering expenses allocated to members, is the net distribution. Per the terms of the company's Operating Agreement, cash available for distribution allocated to the members is allocated among the members in proportion to their percentage interests (except with respect to differences in the amounts of organization and offering expenses allocated to the respective members during the applicable period) and in proportion to the number of days during the applicable month that they owned such percentage interests.

See Note 3 (Manager and Other Related Parties) to the financial statements for a detailed discussion on the allocation of O&O to members' accounts.

Cash available for distributions allocable to members, other than those participating in the distribution reinvestment plan (DRIP) and the manager, is distributed at the end of each calendar month. Cash available for distribution allocable to members who participate in the DRIP is used to purchase additional units at the end of each calendar month. The manager's allocable share of cash available for distribution is also distributed not more frequently than with cash distributions to members.

To determine the amount of cash to be distributed in any specific month, the company relies in part on its forecast of full year profits, which takes into account the difference between the forecasted and actual results in the year and the requirement to maintain a cash reserve. At March 31, 2019 year to date earnings (estimated) allocated to members' accounts was $1,191,815 and net income available to members (actual) was $1,176,771. The cumulative difference between earnings allocated to members' account and net income available to members of $39,497 is expected to be offset by future earning in excess of net distributions in 2019.

The company's net income, cash available for distribution, and net-distribution rate fluctuates depending on:

- loan origination volume and the balance of capital available to lend;
- the current and future interest rates negotiated with borrowers;
- the timing and amount of gains received from loan sales, if any;
- payment of fees and cost reimbursements to RMC;
- the amount and timing of other operating expenses, including expenses for professional services;
- financial support, if any, from RMC; and
- payments from RMC on the outstanding balance of the formation loan.

Financial Support from RMC

Since commencement of operations in 2009, RMC, at its sole discretion, provided significant financial support to the company which increased the net income, cash available for distribution, and the net-distribution rate, by:

- charging less than the maximum allowable fees;
- not requesting reimbursement of qualifying costs attributable to the company ("Costs from RMC") on the Statements of Income); and/or,
- absorbing some, and in certain periods, all of the company's direct expenses, such as professional fees.

Such fee and cost-reimbursement waivers and the absorption of the company's expenses by RMC were not made for the purpose of providing the company with sufficient funds to satisfy any required level of distributions, as the Operating Agreement has no such required level of distributions, nor to meet withdrawal requests. Any decision to waive fees or cost-reimbursements and/or to absorb direct expenses, and the amount (if any) to be waived or absorbed, is made by RMC in its sole discretion. This assistance has increased the company's financial performance and resulted in an annual 6.5% net distribution rate since inception (6.95% before O&O expense allocation of 0.45% when applicable) for periods prior to February 28, 2018.

In March 2018, RMC communicated to the members' planned and ongoing reductions in financial support from RMC and that net income, cash available for distribution and the net distribution rate were expected to decrease correspondingly. In April 2018, the company commenced paying all of its direct expenses for professional-service fees (legal and audit/tax compliance) and other operating expenses (postage, printing etc.). RMC plans to phase in the collection of the asset management fee of 75 basis points (0.75%) beginning in the third quarter of 2019, and to similarly commence collection of the cost reimbursements from RMC in 2020.

Distribution reinvestment plan (DRIP)

Members may elect to participate in the DRIP with written notice to the manager provided that the registration statement for the DRIP is effective at the time.

Liquidity and unit redemption program

There are substantial restrictions on transferability of units, and there is no established public trading and/or secondary market for the units and none is expected to develop. In order to provide liquidity to members, the company's Operating Agreement includes a unit redemption program, whereby beginning one year from the date of purchase of the units, a member may redeem all or part of their units, subject to certain limitations.

The price paid for redeemed units is based on the lesser of the purchase price paid by the redeeming member or the member's capital account balance as of the date of each redemption payment. Redemption value is calculated based on the period from date of purchase as follows:

- after one year, 92% of the purchase price or of the capital account balance, whichever is less;
- after two years, 94% of the purchase price or of the capital account balance, whichever is less;
- after three years, 96% of the purchase price or of the capital account balance, whichever is less;
- after four years, 98% of the purchase price or of the capital account balance, whichever is less;
- after five years, 100% of the purchase price or of the capital account balance, whichever is less.

The company redeems units quarterly, subject to certain limitations as provided for in the Operating Agreement. The maximum number of units which may be redeemed per quarter per individual member shall not exceed the greater of (i) 100,000 units, or (ii) 25% of the member's total outstanding units. For redemption requests requiring more than one quarter to fully redeem, the percentage discount amount that, if any, applies when the redemption payments begin continues to apply throughout the redemption period and applies to all units covered by such redemption request regardless of when the final redemption payment is made.

The company has not established a cash reserve from which to fund redemptions. The company's capacity to redeem units upon request is limited by the availability of cash and the company's cash flow. As provided in the Operating Agreement, the company will not, in any calendar year, redeem more than five percent (5%) of the weighted average number of units outstanding during the twelve-month period immediately prior to the date of the redemption. In the event unit withdrawal requests exceed 5% in any calendar year, units will be redeemed in the priority provided in the Operating Agreement.

Contributed capital

The manager is required to contribute to capital one tenth of one percent (0.1%) of the aggregate capital accounts of the members.

Manager's interest

If a manager is removed, withdrawn or terminated, the company will pay to the manager all amounts then accrued and owing to the manager. Additionally, the company will terminate the manager's interest in the company's profits, losses, distributions and capital by payment of an amount in cash equal to the then-present fair value of such interest. The formation loan is forgiven if the manager is removed and RMC is no longer receiving payments for services rendered.

Unit sales

In June 2016, the company's Registration Statement on Form S-11 filed with the SEC (SEC File No. 333-208315) to offer up to 120,000,000 units ($120,000,000) to the public and 20,000,000 units ($20,000,000) to its members pursuant to the DRIP became effective and continued until April 30, 2019.

As of March 31, 2019, the gross proceeds from sales of units from inception (October, 2009) approximated $87,816,000– $39,407,000 units under previous registration statements and approximately $48,409,000 under the June 2016 registration statement/prospectus. Of the gross proceeds, approximately $9,256,000 were from members under our DRIP. In April 2019, gross proceeds from sales of units approximated $680,000.

The company used the gross proceeds from the sale of the units to:

- make additional loans;
- fund working capital reserves;
- pay RMC up to 4.5% of proceeds from sale of units for organization and offering expenses; and
- fund a formation loan to RMC at up to 7% of proceeds from sale of units.

The June 2016 registration statement expires June 6, 2019, and unit sales to other than members of record or their successors as of April 30, 2019 terminated as of April 30, 2019.

On May 9, 2019, a registration statement on Form S-3 was filed with the SEC (SEC File No. 333-231333) to offer up to 15,000,000 units ($15,000,000) to members pursuant to the DRIP. The May 2019 registration statement became effective on May 9, 2019.

Unit sales – commissions paid to broker-dealers/formation loan

Commissions for unit sales were previously paid to broker-dealers (B/D sales commissions) by RMC and were not paid directly by the company out of offering proceeds. Instead, the company advanced to RMC, from offering proceeds, amounts sufficient to pay the B/D sales commissions and premiums paid to investors up to seven percent (7%) of offering proceeds. The receivable arising from the advances is unsecured, and non-interest bearing and is referred to as the "formation loan." As of March 31, 2019, the company had made such advances of $5,580,839, of which $4,294,186 remains outstanding on the formation loan. Advances under the formation loan terminated upon the termination of the primary offering of units on April 30, 2019.

RMC is required to make annual payments on the formation loan in the amount of one tenth of the principal balance outstanding at December 31 of the prior year.

Term of the company

The term of the company will continue until 2028, unless sooner terminated as provided in the Operating Agreement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Management estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Such estimates relate principally to the determination of the allowance for loan losses, including, when applicable, the valuation of impaired loans (which itself requires determining the fair value of the collateral), and the valuation of real estate held for sale and held as investment, at acquisition and subsequently. Actual results could differ significantly from these estimates.

Fair value estimates

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. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

Fair values of assets and liabilities are determined based on the fair-value hierarchy established in GAAP. The hierarchy is comprised of three levels of inputs to be used:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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 in active markets and quoted prices for identical assets or liabilities that are not active, and inputs other than quoted prices that are observable or inputs derived from or corroborated by market data.
- Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the 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 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. 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).

Management has the requisite familiarity with the real estate markets it lends in generally and of the properties lent on specifically to analyze sales-comparables and assess their suitability/applicability. Management is acquainted with market participants – investors, developers, brokers, 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.

Cash and cash equivalents

The company considers all highly liquid financial instruments with maturities of three months or less at the time of purchase to be cash equivalents. At March 31, 2019, certain of the company's cash balances in banks exceed federally insured limits of $250,000. The bank or banks in which funds are deposited are reviewed periodically for their general credit-worthiness/investment grade credit rating.

Loans and interest income

Performing loans are carried at amortized costs which is generally equal to the unpaid principal balance (principal). Management has discretion to pay amounts (advances) to third parties on behalf of borrowers to protect the company's interest in the loan. Advances include, but are not limited to, the payment of interest and principal on a senior lien to prevent foreclosure by the senior lien holder, property taxes, insurance premiums and attorney fees. Advances generally are stated at the amounts paid out on the borrower's behalf and any accrued interest on amounts paid out, until repaid by the borrower.

For performing loans, interest is accrued daily on the principal plus advances, if any. Impaired loans less than 180 days delinquent continue to recognize interest income as long as the loan is in the process of collection and is considered to be well-secured. Impaired loans are placed on non-accrual status if 180 days delinquent or 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. Late fees are recognized in the period received.

The company may fund a specific loan origination net of an interest reserve (one to two years) to insure timely interest payments at the inception of the loan. In the event of an early loan payoff, any unapplied interest reserves would be first applied to any accrued but unpaid interest and then as a reduction to the principal.

If events and or changes in circumstances cause management to have serious doubts about the collectability of the payments of interest and principal in accordance with 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, then to the accrued interest, then to advances, and lastly to principal.

In the normal course of the company's operations, loans that mature may be renewed at then current market rates and terms for new loans. Such renewals are not designated as impaired, unless the renewed loan was previously designated as impaired.

From time to time, the company negotiates and enters into loan modifications with borrowers whose loans are delinquent. If the loan modification results in a significant delay or reduction in the cash flow compared to the original note, the modification is deemed a troubled debt restructuring and a loss is recognized.

Allowance for loan losses

Loans and the related accrued interest and advances (i.e. the loan balance) are analyzed on a periodic basis for ultimate recoverability. Collateral fair values are reviewed quarterly and the protective equity for each loan is computed. As used herein, "protective equity" is the dollar amount by which the fair value of the collateral, net of any senior liens exceeds the loan balance, where "loan balance" is the sum of the unpaid principal, advances and the recorded interest thereon. This computation is done for each loan (whether impaired or performing), and while loans secured by collateral of similar property type are grouped, there is enough distinction and variation in the collateral that a loan-by-loan, collateral-by-collateral analysis is appropriate.

For loans designated impaired, a provision is made for loan losses to adjust the allowance for loan losses to an amount such that the net carrying amount (unpaid principal less the specific allowance) is reduced to the lower of the loan balance or the estimated fair value of the related collateral, net of any senior loans and net of any costs to sell in arriving at net realizable value.

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.

The company charges off uncollectible loans and related receivables directly to the allowance account once it is determined the full amount is not collectible.

At foreclosure any excess of the recorded investment in the loan (accounting basis) over the net realizable value is charged against the allowance for loan losses.

Real estate owned (REO)

Real estate owned, or REO, is property acquired in full or partial settlement of loan obligations generally through foreclosure, and is recorded at acquisition at property's net realizable value, which is the fair value less estimated costs to sell, as applicable. 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 loan 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. After acquisition, REO is analyzed periodically for changes in fair values and any subsequent write down is charged to operations expenses. Any recovery in the fair value subsequent to such a write down is recorded and is 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.

Recently issued accounting pronouncements

-Accounting and Financial reporting for Expected Credit Losses

The Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) that significantly changes how entities will account for credit losses for most financial assets that are not measured at fair value through net income. The new standard will supersede currently in effect guidance and applies to all entities. Entities will be required to use a current expected credit loss (CECL) model to estimate credit impairment. This estimate will be forward-looking, meaning management will be required to use forecasts about future economic conditions to determine the expected credit loss over the remaining life of an instrument. This will be a significant change from the current incurred credit loss model, and generally may result in allowances being recognized in earlier periods than under the current credit loss model. The manager expects to adopt the ASU for interim and annual reporting in 2020.

RMI IX invests in real estate secured loans made with the expectation that the possibility of credit losses is remote as a result of substantial protective equity provided by the underlying collateral. The real estate secured programs and low loan-to-value ratios have caused RMC to conclude that the adoption of the CECL model from the incurred loss models presently in use as to credit loss recognition will likely not materially impact the reported results of operations or financial position.

NOTE 3 – MANAGER AND OTHER RELATED PARTIES

RMC is entitled to 1% of the profits and losses of the company. See Note 1 (Organization and General).

Manager financial support (RMC support)

RMC support provided, as detailed below, totaled approximately $462,000 and $605,000 for the three months ended March 31, 2019 and 2018, respectively. Loan administrative fees, mortgage servicing fees, and asset management fees which could have been collected increased during the three months ended March 31, 2019 compared to the same period in 2018 due to increased loan and capital balances. As a result, the amount of support in the form of waived fees for loan administrative and asset management fees increased during the same period as RMC, in its sole discretion, elected to waive collection of such fees. Costs from RMC decreased for the three months ended March 31, 2019 compared to the same period in 2018, due to a decrease in allocable payroll and consulting fee expenses incurred by RMC during the three months period ended March 31, 2019 as compared to the same period in 2018. Beginning April 1, 2018, RMI IX paid all direct operating expenses (i.e., professional services and other direct operating expenses) resulting in an increase in professional services and other expense in 2019. Prior to April 1, 2018, RMC, at its sole discretion, had elected to absorb some or all of RMI IX's professional services and other direct expenses. The loan and capital balances are used as a base for the calculation for fees charged by RMC, and increases or decreases in the balances will have a similar effect on the total amount chargeable by RMC. The decision to waive all or a portion of these fees is made by RMC, in its sole discretion.

Loan administrative fees and operating expenses, including amounts for fees and cost reimbursements waived and/or expenses absorbed by RMC, for the three months ended March 31, 2019 are presented in the following table.

		Operating Expenses					
	Loan Admin Fees	Mortgage Servicing Fees	Asset Management Fee	Costs from RMC	Professional Services	Other	Total
Chargeable/reimbursable	$ 163,270	$ 38,646	$ 119,187	$ 179,656	$ 147,317	$ 3,356	$ 651,432
RMC support							
Waived	(163,270)	—	(119,187)	(179,656)	—	—	(462,113)
Expenses absorbed by RMC	—	—	—	—	—	—	—
Total RMC support	(163,270)	—	(119,187)	(179,656)	—	—	(462,113)
Net charged	$ —	$ 38,646	$ —	$ —	$ 147,317	$ 3,356	$ 189,319

Loan administrative fees and operating expenses, including amounts for fees and cost reimbursements waived and/or expenses absorbed by RMC, for the three months ended March 31, 2018 are presented in the following table.

		Operating Expenses					
	Loan Admin Fees	Mortgage Servicing Fees	Asset Management Fee (as Revised)	Costs from RMC	Professional Services	Other	Total
Chargeable/reimbursable	$ 158,363	$ 35,184	$ 104,955	$ 184,149	$ 147,837	$ 14,332	$ 644,820
RMC support							
Waived	(158,363)	—	(104,955)	(184,149)	—	—	(447,467)
Expenses absorbed by RMC	—	—	—	—	(143,152)	(14,247)	(157,399)
Total RMC support	(158,363)	—	(104,955)	(184,149)	(143,152)	(14,247)	(604,866)
Net charged	$ —	$ 35,184	$ —	$ —	$ 4,685	$ 85	$ 39,954

Loan administrative fees

RMC is entitled to receive a loan administrative fee in an amount up to one percent (1%) of the principal amount of each new loan originated or acquired on the company's behalf by RMC for services rendered in connection with the selection and underwriting of potential loans. Such fees would be payable by the company upon the closing or acquisition of each loan. Since August 2015, RMC, at its sole discretion, waived and continues to waive, the loan administrative fees.

Mortgage servicing fees

RMC earns mortgage servicing fees from the company of up to one-quarter of one percent (0.25%) annually of the unpaid principal balance 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. RMC is entitled to receive these fees regardless of whether specific mortgage payments are collected. 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 company.

Asset management fees

RMC is entitled to receive a monthly asset management fee for managing the company's portfolio and operations in an amount up to three-quarters of one percent (0.75%) annually of the portion of the capital originally committed to investment in mortgages, not including leverage, and including up to two percent (2%) of working capital reserves.

In April 2018, the calculation of the asset management fees was adjusted to conform to the specifically applicable provisions of the Operating Agreement, accordingly the 2018 dollar amounts in the table above have been updated. The previously disclosed asset management fees were $127,844 for the three months ended March 31, 2018. This update had no effect on net income or total operating expenses, as all asset management fees were waived in 2018.

Costs from RMC

RMC, per the Operating Agreement, may request reimbursement by the company for operations expense incurred on behalf of the company, including without limitation, postage and preparation of reports to members and out-of-pocket general and administration expenses. Certain of these qualifying costs (e.g., postage) can be tracked by RMC as specifically attributable to the company. Other costs (e.g., RMC's accounting and audit fees, legal fees and expenses, qualifying payroll expenses, occupancy, and insurance premium) are allocated on a pro-rata basis (e.g., by the company's percentage of total capital of all mortgage funds managed by RMC). Payroll and consulting fees are broken out first based on activity, and then allocated to the company on a pro-rata basis based on percentage of capital to the total capital of all mortgage funds.

RMC, at its sole discretion, has elected to waive reimbursement for operating expenses in the quarters ended March 31, 2019 and 2018.

Professional Services

Professional services consist primarily of legal, regulatory (including SEC/FINRA compliance) and audit and tax compliance expenses. Prior to April 2018, RMC, at its sole discretion, had elected to absorb some or all of RMI IX's expenses for professional services (and other operating expenses directly incurred by the company).

Commissions and fees are paid by the borrowers to RMC.

Brokerage commissions, loan originations

For fees in connection with the review, selection, evaluation, negotiation and extension of loans, RMC may collect a loan brokerage commission that is expected to range from approximately 1.5% to 5% of the principal amount of each loan made during the year. Total loan brokerage commissions are limited to an amount not to exceed 4% of the total company assets per year. The loan brokerage commissions are paid by the borrowers, and thus, are not an expense of the company.

Other fees

RMC receives fees for processing, notary, document preparation, credit investigation, reconveyance and other mortgage related fees. The amounts received are customary for comparable services in the geographical area where the property securing the loan is located, payable solely by the borrower and not by the company.

In the ordinary course of business, performing loans may be transferred by executed assignment, in-part or in-full, between the affiliated mortgage funds at par. During the three months ended March 31, 2018, Redwood Mortgage Investors VIII, LP, an affiliated mortgage fund, transferred to the company two performing loans in-full at par value, which approximates fair value, of approximately $5,890,000. The company paid cash for the loans and the affiliated mortgage fund has no continuing obligation or involvement on the loans. No loans were transferred during the three months ended March 31, 2019.

Formation loan

Formation loan transactions are presented in the following table.

	For the three months ended	Since Inception
Balance, beginning of period	$ 4,179,343	$ —
Formation loan advances to RMC	140,928	5,580,838
Payments received from RMC	—	(1,199,716)
Early withdrawal penalties applied	(26,085)	(86,936)
Balance, March 31, 2019	$ 4,294,186	$ 4,294,186
Subscription proceeds since inception		$ 79,702,750
Formation loan advance rate		7%

The future minimum payments on the formation loan, net of early withdrawal penalties, as of March 31, 2019 are presented in the following table.

2019	$ 391,849
2020	417,934
2021	417,934
2022	417,934
2023	417,934
Thereafter	2,230,601
Total	$ 4,294,186

RMC is required to make annual payments on the formation loan, net of early withdrawal penalties, of one tenth of the principal balance outstanding at December 31 of the prior year. The formation loan is forgiven if the manager is removed and RMC is no longer receiving payments for services rendered. The primary source of repayment of the formation loan are loan brokerage commissions earned by RMC.

The table below presents the company's unit redemptions for the three months ended March 31, 2019 and 2018.

	2019	2018
Capital redemptions-without penalty	$ 367,396	$ 316,050
Capital redemptions-subject to penalty	725,000	87,350
Total	$ 1,092,396	$ 403,400

Reimbursement and allocation of organization and offering expenses

The manager is reimbursed for, or the company may pay directly, organization and offering expenses (or O&O expenses) incurred in connection with the organization of the company or offering of the units including, without limitation, attorneys' fees, accounting fees, printing costs and other selling expenses (other than sales commissions) in a total amount not exceeding 4.5% of the original purchase price of all units (other than DRIP units) sold in all offerings (hereafter, the "maximum O&O expenses"), and the manager pays any O&O expenses in excess of the maximum O&O expenses. For each calendar quarter or portion thereof after December 31, 2015, that a member holds units (other than DRIP units) and for a maximum of forty (40) such quarters, a portion of the O&O expenses borne by the company is allocated to and debited from that member's capital account in an annual amount equal to 0.45% of the member's original purchase price for those units, in equal quarterly installments of 0.1125% each commencing with the later of the first calendar quarter of 2016 or the first full calendar quarter after a member's purchase of units, and continuing through the quarter in which such units are redeemed. If at any time the aggregate O&O expenses actually paid or reimbursed by the company since inception are less than the maximum O&O expenses, the company shall first reimburse the manager for any O&O expenses previously borne by it so long as it does not result in the company bearing more than the maximum O&O expenses, and any savings thereafter remaining shall be equitably allocated among (and serve to reduce any subsequent such cost allocations to) those members who have not yet received forty (40) quarterly allocations of O&O expenses, as determined in the good faith judgment of the manager.

Unallocated O&O expenses with respect to a member's units that remain upon redemption of such units shall be repaid to the company by RMC.

Unallocated O&O transactions are summarized in the following table.

	2019	Since Inception
Balance, January 1	$ 2,519,458	$ —
O&O expenses reimbursed to RMC	93,239	3,579,760
Early withdrawal penalties applied (1)	(19,415)	(60,290)
O&O expenses allocated(2)	(80,808)	(767,164)
O&O expenses repaid to Members' Capital by RMC(3)	(36,845)	(276,677)
Balance, March 31	$ 2,475,629	$ 2,475,629

(1) Early withdrawal penalties collected are applied to the next installment of principal due under the formation loan and to reduce the amount owed to RMC for O&O expenses. The amounts credited will be determined by the ratio between the amount of the formation loan and the amount of offering costs incurred by the company.

(2) Beginning in 2016, O&O expenses reimbursed to RMC by RMI IX are allocated to members' capital accounts over 40 quarters.

(3) RMC is obligated under the Operating Agreement to repay the company for unallocated O&O expenses attributed to units redeemed prior to the 40 quarterly allocations. RMC estimated its future obligations to repay unallocated O&O expenses on scheduled redemptions as of March 31, 2019, to be approximately $30,030.

NOTE 4 – LOANS

Loans generally are funded at a fixed interest rate with a loan term of up to five years. Loans acquired are generally done so within the first six months of origination, and purchased at the current par value, which approximates fair value. As of March 31, 2019, 83 of the company's 85 loans (representing 99% of the aggregate principal of the company's loan portfolio) have a loan term of five years or less from loan inception. The remaining loans have terms longer than five years. Substantially all loans are written without a prepayment penalty provision. As of March 31, 2019, 60 loans outstanding (representing 60% of the aggregate principal balance of the company's loan portfolio) provide for monthly payments of principal and interest, typically calculated on a 30-year amortization, with the remaining principal balance due at maturity. The remaining loans provide for monthly payments of interest only, with the principal balance due at maturity.

Secured loans unpaid principal balance (principal)

Secured loan transactions are summarized in the following table for the three months ended March 31, 2019.

		2019
Principal, beginning of period	$	62,115,713
Loans originated		16,327,000
Loans sold to non-affiliate		(136,640)
Principal payments received		(11,889,592)
Principal, March 31, 2019	$	66,416,481

During the three months ended March 31, 2019, the company renewed no loans. See Note 3 (Manager and Other Related Parties) for a description of loans transferred by executed assignments between affiliates. The company originates loans with the intent to hold the loans until maturity. From time to time the company may sell certain loans. Loans are classified as held-for-sale once a decision has been made to sell loans and loans held-for-sale have been identified.

At March 31, 2019 and 2018 the company held no loans classified as held-for-sale.

On March 28, 2019 and March 29, 2019, RMI IX and two separate borrowers executed and notarized loan documents for $200,000 and $1,285,000, respectively, and RMI IX received the corresponding deeds of trust. The loans were funded on April 2, 2019 and April 4, 2019, respectively.

In March 2019, one loan with a principal balance of $136,640, that had been designated as impaired and in non-accrual status, was sold to an unaffiliated third party which specializes in the resolution of such loans. The loan was sold for $143,000, of which $1,711 was recognized as interest income, with $10,791 in foregone interest.

Loan characteristics

Secured loans had the characteristics presented in the following table.

	March 31, 2019	December 31, 2018
Number of secured loans	85	83
Secured loans – principal	$66,416,481	$62,115,713
Secured loans – lowest interest rate (fixed)	7.0%	7.0%
Secured loans – highest interest rate (fixed)	10.5%	10.5%
Average secured loan – principal	$ 781,370	$ 748,382
Average principal as percent of total principal	1.2%	1.2%
Average principal as percent of members' capital, net	1.0%	1.0%
Average principal as percent of total assets	1.0%	1.0%
Largest secured loan – principal	$ 4,000,000	$ 4,000,000
Largest principal as percent of total principal	6.0%	6.4%
Largest principal as percent of members' capital, net	5.2%	5.2%
Largest principal as percent of total assets	5.3%	5.5%
Smallest secured loan – principal	$ 64,444	$ 74,390
Smallest principal as percent of total principal	0.1%	0.1%
Smallest principal as percent of members' capital, net	0.1%	0.1%
Smallest principal as percent of total assets	0.1%	0.1%
Number of California counties where security is located	18	15
Largest percentage of principal in one California county	20.5%	25.0%
Number of secured loans with filed notice of default	2	2
Secured loans in foreclosure – principal	$ 2,237,176	$ 565,685
Number of secured loans with an interest reserve	—	—
Interest reserves	$ —	$ —

As of March 31, 2019, the company's largest loan with principal of $4,000,000 represents 6.0% of outstanding secured loans and 5.3% of company assets. The loan is secured by a multifamily residence located in San Francisco County, bears an interest rate of 8.90% and matures on September 1, 2021. As of March 31, 2019, the company had 2 loans with filed notices of default. As of March 31, 2019, the company had no construction loans outstanding, had no rehabilitation loans outstanding, and had no commitments to fund construction or rehabilitation loans.

Borrower payments are deposited into a bank trust account maintained by RMC and are subsequently disbursed to the company after an appropriate holding period, to ensure the funds are collected. At March 31, 2019, the trust account held a balance of $50,839, consisting of borrower payments, all of which was disbursed on or before April 15, 2019.

Lien position

Secured loans had the lien positions presented in the following table.

	March 31, 2019			December 31, 2018		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	43	$ 33,670,707	51%	41	$ 29,699,888	48%
Second trust deeds	42	32,745,774	49	42	32,415,825	52
Total principal, secured loans	85	66,416,481	100%	83	62,115,713	100%
Liens due other lenders at loan closing		72,198,788			65,941,118	
Total debt		$138,615,269			$128,056,831	
Appraised property value at loan closing		$260,199,000			$240,307,000	
Percent of total debt to appraised values (LTV) at loan closing(1)		55.2%			54.5%	

(1) Based on appraised values and liens due other lenders at loan closing. The weighted-average loan-to-value (LTV) computation above does not take into account subsequent increases or decreases in property values following the loan closing nor does it include decreases or increases of the amount owing on senior liens to other lenders.

Property type

Secured loans summarized by property type are presented in the following table.

	March 31, 2019			December 31, 2018		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family(2)	59	$40,265,988	61%	60	$42,967,253	69%
Multi-family	9	8,946,916	13	8	8,210,970	13
Commercial	16	15,353,577	23	15	10,937,490	18
Land	1	1,850,000	3	—	—	—
Total principal, secured loans	85	$66,416,481	100%	83	62,115,713	100%

(2) Single family property type as of March 31, 2019 consists of 10 loans with principal of $6,081,808 that are owner occupied and 49 loans with principal of $34,184,180 that are non-owner occupied. At December 31, 2018, single family property consisted of 14 loans with principal of $11,398,869 that are owner occupied and 46 loans with principal of $31,568,384 that are non-owner occupied.

REDWOOD MORTGAGE INVESTORS IX, LLC
Notes to Financial Statements
March 31, 2019 (unaudited)

Distribution of loans within California

The distribution of secured loans by counties is presented in the following table.

	March 31, 2019		December 31, 2018	
	Principal	Percent	Principal	Percent
San Francisco Bay Area[3]				
San Mateo	$11,577,654	17.4%	$ 9,619,609	15.5%
Santa Clara	10,143,664	15.3	11,756,695	18.9
Alameda	5,940,248	8.9	7,306,779	11.8
San Francisco	5,651,862	8.5	5,238,008	8.4
Sonoma	1,298,378	2.0	1,300,000	2.1
Marin	1,073,977	1.6	575,000	0.9
Contra Costa	605,583	0.9	725,771	1.2
Solano	600,000	0.9	—	—
	36,891,366	55.5	36,521,862	58.8
Other Northern California				
Sutter	3,815,000	5.7	—	—
Sacramento	2,062,300	3.1	822,500	1.3
Placer	635,887	1.0	637,354	1.0
Monterey	321,916	0.5	322,716	0.5
	6,835,103	10.3	1,782,570	2.8
Northern California Total	43,726,469	65.8	38,304,432	61.6
Los Angeles & Coastal				
Los Angeles	13,628,274	20.5	15,514,789	25.0
San Diego	5,366,218	8.1	5,563,635	9.0
Orange	1,165,520	1.7	1,177,446	1.9
Santa Barbara	500,000	0.8	—	—
	20,660,012	31.1	22,255,870	35.9
Other Southern California				
San Bernardino	1,200,000	1.8	1,200,000	1.9
Riverside	830,000	1.3	355,411	0.6
	2,030,000	3.1	1,555,411	2.5
Southern California Total	22,690,012	34.2	23,811,281	38.4
Total principal, secured loans	$66,416,481	100.0%	$62,115,713	100.0%

(3) Includes Silicon Valley

Scheduled maturities

Secured loans are scheduled to mature as presented in the following table as of March 31, 2019.

	Loans	Principal	Percent
2019(4)	25	$23,392,278	35%
2020	28	21,399,550	33
2021	19	17,426,916	26
2022	6	2,001,123	3
2023	3	835,808	1
Thereafter	2	914,473	1
Total future maturities	83	65,970,148	99
Matured as of March 31, 2019	2	446,333	1
Total principal, secured loans	85	$66,416,481	100%

(4) Loans scheduled to mature in 2019 from April 1 to December 31.

Two loans with an aggregate principal balance of $446,333 were past maturity at March 31, 2019. The loans were designated as impaired and were 58 and 89 days delinquent, respectively, at March 31, 2019.

Loans may be repaid or refinanced before, at or after the contractual maturity date. On matured loans, the company may continue to accept payments while pursuing collection of amounts owed from borrowers. Therefore, the above tabulation for scheduled maturities is not a forecast of future cash receipts.

Delinquency

Secured loans summarized by payment delinquency are presented in the following table.

	March 31, 2019		December 31, 2018	
	Loans	Principal	Loans	Principal
Past Due				
30-89 days	6	$ 1,937,339	5	$ 3,828,975
90-179 days	1	1,808,789	—	—
180 or more days	1	428,387	2	565,685
Total past due	8	4,174,515	7	4,394,660
Current	77	62,241,966	76	57,721,053
Total principal, secured loans	85	$66,416,481	83	$62,115,713

Loans in non-accrual status

	March 31, 2019	December 31, 2018
Number of loans	$ 2	$ 2
Principal	2,237,176	565,685
Advances	14,760	10,688
Accrued Interest	93,384	19,831
Total recorded investment	$ 2,345,320	$ 596,204
Foregone interest	$ 26,417	$ 33,410

At March 31, 2019, and December 31, 2018 no loans were 90 or more days delinquent and not in non-accrual status.

Impaired loans/allowance for loan losses

	March 31, 2019	December 31, 2018
Principal	$ 2,874,277	$ 3,841,148
Recorded investment(5)	3,005,658	3,950,157
Impaired loans without allowance	3,005,658	3,950,157
Impaired loans with allowance	—	—
Allowance for loan losses, impaired loans	—	—
Number of loans	5	6

(5) Recorded investment is the sum of the principal, advances, and interest accrued for financial reporting purposes.

Five and six loans were designated as impaired at March 31, 2019 and at December 31, 2018, respectively. No allowance for loan losses has been recorded as all loans were deemed to have protective equity (i.e., low loan-to-value ratio) such that collection is reasonably assured for all amounts owing.

Impaired loans had average balances and interest income recognized and received in cash as presented in the following tables as of and for the three months ended March 31, 2019 and the year ended December 31, 2018.

	March 31, 2019	December 31, 2018
Average recorded investment	$ 3,477,908	$ 2,050,897
Interest income recognized	38,421	23,848
Interest income received in cash	21,670	21,670

Modifications and troubled debt restructurings

No loan payment modifications were made during three months ended March 31, 2019, and no modifications were in effect at March 31, 2019 and December 31, 2018.

Fair Value

The company does not record its performing loans at fair value on a recurring basis as it is the intention of the company to hold loans until maturity. As in 2018, when certain performing loans were sold, at an immaterial gain (net of expenses), the sale occurred in the same reporting period as when they would have been classified as held-for-sale. Therefore, the recorded amount of the preforming loan (i.e., the loan balance) is deemed to approximate fair value as is the loan balance of loans designated impaired for which a specific reserve has not been recorded (i.e., the loan is well collateralized such that collection of the amount owed is assured, including foregone interest, if any).

Loans designated impaired (i.e., that are collateral dependent) are measured at fair value on a non-recurring basis when the net realizable value of the real property collateral is determined to be less than the loan balance. No impaired loans were measured at fair value on a non-recurring basis at and for the periods ended March 31, 2019 or December 31, 2018.

Secured loans, performing (i.e. not designated as impaired) (Level 2) - Each 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. The fair value of loan balances secured by deeds of trust is deemed to approximate the recorded amount (per the financial statements) as our loans:

- are of shorter terms at origination than commercial real estate loans by institutional lenders;
- are written without a prepayment penalty causing uncertainty/a lack of predictability as to the expected duration of the loan; and
- have limited marketability and are not yet sellable into an established secondary market.

Secured loans, designated impaired (Level 2) - Secured loans designated impaired are deemed collateral dependent, and the fair value of the loan is the lesser of the fair value of the collateral or the enforceable amount owing under the note. 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 (Level 2 inputs).

The following methods and assumptions are used to determine the fair value of the collateral securing a loan.

Single family – Management's preferred method for determining the fair market value of its single-family residential assets is the sale comparison method. Management primarily obtains sale comps via its subscription to the RealQuest service, but also uses free online services such as Zillow.com and other available resources to supplement this data. Sale comps are reviewed for similarity to the subject property, examining features such as proximity to subject, number of bedrooms and bathrooms, square footage, sale date, condition and year built.

If applicable sale comps are not available or deemed unreliable, management will seek additional information in the form of brokers' opinions of value or appraisals.

Multi-family residential – Management's preferred method for determining the aggregate retail value of its multifamily units is the sale comparison method. Sale comps are reviewed for similarity to the subject property, examining features such as proximity to subject, rental income, number of units, composition of units by the number of bedrooms and bathrooms, square footage, condition, amenities and year built.

Management's secondary method for valuing its multifamily assets as income-producing rental operations is the direct capitalization method. In order to determine market cap rates for properties of the same class and location as the subject, management refers to published data from reliable third-party sources such as the CBRE Cap Rate Survey. Management applies the appropriate cap rate to the subject's most recent available annual net operating income to determine the property's value as an income-producing project. When adequate sale comps are not available or reliable net operating income information is not available or the project is under development or is under-performing to market, management will seek additional information and analysis to determine the cost to improve and the intrinsic fair value and/or management will seek additional information in the form of brokers' opinion of value or appraisals.

Commercial buildings – Where commercial rental income information is available, management's preferred method for determining the fair value of its commercial real estate assets is the direct capitalization method. In order to determine market cap rates for properties of the same class and location as the subject, management refers to reputable third-party sources such as the CBRE Cap Rate Survey. Management then applies the appropriate cap rate to the subject's most recent available annual net operating income to determine the property's value as an income-producing commercial rental project. When adequate sale comps are not available or reliable net operating income information is not available or the project is under development or is under-performing to market, management will seek additional information and analysis to determine the cost to improve and the intrinsic fair value and/or management will seek additional information in the form of brokers' opinion of value or appraisals.

Management supplements the direct capitalization method with additional information in the form of a sale comparison analysis (where adequate sale comps are available), brokers' opinion of value, or appraisal.

Commercial land – Commercial land has many variations/uses, thus requiring management to employ a variety of methods depending upon the unique characteristics of the subject land. Management may rely on information in the form of a sale comparison analysis (where adequate sale comps are available), brokers' opinion of value, or appraisal.

NOTE 5 – COMMITMENTS AND CONTINGENCIES, OTHER THAN LOAN COMMITMENTS

Commitments

At March 31, 2019, scheduled redemptions of members' capital equaled $1,039,402, all of which is scheduled for payment in 2019.

The company is obligated, per the Operating Agreement, to reimburse RMC for O&O expenses at 4.5% of gross proceeds of future unit sales (excluding member's capital from DRIP). Unit sales to other than members of record or their successors terminated April 30, 2019.

Legal proceedings

In the normal course of its business, the company may become involved in legal proceedings (such as assignment of rents, bankruptcy proceedings, appointment of receivers, unlawful detainers, judicial foreclosure, etc.) to collect the debt owed under the promissory notes, to enforce the provisions of the deeds of trust, to protect its interest in the real property subject to the deeds of trust and to resolve disputes with borrowers, lenders, lien holders and mechanics. None of these actions, in and of themselves, typically would be of any material financial impact to the net income or balance sheet of the company. As of the date hereof, the company is not involved in any legal proceedings other than those that would be considered part of the normal course of business.

NOTE 6 – SUBSEQUENT EVENTS

On May 9, 2019, a registration statement on Form S-3 was filed with the SEC (SEC File No. 333-231333) to offer up to 15,000,000 units ($15,000,000) to the members pursuant to the DRIP. The May 2019 registration statement became effective on May 9, 2019.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the unaudited financial statements and notes thereto, which are included in Item 1 of this report on Form 10-Q, as well as the audited financial statements and the notes thereto, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in the company’s Annual Report on Form 10-K for the year ended December 31, 2018, filed with the U.S. Securities and Exchange Commission (or SEC). The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the operations results to be expected for the full year.

Forward-Looking Statements

Certain statements in this Report on Form 10-Q which are not historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including statements regarding the company’s expectations, hopes, intentions, beliefs and strategies regarding the future. Forward-looking statements, which are based on various assumptions (some of which are beyond our control), may be identified by reference to a future period or periods or by use of forward-looking terminology, such as “may,” “will,” “believe,” “expect,” “anticipate,” “continue,” “possible” or similar terms or variations on those terms or the negative of those terms. Forward-looking statements include statements regarding trends in the California real estate market; future interest rates and economic conditions and their effect on the company and its assets; estimates as to the allowance for loan losses; forecasts of future sales and redemptions of units, forecasts of future funding of loans; loan payoffs and the possibility of future loan sales (and the gain thereon, net of expenses) to third parties, if any; forecasts of future financial support by the manager including the eventual elimination of financial support; future fluctuations in the net distribution rate; and beliefs relating to how the company will be affected by current economic conditions and trends in the financial and credit markets. Actual results may be materially different from what is projected by such forward-looking statements. Factors that might cause such a difference include, but are not limited to, the following:

- changes in economic conditions, interest rates, and/or changes in California real estate markets;
- the impact of competition and competitive pricing for mortgage loans;
- the manager’s ability to make and arrange for loans that fit our investment criteria;
- whether we will have any future loan sales to unaffiliated third parties, and if we do, the gain, net of expenses, and the volume/timing of loan sales to unaffiliated third parties, which to date have provided only immaterial gains to us;
- the timing and dollar amount of the decreasing financial support from the manager and the corresponding impact on the net distribution rate to members;
- the concentration of credit risks to which we are exposed;
- increases in payment delinquencies and defaults on our mortgage loans; and
- changes in government regulation and legislative actions affecting our business.

All forward-looking statements and reasons why results may differ included in this Form 10-Q are made as of the date hereof, and we assume no obligation to update any such forward-looking statement or reason why actual results may differ.

Overview

Redwood Mortgage Investors IX, LLC (we, RMI IX or the company) is a Delaware limited liability company formed in October 2008 to engage in business as a mortgage lender and investor by making and holding-for-investment loans secured by California real estate, primarily through first and second deeds of trust. The company is externally managed. Redwood Mortgage Corp. (RMC, the manager or management) is the manager of the company.

Cash generated from loan payoffs and borrower payments of principal and interest is used for operating expenses, reimbursements to RMC of O&O expenses, and unit redemptions. The cash flow, if any, in excess of these uses is reinvested in new loans.

Redemptions are made once a quarter, on the last business day of the quarter. The unit redemption program is ongoing and available to members beginning one year after the purchase of the units. The maximum number of units that may be redeemed in any year and the maximum amount of redemption available in any period to members are subject to certain limitations including, but limited to, the company will not:

- in any calendar year, redeem more than 5%; or
- in any calendar quarter, redeem more than 1.25%, of the weighted average number of units outstanding during the twelve (12) month period immediately prior to the date of the redemption.

In addition, the manager may, in its sole discretion, further limit the percentage of the total members' units that may be redeemed or may adjust the timing of scheduled redemptions (including deferring withdrawals indefinitely), to the extent that such redemption would cause the company to be treated as a "publicly traded partnership" within the meaning of Section 7704 of the Code or any Treasury Regulations promulgated thereunder (determined without reference to Code Section 469(i)).

In the event that redemption requests in excess of the foregoing limitations are received by the managers, such redemption requests will be honored in the following order of priority:

- first, to redemptions upon the death of a member; and
- next, to other redemption requests until all other requests for redemption have been met.

All redemption requests shall be honored on a pro rata basis, based on the amount of redemption requests received in the preceding quarter plus unfulfilled redemption requests that the company was unable to honor in prior quarter(s).

See Note 1 (Organization and General) to the financial statements included in Part I, Item 1 of this report on Form 10-Q for additional detail on the organization and operations of RMI IX which detail is incorporated by this reference into this Item 2. For a detailed presentation of the company activities for which related parties are compensated and related transactions, including the formation loan to RMC, See Note 1 (Organization and General) and Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item 1 of this report, which presentation is incorporated by this reference into this Item 2.

Since commencement of operations in 2009, RMC, at its sole discretion, provided significant financial support to the company which increased the net income, cash available for distribution, and the net-distribution rate, by:

- charging less than the maximum allowable fees;
- not requesting reimbursement of qualifying costs attributable to the company ("Costs from RMC") on the Statements of Income); and/or,
- absorbing some, and in certain periods, all of the company's direct expenses, such as professional fees.

Such fee and cost-reimbursement waivers and the absorption of the company's expenses by RMC were not made for the purpose of providing the company with sufficient funds to satisfy any required level of distributions, as the Operating Agreement has no such required level of distributions, nor to meet withdrawal requests. Any decision to waive fees or cost-reimbursements and/or to absorb direct expenses, and the amount (if any) to be waived or absorbed, is made by RMC in its sole discretion. This assistance has increased the company's financial performance and resulted in an annual 6.5% net distribution rate since inception (6.95% before O&O expense allocation of 0.45%, annually when applicable) for periods prior to February 28, 2018.

In March 2018, RMC communicated to the members planned and ongoing reductions in financial support from RMC and that net income, cash available for distribution and the net distribution rate were expected to decrease correspondingly. In April 2018, the company commenced paying all of its direct expenses for professional-service fees (legal and audit/tax compliance) and other operating expenses (postage, printing etc.). RMC plans to phase in the collection of the asset management fee of 75 basis points (0.75%) beginning in the third quarter of 2019, and to similarly commence collection of the cost reimbursements from RMC in 2020.

Critical Accounting Policies

See Note 2 (Summary of Significant Accounting Policies) to the financial statements included in Part I, Item 1 of this report on Form 10-Q for a detailed presentation of critical accounting policies which presentation is incorporated by this reference into this Item 2.

Results of Operations

General economic conditions – California

Our mortgage loans are secured by California real estate, primarily through first and second deeds of trust. Our loan investment activity and the value of the real estate securing our loans is impacted significantly by economic activity and employment conditions in the state. Wells Fargo's Economics Group periodically provides timely, relevant information and analysis in its commentary and reports regarding California's employment and economic conditions. Highlights from a recently issued report from Wells Fargo Securities Economic Group is presented below.

In the publication "California Sees Solid Job Growth in March" dated April 19, 2019:

"California's latest employment data show considerable improvement. Employers added 24,500 new jobs in March, following an increase of 20,900 jobs the prior month. February's gain was revised up from an initially reported gain of just 14,600 jobs. With the latest gain, payrolls have risen by an average of 17,100 jobs per month through the first three months of the year, or a 1.1% annual rate, which is well behind the 23,200 jobs per month or 1.6% pace in 2018. California's unemployment rate has also risen to 4.3%, after hitting a low of 4.1% in July and remaining there for six months."

"The moderation in nonfarm payroll growth has mostly been confined to a handful of industries. Construction employment has declined slightly during the first three months of this year, although employment bounced back solidly in March. The wildfires that hit late last year may have led to a pause in building in parts of the state, and unusually wet weather earlier this year may have also restrained building activity. Wholesale trade and the trucking and warehousing industries are another weak spot. By contrast, employment remains strong in the tech sector, where hiring has actually gained momentum since the start of this year.

"The split between the performance of California's tech sector and the trade sector is playing out in the geography of job gains. Areas most closely tied to the tech sector are accounting for a growing proportion of California's job gains, while those more closely tied to trade are languishing. The San Francisco Bay Area has accounted for 60.6% of the state's jobs so far this year, up from 26.9% in 2018. Hiring has also held up well in San Diego and Western Los Angeles, which are home to bustling tech sectors focusing on communications and digital entertainment."

"The L.A. metro division lost 1,300 jobs in March, marking the second decline in the past three months. Anaheim added just 800 jobs in March following a loss of 400 jobs the prior month, which was the fourth drop in the past seven months. The Inland Empire added 2,200 jobs in March, ending a string of four consecutive drops that had wiped out 5,900 jobs. Employment in the Ventura County and Thousand Oaks area rose by just 200 jobs in March, following like-sized drops in both January and February. In all, greater Los Angeles added just 1,900 jobs in March and 2,000 jobs so far this year. By contrast, Southern California added 99,000 jobs in 2018, or 8,250 a month. As we noted last month, the soft patch in job growth in Southern California coincides with the slowdown in international trade. Container volume through the Port of Los Angeles and Port of Long Beach has slowed over the past year, particularly in the last few months. The culprit is likely the continued uncertainty surround trade negotiations with China and the tariffs on imported goods and retaliatory tariffs on U.S. exports. Foreign direct investment has also slowed somewhat, which has weighed on housing. Southern California's technology and entertainment sectors are still going strong, however, which is bolstering activity in downtown and western LA."

Key Performance Indicators

The table below shows key performance indicators at and for the three months ended March 31.

		2019		2018
Secured loans – end of period balance	$	66,416,481		57,865,391
Secured loans – average daily balance	$	62,209,000		55,758,000
Portfolio interest rate(1)		8.7%		8.5%
Interest on loans, gross	$	1,360,992		1,177,732
Portfolio interest rate(1)		8.7%		8.5%
Effective yield rate(2)		8.8%		8.4%
Amortization of loan administrative fees, net(7)		—		—
Interest on loans, net	$	1,360,992		1,177,732
Percent of average daily balance(2)		8.8%		8.4%
Provision for loan losses	$	—		—
Percent of average daily balance(2)		0.0%		0.0%
Total operations expense(7)	$	189,319		39,954
Net Income(7)	$	1,188,658		1,142,489
Percent of average members' capital(3)(4)		5.9%		6.6%
Member Distributions, net	$	1,111,007		1,090,347
Percent of average members' capital(3)(5)		5.6%		6.3%
Members' capital, gross – end of period balance	$	79,965,409		69,816,123
Members' capital, gross – average daily balance	$	79,874,000		68,468,000
Member Redemptions(6)	$	1,092,396	$	403,400

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

(2) Percent of secured loans – average daily balance (annualized)

(3) Percent of members' capital, gross – average daily balance (annualized)

(4) Percent based on the net income available to members (excluding 1% allocated to manager)

(5) Members Distributions is net of O&O costs allocated to members' accounts during the year

(6) Scheduled member redemptions as of March 31, 2019 were $1,039,402 payable in 2019. Scheduled member redemptions as of March 31, 2018 were $393,124.

(7) See Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item 1 of this report for a detailed discussion on fees waived and costs absorbed by the manager, which presentation is incorporated by this reference into this Item 2.

Secured loans

The secured loan balance at March 31, 2019 of $66,416,481 was an increase of approximately 14.9% ($8.6 million) over the March 31, 2018 secured loan balance of $57,865,391. The increase in the secured loan balance is consistent with the increased members' capital of approximately 14.5% ($10.1 million). New loans originated were approximately $16.3 million for the three months ended March 31, 2019. Members' capital increased approximately $767,000 for the three months ended March 31, 2019. Secured loans as a percent of members' capital (based on average balances) was 77.9% and 81.4% for three months ended March 31, 2019 and 2018, respectively.

We have sought to exercise strong discipline in underwriting loan applications and lending against collateral at amounts that create a mortgage portfolio that has substantial protective equity (i.e., safety margins to outstanding debt) as indicated by the overall conservative weighted average loan-to-value ratio (LTV) which at March 31, 2019 was approximately 55.2%. Thus, per the appraisal-based valuations at the time of loan inception, borrowers have, in the aggregate, equity of 44.8% in the property, and we as lenders have lent in the aggregate 55.2% (including other senior liens on the property) against the properties we hold as collateral for the repayment of our loans.

See Note 4 (Loans) to the financial statements included in Part I, Item 1 of this report for detailed presentations on the secured loan portfolio and on the allowance for loan losses, which presentations are incorporated by this reference into this Item 2.

Performance overview

Revenue from the interest on loans, net for the three months ended March 31, 2019 increased by approximately $183,000, over the same period in 2018, due to the increased average secured loan balance, approximately $26,000 in default interest collected on three loans that had been designated impaired, and an increase in the average portfolio interest rate (8.7% in 2019 and 8.5% in 2018). Operations expense for the three months ended March 31, 2019 increased by approximately $149,000, over the same period in 2018 due primarily to the termination of financial support from RMC of our direct operating expenses (e.g. professional services and other direct operating expenses) beginning April 1, 2018, and an increase in mortgage servicing fees due to an increased loan portfolio. The annualized net distribution rate for the three months ended March 31, 2019, was 5.5%. In all periods presented, the manager, at its sole discretion, provided financial support that increased net income and the return to investors.

For the three months ended March 31, 2019 and 2018 financial support from RMC totaled approximately $462,000 and $605,000, respectively. Asset management fees and other fees which could have been collected by RMC increased during the three months ended March 31, 219 compared to the same period in 2018 due to increased loan and capital balances. As a result, the amount of support in the form of waived fees for loan administrative and asset management fees increased during the same period as RMC, in its sole discretion, elected to waive collection of such fees. Costs from RMC decreased for the three months ended March 31, 2019 compared to the same period in 2018, due primarily to a decrease in allocable payroll and consulting fee expenses incurred by RMC during the three month period ended March 31, 2019 as compared to the same period in 2018. Beginning April 1, 2018, RMI IX paid all direct operating expenses (i.e., professional services and other direct operating expenses) resulting in an increase in professional services and other expense in 2019. Prior to April 1, 2018, RMC, at its sole discretion, had elected to absorb some or all of RMI IX’s professional services and other direct expenses. The loan and capital balances are used as a base for the calculation for fees charged by RMC, and increases or decreases in the balances will have a similar effect on the total amount chargeable by RMC. The decision to waive all or a portion of these fees is made by RMC, in its sole discretion. In March 2018, RMC communicated to the members’ planned and ongoing reductions in financial support from RMC and that net income, cash available for distribution and the net distribution rate were expected to decrease correspondingly. In April 2018, the company commenced paying all of its direct expenses for professional-service fees (legal and audit/tax compliance) and other operating expenses (postage, printing etc.). RMC plans to phase in the collection of the asset management fee of 75 basis points (0.75%) beginning in the third quarter of 2019, and to similarly commence collection of the cost reimbursements from RMC in 2020. See Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item I of this report for a detailed discussion on fees waived and costs absorbed by the manager, which presentation is incorporated by this reference into this Item 2.

Analysis and Discussion of income from operations 2019 v. 2018

Significant changes to revenue and expenses during the three months ended March 31, 2019 and 2018 are summarized in the following table.

	Interest on loans, net	Provision For Loan Losses	Operations Expense	Net Income
For the three months ended				
March 31, 2019	$ 1,360,992	—	189,319	1,188,658
March 31, 2018	1,177,732	—	39,954	1,142,489
Change	$ 183,260	—	149,365	46,169
Change				
Loan balance increase	$ 14,738	—	3,462	11,276
Loan portfolio effective yield rate	168,522	—	—	168,522
Cost allocated from RMC	—	—	(4,493)	4,493
Late fees	—	—	—	12,274
Capital balance increase	—	—	18,725	(18,725)
RMC fees/costs waived	—	—	(14,232)	14,232
Reduced support from RMC	—	—	157,399	(157,399)
Other	—	—	(11,496)	11,496
Change	$ 183,260	—	149,365	46,169

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

See Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item 1 of this report for a detailed discussion on fees waived and costs absorbed by the manager, which presentation is incorporated by this reference into this Item 2. See “Performance Overview” for a discussion of RMC’s plans to reduce and eventually eliminate fee waivers and cost absorptions.

Interest on Loans, net

Interest on loans increased due to growth of the secured loan portfolio, approximately $26,000 in default interest collected on three loans that had been designated impaired, and an increase in the average portfolio interest rate (8.7% in 2019 and 8.5% in 2018). The portfolio has strong payment history with two loans (representing 3.4% of the aggregate principal balance of the company’s loan portfolio) currently designated as non-accrual at March 31, 2019. The Secured loans – average daily balance at March 31, 2019 increased approximately $6.5 million, or approximately 11.6% over the average daily balance at March 31, 2018.

Provision for loan losses

At March 31, 2019 and 2018, the company had not recorded an allowance for loan losses as all loans had protective equity such that at March 31, 2019 and 2018, collection was deemed probable for amounts owed by the borrowers.

Total principal amounts past due more than 90 days at March 31, 2019 and 2018 were $2,237,176 and $139,162 (representing 3.4% and 0.2% of the aggregate principal balance of the company’s loan portfolio), respectively.

Operations expense

Operations expense as a percent of interest on loans, net was approximately 13.9% and 3.4% for the three months ended March 31, 2019 and 2018, respectively. The increase in operations expense was due primarily to RMC ceasing to absorb our direct operating expenses (e.g. professional service expense and other direct operating expenses), beginning April 1, 2018, and an increase in mortgage servicing fees due to an increase average daily balance in the secured loan portfolio.

Significant changes to operations expense during the three months ended March 31, 2019 and 2018, are summarized in the following table.

	Mortgage Servicing Fees	Asset Management Fees, net	Costs From RMC, net	Professional Services, net	Other	Total
For three months ended						
March 31, 2019	$ 38,646	—	—	147,317	3,356	189,319
March 31, 2018	35,184	—	—	4,685	85	39,954
Change	$ 3,462	—	—	142,632	3,271	149,365
Change						
Loan balance increase	$ 3,462	—	—	—	—	3,462
Capital balance increase	—	14,232	4,493	—	—	18,725
Cost allocated from RMC	—	—	(4,493)	—	—	(4,493)
RMC fees/costs waived	—	(14,232)	—	—	—	(14,232)
Reduced support from RMC	—	—	—	143,152	14,247	157,399
Other	—	—	—	(520)	(10,976)	(11,496)
Change	$ 3,462	—	—	142,632	3,271	149,365

See Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item 1 of this report for a detailed discussion on fees waived and costs absorbed by the manager, which presentation is incorporated by this reference into this Item 2. See "Performance Overview" for a discussion of RMC's plans to reduce and eventually eliminate fee waivers and cost absorptions.

Mortgage Servicing fees

The increase in mortgage servicing fees of $3,462 was consistent with the increase in the average daily secured loan portfolio to $62,209,000, noted above in Key Performance Indicators, at the annual rate of 0.25%.

Asset management fee

The total amount of asset management fees chargeable were $119,187 and $104,955 for the three months ended March 31, 2019 and 2018, respectively. The increase in asset management fees chargeable was due to the increase in total capital under management. Total members capital at March 31, 2019 and 2018 was approximately $79,965,000 and $69,816,000, respectively. Of the total amount chargeable, RMC, at its sole discretion, waived all asset management fees for the three months ended March 31, 2019 and 2018, respectively. The asset management fee is chargeable in an amount up to three-quarters of one percent (0.75%) annually of the portion of the capital originally committed to investment in mortgages, not including leverage, and including up to two percent (2%) of working capital reserves. This amount will be recomputed annually after the second full year of operations by subtracting from the then fair value of the company's loans plus working capital reserves, an amount equal to the outstanding debt.

Costs from RMC, net

Cost incurred by RMC, for which reimbursement could have been requested were $179,656 and $184,149 for the three months ended March 31, 2019 and 2018, respectively. RMC, at its sole discretion, waived all reimbursements for the three months ended March 31, 2019 and 2018. The decrease in costs from RMC, net chargeable was due primarily to a decrease in allocable expenses incurred by RMC, specifically relating to payroll and consultant expenses. RMC, per the Operating Agreement, may request reimbursement by the company for operations expense incurred on behalf of the company, including without limitation, postage and preparation of reports to members and out-of-pocket general and administration expenses. Certain of these qualifying costs (e.g. postage) can be tracked by RMC as specifically attributable to the company. Other costs (e.g. RMC's accounting and audit fees, legal fees and expenses, qualifying payroll expenses, occupancy, and insurance premium) are allocated on a pro-rata basis (e.g. by the company's percentage of total capital of all mortgage funds managed by RMC). Payroll and consulting fees are broken out first based on activity, and then allocated to the company on a pro-rata basis based on percentage of capital to the total capital of all mortgage funds.

Professional Services

Professional services consist primarily of legal, audit and tax-compliance expenses. Professional service expense incurred during the three months ended March 31, 2019 and 2018 was $147,317 and $147,837, respectively. Beginning April 1, 2018, RMI IX paid for all professional service expenses directly. Prior to April 1, 2018, RMC, at its sole discretion, had elected to absorb some or all of RMI IX's expenses for professional services. During the three months ended March 31, 2018, RMC, in its sole discretion, reimbursed $143,152 of professional services expense.

Members' capital, cash flows and liquidity

Cash flows by business activity are presented in the following table for the three months ended March 31.

	2019	2018
Members' capital		
Contributions by members	$ 2,120,568	$ 4,348,762
Organization and offering costs, net	(56,394)	(131,500)
Formation loan, net	(140,928)	(357,794)
Distributions and redemptions, net	(1,555,007)	(895,469)
Cash – members' capital, net	368,239	2,963,999
Loan principal/advances/interest		
Principal collected	$ 11,889,592	$ 12,739,617
Loans sold to non-affiliate, net	143,000	—
Interest received, net	1,274,865	1,164,191
Other loan income	17,135	4,711
Loan funding & advances, net	(16,334,003)	(9,949,148)
Loans transferred from affiliates	—	(5,889,819)
Cash – loans, net	(3,009,411)	(1,930,448)
Operations expense	(174,539)	(2,453)
Net change in cash	$ (2,815,711)	$ 1,031,098

The table below shows the breakout of distributions for the three months ended March 31, 2019 and 2018.

	2019	2018
DRIP	$ 602,896	$ 598,278
Cash	508,111	492,069
Total	$ 1,111,007	$ 1,090,347
Percent of members' capital, electing cash distribution	46%	45%

The table below shows the company's unit redemptions for the three months ended March 31, 2019 and 2018.

	2019	2018
Capital redemptions-without penalty	$ 367,396	$ 316,050
Capital redemptions-subject to penalty	725,000	87,350
Total	$ 1,092,396	$ 403,400

Ongoing public offering of units/ SEC Registrations

In June 2016, the company's Registration Statement on Form S-11 filed with the SEC (SEC File No. 333-208315) to offer up to 120,000,000 units ($120,000,000) to the public and 20,000,000 units ($20,000,000) to its members pursuant to the DRIP became effective and continued until April 30, 2019.

As of March 31, 2019, the gross proceeds from sales of units from inception (October, 2009) approximated $87,816,000– $39,407,000 units under previous registration statements and approximately $48,409,000 under the June 2016 registration statement/prospectus. Of the gross proceeds, approximately $9,256,000 were from members under our DRIP. In April 2019, gross proceeds from unit sales approximated $680,000.

The June 2016 registration statement expires June 6, 2019, and unit sales to other than members of record or their successors as of April 30, 2019 terminated as of April 30, 2019.

On May 9, 2019, a registration statement on Form S-3 was filed with the SEC (SEC File No. 333-231333) to offer up to 15,000,000 units ($15,000,000) to the members pursuant to the DRIP. The May 2019 registration statement became effective on May 9, 2019.

Commencing May 1, 2019, the sources of funds for loans are the proceeds (net of redemption of members' capital and operating expenses) from:

- borrowers' monthly principal and interest payments;
- loan payoffs;
- loan sales to unaffiliated 3rd parties and loan transfers by executed assignment to affiliated mortgage funds;
- payments from RMC on the outstanding balance of the formation loan;
- amounts reinvested by members participating in the DRIP; and,
- a line of credit, if obtained.

The company's loans generally have shorter maturity terms than typical mortgages. As a result, constraints on the ability of our borrowers to refinance their loans at maturity possibly would have a negative impact on their ability to repay their loans. In the event a borrower is unable to repay at maturity, the company may consider extending the term through a loan modification or foreclosing on the property. A reduction in loan repayments would reduce the company's cash flows and restrict the company's ability to invest in new loans and/or, if ongoing for an extended period, provide earnings distributions and redemptions of members' capital.

Generally, within a broad range, the company's rates on mortgage loans is not affected by market movements in interest rates. If, as expected, we continue to make and invest in fixed rate loans primarily, and interest rates were to rise, a possible result would be lower prepayments of the company's loans. This increase in the duration of time loans are on the books may reduce overall liquidity, which itself may reduce the company's investment into new loans at higher interest rates. Conversely, if interest rates were to decline, we could see a significant increase in borrower prepayments. If we then invest in new loans at lower rates of interest, a lower yield to members may possibly result.

Contractual obligations

At March 31, 2019, scheduled redemptions of members' capital equaled $1,039,402, all of which is scheduled to be paid in 2019.

The company is obligated, per the Operating agreement, to reimburse RMC for O&O expenses at 4.5% of gross proceeds of future unit sales. As of March 31, 2019, RMC had incurred $3,484,467 of O&O expenses in excess of the 4.5% cap, and which may be reimbursed to RMC contingent upon the proceeds of future unit sales and future O&O expenses incurred by RMC.

At March 31, 2019, the company had no construction or rehabilitation loans outstanding.

The Company has no off-balance sheet arrangements as such arrangements are not permitted by the Operating Agreement.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not included because the company is a smaller reporting company.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The company is externally managed by RMC. The manager is solely responsible for managing the business and affairs of the company, subject to the voting rights of the members on specified matters. The manager acting alone has the power and authority to act for and bind the company. RMC provides the personnel and services necessary for us to conduct our business, as we have no employees of our own.

As a limited liability company, we do not have a board of directors, nor, therefore, do we have an audit committee of the board of directors. Thus, there is not conventional independent oversight of the company's financial reporting process. The manager, however, provides the equivalent functions of a board of directors and of an audit committee for, among other things, the following purposes:

- Appointment; compensation, and review and oversight of the work of our independent public accountants; and
- establishing and maintaining internal controls over our financial reporting.

RMC, as the manager, carried out an evaluation, with the participation of RMC's President (acting as principal executive officer/principal financial officer) of the effectiveness of the design and operation of the manager's controls and procedures over financial reporting and disclosure (as defined in Rule 13a-15 of the Exchange Act) as of and for the period covered by this report. Based upon that evaluation, RMC's principal executive officer/principal financial officer concluded that the manager's disclosure controls and procedures were effective.

Changes to Internal Control Over Financial Reporting

There have not been any changes in internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the manager's or company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. **Legal Proceedings**

In the normal course of business, the company may become involved in various legal proceedings such as assignment of rents, bankruptcy proceedings, appointment of receivers, unlawful detainers, judicial foreclosure, etc. to enforce the provisions of the deeds of trust, collect the debt owed under the promissory notes or protect or recoup its investment from the real property secured by the deeds of trust and to resolve disputes between borrowers, lenders, lien holders and mechanics. None of these actions typically would be of any material importance. As of March 31, 2019, the company was not involved in any legal proceedings other than those that would be considered part of the normal course of business.

ITEM 1A. **Risk Factors**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

ITEM 2. **Unregistered Sales of Equity Securities and Use of Proceeds**

Recent Sales of Unregistered Securities

There were no sales of securities by the company which were not registered under the Securities Act of 1933.

Use of Proceeds from Registered Securities

In June 2016, the company's Registration Statement on Form S-11 filed with the SEC (SEC File No. 333-208315) to offer up to 120,000,000 units ($120,000,000) to the public and 20,000,000 units ($20,000,000) to its members pursuant to the DRIP became effective and continued until April 30, 2019.

As of March 31, 2019, the gross proceeds from sales of units from inception (October, 2009) approximated $87,816,000–$39,407,000 units under previous registration statements and approximately $48,409,000 under the June 2016 registration statement/prospectus. Of the gross proceeds, approximately $9,256,000 were from members under our DRIP. In April 2019, gross proceeds from unit sales approximated $680,000.

The June 2016 registration statement expires June 6, 2019, and unit sales to other than members of record or their successors as of April 30, 2019 terminated as of April 30, 2019.

On May 9, 2019, a registration statement on Form S-3 was filed with the SEC (SEC File No. 333-231333) to offer up to 15,000,000 units ($15,000,000) to the members pursuant to the DRIP. The May 2019 registration statement became effective on May 9, 2019. DRIP units and the right to participate in the DRIP are available only to members of record or their successors as of April 30, 2019.

The company used the gross proceeds from the sale of the units from inception (October 2009) through March 31, 2019 to:

- make additional loans;
- fund working capital reserves;
- pay RMC up to 4.5% of proceeds from sale of units for organization and offering expenses; and
- fund a formation loan to RMC at up to 7% of proceeds from sale of units

The units have been registered pursuant to Section 12(g) of the Exchange Act. Such registration of the units, along with the satisfaction of certain other requirements under ERISA, enables the units to qualify as "publicly-offered securities" for purposes of ERISA and regulations issued thereunder. By satisfying those requirements, the underlying assets of the company should not be considered assets of a "benefit plan investor" (as defined under ERISA) by virtue of the investment by such benefit plan investor in the units.

Cash generated from loan payoffs and borrower payments of principal and interest is used for operating expenses, reimbursements to RMC of O&O expenses, and unit redemptions. The cash flow, if any, in excess of these uses is reinvested in new loans.

For a description of the formation loan advances made by RMI IX to RMC from offering proceeds to pay broker dealer sales commissions, see Note 3 (Manager and other Related Parties) to the financial statements included in Part I, Item 1 of this report, which information is incorporated by reference in this Item 2.

Redemptions are made once a quarter, on the last business day of the quarter. Redemptions for the three months ended March 31, 2019 were $1,092,396. The unit redemption program is ongoing and available to members beginning one year after the purchase of the units. The maximum number of units that may be redeemed in any year and the maximum amount of redemption available in any period to members are subject to certain limitations.

ITEM 3. **Defaults Upon Senior Securities**

Not Applicable.

ITEM 4. **Mine Safety Disclosures**

Not Applicable.

ITEM 5. **Other Information**

None.

ITEM 6. **Exhibits**

Exhibit No.	**Description of Exhibits**
31.1	Certification of Manager pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Manager pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REDWOOD MORTGAGE INVESTORS IX, LLC
(Registrant)

Date: May 10, 2019

By: **Redwood Mortgage Corp., Manager**

By: /s/ Michael R. Burwell
Name: Michael R. Burwell
Title: President, Secretary and Treasurer
(On behalf of the registrant, and in the capacity of principal financial officer)