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

FORM 10-K

(Mark one)

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

For the Year Ended December 31, 2015

☐ **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	**26-3541068**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
1825 South Grant Street, Suite 250, San Mateo, CA	**94402**
(Address of principal executive offices)	**(Zip Code)**

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

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

Securities registered pursuant to Section 12(g) of the Act: **Units of Limited Liability Company Interests**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ YES ☒ NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ YES ☒ NO

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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ☒ YES ☐ NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☒

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

The registrant's units of limited liability company interests are not publicly traded and therefore have no market value. The registrant is conducting an ongoing public offering of its units pursuant to a Registration Statement on Form S-11 (File No. 333-181953), which are being sold at $1.00 per unit. The registrant has 34,154,936 limited liability company interests outstanding as of March 30, 2016.

REDWOOD MORTGAGE INVESTORS IX, LLC
(A Delaware Limited Liability Company)
Index to Form 10-K

December 31, 2015

Part I

Part II

Part III

Part IV

Forward-Looking Statements

Certain statements in this Report on Form 10-K 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, and Section 21E of the Securities Exchange Act of 1934, as amended (or 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, estimates of future redemptions of units, future funding of loans by the company, 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 and interest rates,
- the impact of competition and competitive pricing for mortgage loans,
- downturns in the California real estate markets which affect the manager's and our ability to find suitable loans in a weaker economy where there is less activity in the real estate market,
- our ability to grow our mortgage lending business,
- the manager's ability to make and arrange for loans that fit our investment criteria,
- 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-K 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.

Part I

Item 1 – Business

Redwood Mortgage Investors IX, LLC (or 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 mortgage loans secured by California real estate, primarily first and second deeds of trust.

The company is externally managed. Redwood Mortgage Corp. (or RMC) is the manager of the company. RMC's wholly-owned subsidiary, Gymno LLC, was a co-manager prior to its merger into RMC effective June 30, 2015. The mortgage loans the company funds and/or invests in are arranged and generally are serviced 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.

The rights, duties and powers of the members and manager of the company are governed by the company's operating agreement, the Delaware Limited Liability Company Act and the California Revised Uniform Limited Liability Company Act. Members should refer to the company's operating agreement for complete disclosure of its provisions. 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.

The manager is required to contribute to capital one tenth of one percent (0.1%) of the aggregate capital accounts of the members. In December 2015, the manager, at its sole discretion, made a supplemental contribution to members' capital of $791,965. This contribution offset the cumulative difference, between net income and distributions to members for all periods through December 31, 2014.

Profits and losses are allocated among the members according to their respective capital accounts monthly after one percent (1%) of the profits and losses are allocated to the manager. 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 any California LLC cash receipts taxes paid by the company.

The ongoing sources of funds for loans are the proceeds from (1) sale of members' units, including units sold by reinvestment of distributions, (2) loan payoffs, (3) borrowers' monthly principal and interest payments, and, (4) to a lesser degree and, if obtained, a line of credit. Cash generated from loan payoffs and borrower payments of principal and interest is used for operating expenses, income distributions to members, reimbursements to RMC of origination and offering expenses and unit redemptions. The cash flow, if any, in excess of these uses is re-invested in new loans.

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 organization and offering expenses allocated to the members for the applicable period pursuant to the company's reimbursement and allocation of organization and offering expenses policy.

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.

Distributions allocable to members, other than those participating in the distribution reinvestment plan (DRIP), and the manager are distributed to them in cash 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. Cash available for distribution allocable to members who participate in the DRIP is credited to their respective capital accounts at the end of each calendar month.

To determine the amount of cash to be distributed in any specific month, the company relies in part on its annual forecast of profits, which takes into account the difference between the forecasted and actual results in the prior year and the requirement to maintain a cash reserve.

Distribution reinvestment plan

The DRIP provision of the operating agreement permits members to elect to have all or a portion of their monthly distributions reinvested in additional units. Members may withdraw from the DRIP with written notice.

Liquidity and unit redemption program

There is no established public trading and/or secondary market for the units and none is expected to develop. There are substantial restrictions on transferability of units. 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 will be 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 will be calculated as follows:

- Beginning after one year: 92% of purchase price of the capital account balance, whichever is less;
- Beginning after two years: 94% of purchase price of the capital account balance, whichever is less;
- Beginning after three years: 96% of purchase price of the capital account balance, whichever is less;
- Beginning after four years: 98% of purchase price of the capital account balance, whichever is less;
- Beginning after five years, 100% of purchase price 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 number of units that may be redeemed per quarter per individual member is subject to a maximum of the greater of 100,000 units or 25% of the member's units outstanding. 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. 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.

Ongoing public offering of units/ SEC Registrations

In December, 2012, the company's Registration Statement on Form S-11 filed with the Securities and Exchange Commission (SEC File No. 333-181953) to offer up to 150,000,000 units ($150,000,000) to the public and 37,500,000 units ($37,500,000) to its members pursuant to the DRIP became effective. The 2012 filing enabled us to continue the offer to sell units that commenced in an initial public offering with the filing of a Registration Statement on Form S-11 in June 2008 (SEC File No. 333-155428). The offering of units is ongoing and was extended by filing a new, third registration statement on Form S-11 (SEC File No. 333-208315) in December 2015. The current offering continues until the earlier of either the effective date of the third registration statement, or 180 days after December 4, 2015. When the third registration statement is declared effective, the offering will continue for up to three (3) years thereafter.

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.

The following summarizes the proceeds from sales of units, from inception (October 5, 2009) through December 31, 2015.

	Proceeds
Gross proceeds admitted from investors	$30,144,013
From electing members under our distribution reinvestment plan	2,879,166
From premiums paid by RMC	148,904 (1)
Total proceeds from unit sales	$33,172,083

(1) If a member acquired units through an unsolicited sale, the member's capital account is credited with their capital contribution plus a premium paid by RMC equal to the amount of the sales commissions that otherwise would have been paid to a broker-dealer by RMC. This amount is reported in the year paid as taxable income to the member.

Unit sales commissions paid to broker-dealers/formation loan

Commissions for units sales to be paid to broker-dealers (B/D sales commissions) are paid by RMC and are not paid directly by the company out of offering proceeds. Instead, the company advances to RMC amounts sufficient to pay the B/D sales commissions and premiums to be paid to investors in connection with unsolicited orders 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 December 31, 2015 the company had made such advances of $2,198,481, of which $1,741,741 remain outstanding on the formation loan.

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. Any O&O expenses with respect to a member's units that remain unallocated upon redemption of such units shall be reimbursed to the company by the manager.

Lending and investment guidelines, objectives and criteria

The company's loans generally have shorter maturity terms than typical mortgages. In the event a borrower is unable to repay in full the principal owing on the loan at maturity, the company may consider extending the term through a loan modification or may foreclose and take back the property for sale.

Generally, interest rates on the company's mortgage loans are not affected directly 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.

Our primary investment objectives are to:

- Yield a rate of a favorable return from the company's business of making 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 net cash flow from these mortgage lending and investing activities.

Loans are arranged and generally are serviced by RMC. The company generally funds loans:

- Having monthly payments of interest only or of principal and interest at fixed rates, calculated on a 30-year amortization basis, and
- Having maturities of 5 years or less, not to exceed 15 years.

The cash flow and the income generated by the real property securing the loan factor into the credit decisions, as does the general creditworthiness, experience and reputation of the borrower. However, for loans secured by real property, other than owner-occupied personal residences, such considerations are subordinate to a determination that the value of the real property is sufficient, in and of itself, as a source of repayment. The amount of the loan combined with the outstanding debt and claims secured by a senior deed of trust on the real property generally will not exceed a specified percentage of the appraised value of the property (the "loan-to-value ratio", or LTV) as determined by an independent written appraisal at the time the loan is made. The LTV generally will not exceed 80% for residential properties (including multi-family), 75% for commercial properties, and 50% for land. The excess of the value of the collateral securing the loan over our debt and any senior debt owing on the property is the "protective equity."

We believe our LTV policy gives us more potential protective equity than competing lenders who fund loans with a higher LTV. However, we may be viewed as an "asset" lender based on our emphasis on LTV in our underwriting process. Being an "asset" lender may increase the likelihood of payment defaults by borrowers. Accordingly, the company may have a higher level of payment delinquency and loans designated as impaired for financial reporting purposes than that of lenders, such as banks and other financial institutions subject to federal and state banking regulations, which are typically viewed as "credit" lenders.

See Note 4 (Loans) to the financial statements included in Part II, Item 8 of this report for a detailed presentation on the secured loan portfolio, which presentation is incorporated by this reference into this Item 1.

Term of the company

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

Competition

The San Francisco Bay Area, including the South Bay/Silicon Valley, and the Los Angeles metropolitan area are our most significant locations of lending activity and the economic vitality of these regions – as well as the stability of the national economy and the financial markets – is of primary importance in determining the availability of new lending opportunities and the performance of previously made loans.

The mortgage-lending business is highly competitive, and we compete with numerous established entities, some of which have more financial resources and experience in the mortgage lending business than our manager. We will encounter significant competition from banks, insurance companies, savings and loan associations, mortgage bankers, real estate investment trusts and other lenders with objectives similar in whole or in part to ours.

Regulations

We and RMC, which arranges and generally services our loans, are heavily regulated by laws governing lending practices at the federal, state and local levels. In addition, proposals for further regulation of the financial services industry continually are being introduced. The laws and regulations to which we and RMC are subject include rules and restrictions pertaining to:

- real estate settlement procedures;
- fair lending;
- truth in lending;
- federal and state loan disclosure requirements;
- the establishment of maximum interest rates, finance charges and other charges;
- loan-servicing procedures;
- secured transactions and foreclosure proceedings; and
- privacy regulations providing for the use and safeguarding of non-public personal financial information of borrowers.

Key federal and state laws, regulations, and rules affecting our business include the following:

- *Real Estate Settlement Procedures Act ("RESPA").*

  RESPA is a federal law passed in 1974 with the purpose of establishing settlement procedures for consumer real estate purchase and refinance transactions on residential (1-4 unit) properties. It establishes rules relating to affiliated business relationships, escrow accounts for property taxes and hazard insurance and loan servicing, among other things. It prohibits unearned referral fees from being charged in a covered transaction. RESPA also governs the format of the Loan Estimate (LE) and the Closing Disclosure (CD) forms provided to consumers in real estate transactions.

- *Truth in Lending Act ("TILA").*

  TILA is a federal law passed in 1968 for the purpose of regulating consumer financing. For real estate lenders, TILA requires, among other things, advance disclosure of certain loan terms, calculation of the costs of the loan as demonstrated through an annual percentage rate, and the right of a consumer in a refinance transaction on their primary residence to rescind their loan within three days following signing of the loan document.

- *Home Ownership and Equity Protection Act ("HOEPA") and California Covered Loan Law.*

  HOEPA is a federal law passed in 1994 to provide additional disclosures for certain closed-end home mortgages. In 1995, the Federal Reserve Board issued final regulations governing "high-cost" closed-end home mortgages with interest rates and fees in excess of certain percentage or amount thresholds. These regulations primarily focus on additional disclosure with respect to the terms of the loan to the borrower, the timing of such disclosures, and the prohibition of certain loan terms, including balloon payments and negative amortization. Failure to comply with the regulations will render the loan rescindable for up to three years. Lenders can be held liable for attorneys' fees, finance charges and fees paid by the borrower and certain other money damages. Similarly, in California, Financial Code Section 4970, et. seq., became effective in 2002. It provides for state regulation of "high-cost" consumer residential mortgage loans (also called "covered loans") secured by liens on real property. Section 4970 defines covered loans as consumer loans in which the original principal balance of the loan does not exceed the most current conforming loan limit for a single-family first mortgage loan established by the Federal National Mortgage Association, with interest rates and/or fees exceeding one of the statutorily defined percentage or amount thresholds. The law prohibits certain lending practices with respect to high-cost loans, including the making of a loan without regard to the borrower's income or obligations. When making such loans, lenders must provide borrowers with a consumer disclosure, and provide for an additional rescission period prior to closing the loan.

- *Mortgage Disclosure Improvement Act.*

  This federal law enacted in 2008, regulates the timing and delivery of loan disclosures for all mortgage loan transactions governed under RESPA.

- *Home Mortgage Disclosure Act.*

  This federal law enacted in 1975 provides for public access to information on a lender's loan activity. It requires lenders to report to their federal regulator certain information about mortgage loan applications it receives, such as the race and gender of its customers, the disposition of the mortgage application, income of the borrowers and interest rate (i.e. APR) information. Amendments to HMDA have recently been issued which will become effective January 1, 2018. Under the amended regulation lenders will be required to report 40 additional data points on their loan applications, including borrower age and credit data, lender fees, debt-to-income ratios and loan-to-value ratios.

- *Red Flags Rule.*

  This federal rule was issued in 2007 under Section 114 of the Fair and Accurate Credit Transaction Act of 2003 and amended by the Red Flag Program Clarification Act of 2010. It requires lenders and creditors to implement an identity theft prevention program to identify and respond to account activity in which the misuse of a consumer's personal identification may be suspected.

- *Graham-Leach-Bliley Act (aka Financial Services Modernization Act of 1999).*

  This federal act passed in 1999 requires all businesses that have access to consumers' personal identification information to implement a plan providing for security measures to protect that information. As part of this program, we provide applicants and borrowers with a copy of our privacy policy.

- *Dodd-Frank Wall Street Reform and Consumer Protection Act.*

  This federal law passed in 2010 enhanced regulatory requirements on banking entities and other organizations considered significant to U.S. financial markets. The act also provides for reform of the asset-backed securitization market. We do not expect these particular regulatory changes will have a material direct effect on our business or operations.

The act also imposes significant new regulatory restrictions on the origination of residential mortgage loans, under sections concerning "Mortgage Reform and Anti-Predatory Lending." For example, when a consumer loan is made, the lender is required to make a reasonable and good faith determination, based on verified and documented information concerning the consumer's financial situation, whether the consumer has a reasonable ability to repay a residential mortgage loan before extending the loan. The act calls for regulations prohibiting a creditor from extending credit to a consumer secured by a high-cost mortgage without first receiving certification from an independent counselor approved by a government agency. The act also adds new provisions prohibiting balloon payments for defined high-cost mortgages. The act established the Consumer Finance Protection Bureau (CFPB), giving it regulatory authority over most federal consumer-lending laws, including those relating to residential mortgage lending. Many of the federal regulations governing mortgage lending have been significantly amended and expanded through the passage of the Dodd Frank Act.

- *The California Homeowner's Bill of Rights ("HOBR").*

  This series of state laws, which became effective January 1, 2013, is intended to ensure fair lending and borrowing practices for California homeowners by guaranteeing basic fairness and transparency during the foreclosure process. Key provisions include restrictions on dual-track foreclosures, a guaranteed single point of contact, civil penalties for lenders filing unverified documents, and protections for tenants of foreclosed properties. HOBR also provides borrowers with the authority to seek redress of material violations of its rules, such as by an injunction (prior to foreclosure sale) or recovery of damages (after foreclosure sale).

Item 1A – Risk Factors

In considering our future performance and any forward-looking statements made in this report, the material risks described below should be considered carefully. These factors should be considered in conjunction with the other information included elsewhere in this report.

INVESTMENT RISKS

No Secondary Market For Units Exists	There is no established public trading and/or secondary market for the units and none is expected to develop. Accordingly, an investment in the company is less liquid than investments for which a public or secondary market for the units exists.
There Are Substantial Restrictions On The Transferability of Units	Units are not freely transferable at will, and they may not be acceptable by a lender as security for borrowing. Our operating agreement also imposes substantial restrictions upon a member's ability to transfer units. In addition, the California Commissioner of Corporations imposes a restriction on sale or transfer, except to specified persons, because of the investor suitability standards that apply to a purchaser of units who is a resident of California. Units may not be sold or transferred without consent of the Commissioner, except to family members, other holders of units and us.

You Are Limited In Your Ability To Have Your Units Redeemed Under Our Unit Redemption Program

Our unit redemption program contains significant restrictions and limitations that limit a member's ability to redeem units. Our operating agreement makes no provision for members to withdraw from the company or to obtain the return on their capital accounts for a one-year period from the date of the purchase of units. In addition, the number of units a member may redeem per quarter is subject to a maximum of the greater of 100,000 units or 25% of such member's units outstanding. In addition, we will not, in any calendar year, redeem from all of our members a total of more than 5% (or in any calendar quarter, redeem more than 1.25%) of the weighted average number of all units outstanding during the 12-month period immediately prior to the date of the redemption.

Moreover, our manager reserves the right, in its sole discretion, at any time, to reject any request for redemption, or to suspend or terminate the acceptance of new redemption requests without prior notice, or to terminate, suspend or amend the unit redemption program upon 30-day notice.

We will fund redemptions solely from available company cash flow and will not establish a working capital reserve from which to fund redemptions. For this purpose, cash flow is considered to be available only after all current company expenses have been paid (including compensation to our manager), adequate provision has been made for payment of our current and future debt, and adequate provision has been made for the payment of all monthly cash distributions to members who do not reinvest distributions pursuant to our distribution reinvestment plan. Accordingly, we cannot guarantee that we will have sufficient funds to accommodate all redemption requests made in any given year.

There Is No Assurance You Will Receive Cash Distributions

Our manager will be paid and reimbursed by us for certain services performed for us and expenses paid on our behalf. We will bear all other expenses incurred in our operations. All of these fees and expenses are deducted from cash funds generated by our operations prior to computing the amount that is available for distribution to members. Our manager, in its discretion, may also retain a portion of cash funds generated from operations for working capital purposes. Accordingly, there is no assurance as to when or whether cash will be available for distributions.

We May Need To Defer Or Reduce Distributions. Distributions May Reduce Our Members Overall Return If We Pay Distributions From Sources Other Than Cash Flow From Operating Activities

In the event we do not have enough cash flow from operating activities to fund our distributions, we may need to defer or reduce distributions or fund distributions from cash on hand, which may include proceeds from the sale of the units and loan repayments from borrowers. From 2011 to 2014, we did not generate enough cash flow from operating activities to fully fund distributions. Therefore, some of those distributions were paid from sources other than cash flow from operating activities. Distributions in excess of our cash flow from operating activities have been funded from cash on hand, which can include proceeds from offerings, loan repayments from borrowers, and borrowings, if any.

You Will Have No Control Over Our Operations, Including The Loans We Make; You Must Rely On The Judgment Of Our Manager In Making Loans

Members have no right or power to take part in our management. All decisions with respect to our management will be made exclusively by our manager. Our success will, to a large extent, depend on the judgment of our manager as it relates to lending decisions.

Our Manager Has Provided Significant Financial Support That Improved Net Income

Our manager has provided significant financial support that improved net income, and the return to investors. At times the manager, at its sole discretion, has waived fees, elected not to request reimbursement for certain operating expenses, absorbed professional fees, and provided a supplementary contribution to offset the cumulative difference between net income and distributions to members for all periods through December 31, 2014. There is no assurance our manager will provide support in the future.

Our Manager, Who Is Not Independent, May Participate In Transactions Where There Is A Potential Conflict Of Interest. We Have No Independent Board, Committees Or Any Audit Or Compensation Committees To Provide Certain Protections

We are managed by our manager who has various conflicts of interest in connection with its management of us. We do not have a board of directors or any independent directors. In addition, we are not subject to certain of the corporate governance rules under the federal securities laws or under rules established by the national securities exchanges because our units are not registered for trading. Among other things, these rules relate to independent director standards, audit and compensation committees standards and the use of an audit committee financial expert. Accordingly, our members will not receive the protections these rules and standards were enacted to provide, such as protections against interested director transactions, conflicts of interest and similar matters.

We do not have an audit or compensation committee. As a result, members will have to rely on our manager, which is not independent, to perform these functions. Thus, there is a potential conflict in that our manager, which is engaged in management, will participate in decisions concerning management compensation and audit issues that may affect management performance.

Your Ability To Recover Your Investment On Dissolution And Termination Will Be Limited	In the event of our dissolution or termination, the proceeds realized from the liquidation of assets, if any, will be distributed to the members only after the satisfaction of claims of creditors. Accordingly, your ability to recover all or any portion of your investment under such circumstances will depend on the amount of funds so realized and claims to be satisfied from those proceeds. Additionally, if you have elected to reinvest your distributions into additional units through your participation in our distribution reinvestment plan, you could lose such reinvested distributions in addition to the amount of your initial investment.
Our Manager May Purchase Units Which Generally Will Give Our Manager The Same Rights As Members	Our manager, in its discretion, may purchase units for its own account. Upon any such purchases of units, our manager will have the same rights as other members in respect of the units owned by them, including the right to vote on matters subject to the vote of members, subject to certain exceptions.
Our Interests In Our Properties May Not Be Insured Against Certain Kinds Of Losses	We will require comprehensive insurance, including fire and extended coverage, which is customarily obtained for or by a lender, on properties in which we acquire a security interest. Generally, such insurance will be obtained by and at the cost of the borrower. However, there are certain types of losses (generally of a catastrophic nature, such as civil disturbances or terrorism and acts of God such as earthquakes, floods and land or mud slides) which are either uninsurable or not economically insurable. Should such a disaster occur to, or cause the full or partial destruction of, any property serving as collateral for a loan, we could lose both our invested capital and anticipated profits from such investment. In addition, on certain real estate owned by us as a result of foreclosure, we may require homeowner's liability insurance. However, insurance may not be available for theft, terrorism, vandalism, land or mud slides, hazardous substances or earthquakes on such real estate owned and losses may result from destruction or vandalism of the property which would adversely affect our profitability.

Downturns In The Economy And Real Estate Market In The San Francisco Bay Area Or On A Regional Or National Scale Could Adversely Affect Our Business

We expect that a significant majority of our loans will be secured by properties located in nine counties that comprise the San Francisco Bay Area (San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa, Marin, Napa, Solano and Sonoma). As of December 31, 2015, 55% of our loans were secured by properties located in the San Francisco Bay Area. Our anticipated concentration of loans in the San Francisco Bay Area exposes us to greater risk of loss if the economy in the San Francisco Bay Area weakens than would be the case if our loans were spread throughout California or the U.S. The San Francisco Bay Area economy and/or real estate market conditions could be weakened by:

- an extended economic slowdown or recession in the area;
- overbuilding of commercial and residential properties;
- relocation of businesses outside of the area due to economic factors such as high cost of living and of doing business within the region;
- increased interest rates, thereby weakening the general real estate market; and
- reductions in the availability of credit.

Events and/or conditions such as general economic downturns, recessions, depressions, dramatic changes in interest rates and periods of illiquidity can disrupt expected cash returns from mortgage lending. These types of events are difficult to predict and can occur unexpectedly. If the economy were to weaken, it is possible that there would be more property available for sale, values would fall and lending opportunities would decrease. In addition, a weak economy and increased unemployment could adversely affect borrowers, resulting in an increase in the number of loans in default.

Should a significant economic deterioration occur in the San Francisco Bay Area or on a more wide scale basis, regionally or nationally, we could suffer increases in loan delinquencies and declines in cash flows as was experienced by mortgage lenders in general during the period of financial crisis which began in 2009.

You Will Be Bound By The Actions Taken By The Majority Voting Power

Subject to certain limitations, members holding a majority of units may vote to, among other things:

- dissolve and terminate the company;
- amend the operating agreement, subject to certain limitations;
- approve or disapprove the sale of all or substantially all of our assets; and
- remove or replace one or all of our managers or elect additional or new managers.

A member who does not vote with the majority in interest of the other members will nonetheless will be bound by the majority vote.

If Payments Are Not Made On The Formation Loan Under Certain Circumstances, Such As Our Manager's Removal, It May Reduce Your Rate Of Return Or Affect Our Access To Capital To Fund New Loans

We have and will continue to advance to our manager funds in an amount equal to the B/D sales commissions for our units and premiums paid to investors in connection with unsolicited sales of our units. The principal balance of the formation loan will increase as additional sales of units are made. The formation loan is an unsecured loan that will not bear interest and will be repaid in annual installments.

A portion of the amount we receive from redeeming members as early redemption penalties may first be applied to reduce the principal balance of the formation loan. This will have the effect of reducing the amount owed by our manager to us. If our manager is removed as a manager by the vote of a majority in interest of the members and a successor or additional manager begins using any other loan brokerage firm for the placement of loans or loan servicing, our manager will be immediately released from any further payment obligation under the formation loan. If the manager is removed, no other manager is elected, the company is liquidated or our manager is no longer receiving payments for services rendered, we will forgive the debt on the formation loan and our manager will be immediately released from any further obligations under the formation loan.

In addition, in the unlikely event that our manager suspends formation loan payments for a period of time, then as a result of such suspended payments we would have less capital to invest in loans during that period, which could adversely affect our profitability.

Upon Liquidation, You May Experience Delays In Receiving Distributions Or May Not Receive Any Distributions	Under our operating agreement, we will continue to operate until October 8, 2028, unless our term is extended by the vote of a majority in interest of the members. We do not currently intend to cease operations prior to the end of our term. We could be dissolved and terminated earlier by operation of law or upon the occurrence of various events described in our operating agreement. Upon our dissolution, our manager will seek to promptly liquidate our assets for the best price reasonably obtainable, to use any proceeds to satisfy our debts and to distribute any remaining proceeds to our members and manager in accordance with the terms of our operating agreement. Our manager may not be successful in liquidating us regardless of whether it occurs on our anticipated termination date or on an earlier dissolution date. Delays in liquidation could arise due to market conditions and other factors beyond the control of our manager. In the event we are unable to liquidate on or prior to the end of our anticipated term, you and other members may not receive distributions of remaining proceeds, if any, in a timely manner or at all.
We Cannot Precisely Determine Compensation To Be Paid To Our Manager That May Not Be Commensurate With Your Rate Of Return	Our manager is unable to predict the amounts of its compensation to be paid to it. Any such prediction would necessarily involve assumptions of future events and operating results which cannot be made at this time. As a result, there is a risk that members will not have the opportunity to judge ahead of time whether the compensation realized by our manager is commensurate with the return generated by the loans.
Payment Of Fees To Our Manager Will Reduce Cash Available For Investment And Distribution	Our manager performs services for us in connection with the offer and sale of our units, the selection and acquisition of our investments and the administration of our investments. It is paid substantial fees for these services, which will reduce the amount of cash available for investment in loans or distribution to members.
Insufficient Working Capital Reserves May Require Borrowings Or Liquidating Our Loans Which, If Not Possible, May Adversely Affect Us	We intend to maintain a working capital reserve to meet our obligations, including our carrying costs and operating expenses. Our manager believes such reserves are reasonably sufficient for our contingencies. If for any reason those reserves are insufficient, we will have to borrow the required funds or liquidate some or all of our loans. In the event our manager deems it necessary to borrow funds, such borrowings may not be on acceptable terms or even available to us which could materially adversely affect our business.
We May Be Required To Forego More Favorable Investments To Avoid Regulation Under Investment Company Act Of 1940	Our manager intends to conduct our operations so that we will not be subject to regulation under the Investment Company Act of 1940. Among other things, our manager will monitor the proportions of our funds which are placed in various investments and the form of such investments so that we do not come within the definition of an investment company under such law. As a result, we may have to forego certain investments which would produce a more favorable return.

Conflicts Or Limitations May Arise As A Result Of Our Manager's Legal And Financial Obligations To Other Mortgage Programs	Our manager and its affiliates are currently involved with three active mortgage programs with investment objectives similar to ours. Our manager may also organize other mortgage programs in the future with investment objectives similar to ours. Our manager has legal and financial obligations with respect to these other mortgage programs that are similar to its obligations with respect to us. These obligations may at times conflict or require our manager to limit the resources allocated to us and these other programs.
Conflicts May Arise From Our Manager's Allocation Of Time Between Us And Others And Loan Brokerage Services	Our manager has conflicts of interest in allocating the time of its personnel between us and other activities in which it is involved. Our manager also provides loan brokerage services to investors other than us. Since our manager originates loans or arranges for the purchase of loans for our loan portfolio, a conflict of interest may exist as to the loans our manager allocates to us and to other mortgage programs it manages or investors with which it is affiliated at such time.
Conflicts May Arise If We Participate In Loans With Other Programs Organized By Our Manager	In certain limited circumstances and subject to compliance with applicable regulations or guidelines, we may participate in loans with other programs organized by our manager, where we purchase a fractional undivided interest in a loan. Our portion of the total loan may be smaller or greater than the portion of the loan made by the other programs. You should be aware that participating in loans with other programs organized by our manager could result in a conflict of interest between us and our manager as well as between us and such other programs, in the event that the borrower defaults on the loan and our manager protects the interests of other programs, which it has organized, in the loan and in the underlying security.
The Amount Of Loan Brokerage Commissions And Other Compensation Of Our Manager May Adversely Affect The Rate Of Return To You	None of the compensation payable to our manager was determined by arm's-length negotiations. We anticipate that the loan brokerage commissions charged to borrowers by our manager will average approximately 1.5% to 4.0% of the principal amount of each loan, but may be higher or lower depending upon market conditions. Any increase in the loan brokerage commission charged on loans may have a direct, adverse effect on the interest rates we charge on loans and thus the overall rate of return to you. This conflict of interest will exist in connection with every loan transaction, and you must rely upon the fiduciary duties of our manager to protect your interests.

If Our Manager Loses Or Is Unable To Maintain Key Personnel, Our Ability To Implement Our Strategic Plans Could Be Impaired

We depend on the diligence, experience and skills of certain executive officers and other key personnel of our manager, for the selection, acquisition, structuring and monitoring of our lending and investment activities. These individuals are not bound by employment agreements with the manager or with us. If any of our manager's key personnel were to cease their employment with the manager or its affiliates, our operating results could suffer. We also believe that our future success depends, in large part, upon the ability of our manager or its affiliates to hire and retain highly skilled managerial, operational and marketing personnel. We cannot assure you that it will be successful in attracting and retaining such personnel. The loss of key personnel and the inability of our manager to hire any key person could harm our business, financial condition, cash flow and results of operations.

MORTGAGE LENDING AND REAL ESTATE RISKS

The Amounts Of Loans In Which We Invest Will Be Limited By The Proceeds We Receive From The Sale Of Units

The ongoing offering of units is being made on a "best efforts" basis, which means the broker-dealers participating in the offering are only required to use their best efforts to sell our units and have no firm commitment or obligation to purchase any of the units. If we sell fewer units and thus have fewer proceeds, we will originate and acquire fewer loans which may result in less diversification in terms of the number of properties financed. In such event, the likelihood of our profitability being affected by the performance of any one of our investments may increase. In addition, our fixed operating expenses as a percentage of gross income would be higher, and the amount of distributions could be adversely affected.

A Weak Economy Or Real Estate Market Could Adversely Affect Us And Your Rate Of Return

Our manager receives referrals from a variety of sources but will only originate or arrange loans that satisfy our investment criteria. The ability to find suitable loans is more difficult when the economy is weaker and there is less activity in the real estate market. For example, in the recent past the residential and commercial real estate markets in the San Francisco Bay Area experienced a significant downturn in investment and purchase activity in the market and less demand for mortgage loans. From time to time a similar decline in demand for loans may occur, and we may be unable to find a sufficient number of suitable loans, which could leave us with excess cash. In such event, we will make short-term, interim investments in government obligations, certificates of deposit, money market or other liquid-asset accounts, with the offering proceeds pending investment in suitable loans. Interest returns on these investments are usually lower than on mortgage loans, which would reduce our profits and return to members.

If Borrowers Default, And/Or Economic Circumstances Increase Defaults, We May Have To Foreclose On The Underlying Property. Foreclosure Proceedings And Other Matters May Slow Our Collection Efforts And Delay Ultimate Satisfaction Of The Loan.

We are engaged in the business of lending and, as such, we are subject to the risk that borrowers may be unable to repay the loans we have made to them in accordance with the terms of the loan agreement. Our loans are not insured by the Federal Housing Administration or guaranteed by the Veterans Administration or otherwise guaranteed or insured by a government agency. Our loans require monthly interest-only payments or monthly payments of interest and principal. This means:

- Defaults and foreclosures may increase if the economy weakens or if interest rates increase, which may make it more difficult for borrowers to refinance their loans at maturity or sell their property.
- If a borrower is unable to repay the loan and defaults, we may be forced to acquire the property at a foreclosure sale. If we cannot quickly sell or refinance such property, and the property does not produce income in excess of expenses, our profitability will be adversely affected.
- Recently enacted consumer protection laws, both Federal and in California, impose additional notice and disclosure requirements on lenders which may slow or limit a lender's ability to exercise remedies against residential real property collateral (principally 1-4 units), including rights to sell the property in a foreclosure sale and certain rights of tenants residing in the properties. Additional federal and state legislation may be proposed in the future which, if enacted, may further limit a lender's ability to exercise remedies against residential real property collateral following a borrower's default in the performance of its loan obligations.

In addition, any litigation instituted by a defaulting borrower or the operation of the federal bankruptcy laws may have the effect of delaying enforcement of the lien on a defaulted loan and may in certain circumstances reduce the amount realizable from the sale of a foreclosed property. A "lien" is a charge against the property of which the holder may cause the property to be sold and use the proceeds in satisfaction of the lien. In the event our right to foreclose is contested, the legal proceedings necessary to resolve the issue can be time-consuming. A judicial foreclosure may be subject to most of the delays and expenses of other litigation, sometimes requiring up to several years to complete.

Some Of Our Loans Require A Large Balloon Payment Of Principal At Maturity

Some loans are structured to provide for relatively small monthly payments, typically interest-only, with a large "balloon" payment of principal due at the end of the term. These borrowers may be unable to repay such loans at maturity out of their own funds and may be compelled to refinance or sell their property.

Our Entry Into Workout Agreements With Delinquent Borrowers Could Lead To A Loss Of Revenue

In the event we enter into workout agreements, we may experience a loss of revenue, which could adversely affect our profitability and the returns to our members. For example, we may periodically enter into workout agreements with borrowers who are past maturity or delinquent in their regular payments. Typically, a workout allows the borrower to extend the due date of the balloon payment and/or defer past-due payments, often while continuing to make current monthly payments, which allows the borrower time to seek alternative means of paying the loan in full.

We Rely On Appraisals To Determine The Fair Market Value (FMV) Of The Underlying Property Securing Our Loans. These Appraisals May Be Inaccurate Or Not Reflect Subsequent Events Affecting FMV Which Could Increase Our Risk Of Loss

We will rely on appraisals prepared by unrelated third parties to determine the fair market value of real property used to secure our loans. We rely on such appraisals for, among other matters, determining our loan-to-value ratio (LTV). In the case of a loan made in connection with a pending property purchase, an appraisal may, for various reasons, reflect a higher or lower value than the purchase amount; we may nevertheless base our LTV on the appraised value, rather than on such purchase amount. We cannot guarantee that such appraisals will, in any or all cases, be accurate or that the appraisals will reflect the actual amount buyers will pay for the property. If an appraisal is not accurate, our loan may not be as secure as we anticipated. In the event of foreclosure, we may not be able to recover our entire investment. Additionally, since an appraisal fixes the value of real property at a given point in time, subsequent events could adversely affect the value of the real property used to secure a loan. For example, if the value of the property declines to a value below the amount of the loan, the loan could become under-collateralized. This would result in a risk of loss for us if the borrower defaults on the loan.

Our Emphasis On The Collateral Value Of The Real Estate Securing Our Loans May Result In Increased Delinquencies

Our focus on asset-based lending may result in increased borrower delinquencies as compared to other lenders who place greater emphasis on other underwriting factors. For loans secured by real property other than owner-occupied personal residences, our lending decision is based primarily on a determination that the value of the real property is sufficient, in and of itself, as a source of repayment. Other considerations such as the cash flow and the income generated by the real property that is to secure the loan and the general creditworthiness, experience and reputation of the borrower are secondary considerations. For any loan, the amount of the loan combined with the outstanding debt and claims secured by a senior deed of trust on the real property generally will not exceed a specified percentage of the appraised value of the property as determined by an independent written appraisal at the time the loan is made. The LTV generally will not exceed 80% for residential properties (including multi-family), 75% for commercial properties, and 50% for land. The excess of the value of the collateral securing the loan over our debt and any senior debt owing on the property is the "protective equity." Significant declines in real estate values may reduce the protective equity provided by the collateral securing our outstanding loans, and were we to foreclose on loans with respect to properties that have declined in value, we may ultimately recover less than the amount of such loans.

We May Provide Loans To Borrowers Who Are In Default Under Other Of Their Obligations, Which May Increase The Risk They Will Default On Our Loans

The cash flow and the income generated by the real property that is to secure the loan are factors affecting our decision to make a particular loan, as are the general creditworthiness, experience and reputation of the borrower. For loans secured by real property, other than owner-occupied personal residences, those considerations are subordinate to a determination that the value of the real property is sufficient, in and of itself, as a source of repayment. Accordingly, loans may be made to borrowers who are in default under other of their obligations (e.g., to consolidate their debts) or who do not have sources of income that would be sufficient to qualify for loans from other lenders such as banks or savings and loan associations. There is a greater risk that such borrowers will default under loans we make to them.

Competition With Other Mortgage Lenders For Loans Could Lead To Lower Yields And Fewer Lending Opportunities

Increased competition for mortgage loans could lead to reduced yields and fewer investment opportunities. The mortgage lending business is highly competitive, and we compete with numerous established entities, some of which have more financial resources and experience in the mortgage lending business than our manager. We encounter significant competition from banks, insurance companies, savings and loan associations, mortgage bankers, real estate investment trusts and other lenders with objectives similar in whole or in part to ours.

Some Of Our Loans Are Junior In Priority To First And Second Liens That May Make It More Difficult And Costly To Protect Our Junior Security Interest

We anticipate that our loans will eventually be diversified as to priority approximately as follows:

- first mortgages – 40 to 60%;
- second mortgages (junior to first mortgages) – 40-60%; and
- third mortgages (junior to other two mortgages) – 0-10%.

The lien securing each loan will not be junior to more than two other encumbrances (a first and, in some cases, a second deed of trust) on the real property which is to be used as security for the loan. In the event of foreclosure under a second or third deed of trust the debt secured by a senior deed(s) of trust must be satisfied before any proceeds from the sale of the property can be applied toward the debt owed to us. To protect our junior security interest, we may be required to make substantial cash outlays for such items as loan payments to senior lien holders to prevent their foreclosure, property taxes, insurance, repairs, maintenance and any other expenses associated with the property. These expenditures could have an adverse effect on our profitability.

We May Make Construction Loans Which May Subject Us To Greater Risks

Construction loans are those loans made to borrowers constructing entirely new structures or dwellings, whether residential, commercial or multi-family properties. We may make construction loans up to a maximum of 10% of our then gross offering proceeds. Investing in construction loans subjects us to greater risk than loans related to properties with operating histories. If we foreclose on property under construction, construction generally will have to be completed before the property can begin to generate an income stream or be sold. We may not have adequate cash reserves on hand with respect to junior encumbrances and/or construction loans at all times to protect our security. If we have inadequate cash reserves, we could suffer a loss of our investment. Additionally, we may be required to obtain permanent financing of the property in addition to the construction loan which could involve the payment of significant fees and additional cash obligations for us. As of December 31, 2015, we did not have any construction loans.

We May Make Rehabilitation Loans Which May Subject Us To Greater Risks

In addition to construction loans, we may make "rehabilitation loans." Rehabilitation loans are those loans made to borrowers remodeling, adding to and/or rehabilitating existing structures or dwellings, whether residential, commercial or multi-family properties. Investing in rehabilitation loans subjects us to greater risk than standard acquisition loans for properties. We may make rehabilitation loans up to a maximum of 15% of our total loan portfolio. If we foreclose on a property undergoing remodeling or rehabilitation, such remodeling or rehabilitation generally will have to be completed before the property can realize the anticipated increase in value from such remodeling or rehabilitation. We may not have adequate cash reserves on hand with respect to junior encumbrances and/or rehabilitation loans at all times to protect our security. If we have inadequate cash reserves, we could suffer a loss of our investment. Additionally, we may be required to obtain permanent financing of the property in addition to the rehabilitation loan, which could involve the payment of significant fees and additional cash obligations for us. As of December 31, 2015, we did not have any rehabilitation loans.

Owning Real Estate Following Foreclosure Will Subject Us To Additional Risks

If a borrower is unable to pay our loan or refinance it when it is due, it may be in our best interest to institute foreclosure proceedings against the borrower, and we may sometimes be required to own the property for a period of time. We will be subject to certain economic and liability risks attendant to property ownership which may affect our profitability. The risks of ownership will include the following:

- The property could generate less income for us than we could have earned from interest on the loan.
- If the property is a rental property we will be required to find and keep tenants.
- We will be required to oversee and control operating expenses of the property.
- We will be subject to general and local real estate and economic market conditions which could adversely affect the value of the property.
- We will be subject to any change in laws or regulations regarding taxes, use, zoning and environmental protection and hazards.
- We will be required to maintain insurance for property and liability exposures such as potential liability for any injury that occurs on or to the property.
- We will be subject to state and federal laws and local municipal codes and penalties relating to tenant retention and the maintenance and upkeep of lender-owned properties.

- We may be subject to federal and state tax laws and regulations with respect to the tax treatment of items of our income, gain, loss or deductions for real estate held for investment, rental and/or sale, which in turn may result in federal and state tax payment and filing exposure for our members.

If We Decide To Develop Property Acquired By Us, We Will Face Many Additional Risks

If we have acquired property through foreclosure or otherwise, there may be circumstances in which it would be in our best interest not to immediately sell the property, but to develop it ourselves. Depending upon the location of the property and market conditions, the development done by us could be either residential (single or multi-family) or commercial. Development of any type of real estate involves risks including the following:

- We will be required to rely on the skill and financial stability of third-party developers and contractors.
- Any development or construction will involve obtaining local government permits. We will be subject to the risk that our project does not meet the requirements necessary to obtain those permits.
- Any type of development and construction is subject to delays and cost overruns.
- There can be no guarantee that upon completion of the development that we will be able to sell the property or realize a profit from the sale.
- Economic factors and real estate market conditions could adversely affect the value of the property.

Bankruptcy And Legal Limitations On Personal Judgments May Affect Our Ability To Enforce The Loans And Increase Our Costs

Any borrower has the ability to delay a foreclosure sale by us for a period ranging from several months to several years or more by filing a petition in bankruptcy. The filing of a petition in bankruptcy automatically stops or "stays" any actions to enforce the terms of the loan. The length of this delay and the costs associated with it will generally have an adverse impact on our profitability. We also may not be able to obtain a personal judgment against a borrower.

If We Make High-Cost Mortgage Loans, We Will Be Required To Comply With Additional Federal And State Regulations And Our Non-Compliance Could Adversely Affect Us

Although we anticipate making relatively few loans that would qualify as "high-cost mortgages," as defined by regulations, the failure to comply with these regulations could adversely affect us. Section 1026.32 of Regulation Z defines a "high-cost mortgage" as any consumer loan secured by a primary residence where either (i) the annual percentage rate ("APR"), measured as of the date the rate is set, exceeds the average prime offer rate ("APOR") for a comparable transaction on that date by more than 6.5% on a first mortgage or 8.5% on a junior mortgage; or (ii) the total fees payable by the consumer exceed 5% for a loan of more than or equal to $20,000, or 8.5% or $1,000 (whichever is less) on a loan of less than $20,000. The high-cost mortgage regulations primarily focus on:

- additional disclosure requirements with respect to the terms of the loan to the borrower;
- the timing of such disclosures; and
- the prohibition of certain terms in the loan including balloon payments and negative amortization.

The failure to comply with the regulations, even if the failure was unintended, will render the loan rescindable for up to three years. If the loan is recinded, interest and fees paid by the borrower must be refunded by the lender. The lender could also be held liable for attorneys' fees, finance charges and fees paid by the borrower and certain other money damages.

In addition, under California law consumer loans secured by liens on primary residences in amounts less than the Fannie Mae/Freddie Mac conforming loan limit are considered to be "high-cost loans" if they have (i) an annual percentage rate at least 8% above the interest rate on U.S. Treasury securities of a comparable maturity, or (ii) points and fees in excess of 6% of the loan amount, exclusive of the points and fees. While it is unlikely that we would make many high-cost loans, the failure to comply with California law regarding such loans could have significant adverse effects on us. The law prohibits certain lending practices with respect to high-cost loans, including the making of a loan without regard to the borrower's income or obligations. When making such loans, lenders must provide borrowers with a consumer disclosure, and provide for an additional rescission period prior to closing the loan. The reckless or willful failure to comply with any provision of this law, including the mandatory disclosure provisions, could result in, among other penalties, the imposition of administrative penalties of $25,000, loss or suspension of the offending broker's license, as well as exposure to civil liability to the consumer/borrower (including the imposition of actual and punitive damages).

We Operate In A Highly Regulated Industry And Compliance With Regulations Could Increase Our Costs And Lower Your Return

The mortgage business has traditionally been highly regulated. The costs of complying with these regulations could adversely affect our profitability, and violations of these regulations could materially adversely affect our business and financial results. For example, the company's lending activity is subject to regulations promulgated by the Consumer Finance Protection Bureau ("CFPB"), and further, the company may be subject to examination by the CFPB, as well as the California Bureau of Real Estate and the California Department of Business Oversight. Such examinations, as well as regulations that may be issued in the future, could ultimately increase our administrative burdens and our costs and could adversely affect the return to our members.

Since We Are Not Regulated As A Bank, Our Members And Borrowers May Have Fewer Protections

Although we are engaged in mortgage lending, we and our affiliates are not banks and, accordingly, are not generally subject to the federal and state banking regulations, policies and oversight applicable to banks. For example, banks are subject to federal regulation and examination by the Federal Deposit Insurance Corporation, which insures bank deposits up to applicable limits. The operations of banks are also subject to the regulation and oversight of the Federal Reserve Board and state banking regulators. Banks are required to maintain a minimum level of regulatory capital in accordance with stringent guidelines established by federal law. Federal and state banking agencies also regulate the lending practices, capital structure, investment practices and dividend policy of banks, among other things.

Because we and our affiliates are generally not subject to the capital requirements and other regulations and oversight applicable to banks, our members and borrowers may not have the same level of protections and safeguards afforded to owners and customers of banks.

Larger Loans Or Concentration Of Loans In One Borrower May Result In Less Diversity And May Increase Risk

Investing in fewer, larger loans generally decreases diversification of the portfolio and may increase the risk of credit losses and the possible resultant reduction in profits and yield to our members. However, since larger loans generally will carry a somewhat higher interest rate, our manager may determine, from time to time, that a relatively larger loan is advisable for us. Our maximum investment in a loan will not exceed 10% of our then total gross offering proceeds.

We may invest in multiple secured loans that share a common borrower or principle. The aggregate of our loans, however, to any one borrower may not exceed 10% of the then total gross offering proceeds. The more concentrated our portfolio is with one or a few borrowers, the greater the credit risk we face.

Use Of Borrowed Money To Fund Loans May Reduce Our Profitability

We are permitted to borrow funds for the purpose of making loans, for increased liquidity, to reduce cash reserve needs or for any other proper purpose on any terms commercially available. We may assign all or a portion of our loan portfolio and/or all or a portion of real estate that we own as security for such loans. Our manager may not leverage more than, and our total indebtedness may not at any time exceed, 50% of members' capital.

If we have borrowed money to fund loans, increases in the prevailing rate may have an adverse effect. If borrowed money bears interest at a variable rate, and we are making fixed rate loans, a rise in the prevailing rate could result in our having to pay more in interest on the borrowed money than we make on loans to our borrowers. This may reduce our profitability, and, should the company default on its debt, may result in additional losses through forced liquidation of loans.

Changes In Interest Rates May Affect Your Return On Your Investment

We expect that our loans will typically have fixed rates and the majority of our loans will be for terms of one to five years. Consequently, due to the terms of our loans, if interest rates rapidly increase, such interest rates may exceed the average interest rate earned by our loan portfolio. If prevailing interest rates rise above the average interest rate being earned by our loan portfolio, a member may be unable to quickly sell its units, as they are an illiquid investment, in order to take advantage of higher returns available from other investments. In addition, an increase in interest rates accompanied by a tight supply of mortgage funds may make refinancing by borrowers with balloon payments difficult or impossible. This is true regardless of the market value of the underlying property at the time such balloon payments are due. In such event, the property may be foreclosed upon.

Moreover, we expect that the majority of our loans will not include prepayment penalties for a borrower paying off a loan prior to maturity. The absence of a prepayment penalty in our loans may lead borrowers to refinance higher-interest rate loans in a market of falling interest rates. This would then require us to reinvest the prepayment proceeds in loans or alternative short-term investments with lower interest rates and a corresponding lower yield to members.

Marshaling Of Assets Could Delay Or Reduce Recovery Of Loans

As security for a single loan, we may require a borrower to execute deeds of trust on other properties owned by the borrower in addition to the property the borrower is purchasing or refinancing. In the event of a default by the borrower, we may be required to "marshal" the assets of the borrower. Marshaling is an equitable doctrine used to protect a junior lienholder with a security interest in a single property from being "squeezed out" by a senior lienholder, such as us, with a security interest not only in the property, but in one or more additional properties. Accordingly, if another creditor of the borrower forced us to marshal the borrower's assets, foreclosure and eventual recovery of the loan could be delayed or reduced, and our costs associated therewith could be increased because we are required to seek recourse in the borrower's other assets for payment on the loan.

We May Face Potential Liability For Toxic Or Hazardous Substances As A Result Of Our Lending Activities Or As A Result Of Foreclosure On Properties That Secure Loans We Make

If we take an equity interest in, management control of, or foreclose on any of the loans, we may be considered the owner of the real property securing such loans. Under current federal and state law, the owner of real property contaminated with toxic or hazardous substances (including a mortgage lender that has acquired title through foreclosure) may be liable for all costs associated with any remedial action necessary to bring the property into compliance with applicable environmental laws and regulations. This liability may arise regardless of who caused the contamination or when it was caused. In the event of any environmental contamination, there can be no assurance that we would not incur full recourse liability for the entire cost of any such removal and cleanup, even if we did not know about or participate in the contamination. Full recourse liability means that any of our property, including the contaminated property, could be sold in order to pay the costs of cleanup in excess of the value of the property at which such contamination occurred.

In addition, we could incur liability to tenants and other users of the affected property, or users of neighboring property, including liability for consequential damages. Consequential damages are damages that are a consequence of the contamination but are not costs required to clean up the contamination, such as lost profits of a business. We would also be exposed to risk of lost revenues during any cleanup and to the risk of lower lease rates or decreased occupancy if the existence of such substances or sources on the property becomes known.

If we fail to remove the substances or sources and clean up the property, federal, state, or local environmental agencies could perform such removal and cleanup. Such agencies would impose and subsequently foreclose liens on the property for the cost thereof. We may find it difficult or impossible to sell the property prior to or following any such cleanup. If such substances are discovered after we sell the property, we could be liable to the purchaser thereof if our manager knew or had reason to know that such substances or sources existed. In such case, we could also be subject to the costs described above.

If we are required to incur such costs or satisfy such liabilities, this could have a material adverse effect on our profitability. Additionally, if a borrower is required to incur such costs or satisfy such liabilities, this could result in the borrower's inability to repay its loan from us.

TAX RISKS

We Intend To Be Treated As A Partnership For Federal Income Tax Purposes But No Assurance Can Be Given That We Would Not Face A Challenge To Such Characterization

We intend to be treated as a partnership (other than a publicly traded partnership) for federal income tax purposes and not as a corporation. However, we have neither sought nor received a ruling from the Internal Revenue Service ("IRS") that we will be treated as a partnership (other than a publicly traded partnership) and not as a corporation. Thus, there is no assurance we will not be treated as a corporation. If the IRS were to contend successfully that we are subject to corporate tax treatment, this would result in entity-level income tax to us. In that event, our members would not be taxed on a pass-through basis on their respective shares of our income (or loss) and would be taxed on distributions made by us if received from a corporation. Corporate treatment could have a substantial adverse effect on the value of our units.

Your Ability To Offset Income With Our Losses May Be Limited

We are engaged in mortgage lending. We take the position that we are engaged in the active conduct of equity-financed lending. Under the applicable Treasury regulations, each member is required to report separately on his income tax return his distributive share of our income as nonpassive income. Each member's distributive share of our losses, if any, will be reported as passive losses. Passive losses may be used to offset passive income. To the extent that passive losses do not offset passive income, they may be carried forward to offset passive income in future years. It is possible, however, that the IRS could assert that our income is properly treated as portfolio income for purposes of those limitations. Such treatment is subject to the interpretation of complex Treasury regulations, and is dependent upon a number of factors, such as whether we are engaged in a trade or business, the extent to which we incur liabilities in connection with our activities, and the proper matching of the allocable expenses incurred in the production of income. There can be no assurance that an IRS challenge to our characterization of our income will not succeed. It also is possible that members may be subject to other limitations on the deductibility of our expenses and losses.

Your Tax Liability May Exceed The Cash You Receive	A member's tax liabilities associated with an investment in the units for a given year may exceed the amount of cash we distribute to such member during such year. A member will be taxed on its allocable share of our taxable income whether or not it actually receives cash distributions from us. A member's taxable income could exceed cash distributions it received, for example, if a member elects to reinvest into additional units the cash distributions it would otherwise have received. Taxable income in excess of cash distributions also could result if we were to generate so-called "phantom income" (taxable income without an associated receipt of cash). Phantom income could be recognized from a number of sources, including, without limitation, any established loan loss reserves or fluctuation thereof, repayment of principal on loans incurred by the company as well as imputed income due to original issue discount, market discount, imputed interest and significant modifications to existing loans.
We Expect To Generate Unrelated Business Taxable Income	Tax-exempt investors (such as an employee pension benefit plan or an IRA) may be subject to tax to the extent that income from the units is treated as unrelated business taxable income, or UBTI. We borrow funds on a limited basis, which can cause a portion of our income to be treated as UBTI. We may also receive income from services rendered in connection with making or securing loans, which is likely to constitute UBTI. In addition, although we do not currently intend to own and lease personal property, it is possible we may do so as a result of a foreclosure upon a default. Although we use reasonable efforts to prevent any borrowings and leases of personal property from causing any significant amount of income from the units to be treated as UBTI, we expect that some portion of our income will be UBTI. Prospective investors that are tax-exempt entities are urged to consult their own tax advisors regarding the suitability of an investment in units. In particular, an investment in units may not be suitable for charitable remainder trusts.
Tax Audits Could Result In Adjustments To Your Tax Returns	The IRS and state tax authorities could challenge certain federal and state income tax positions, respectively, taken by us if we are audited. Any adjustment to our return resulting from an audit by a tax authority would result in adjustments to a member's tax returns and might result in an examination of items in such returns unrelated to your investment in the units or an examination of tax returns for prior or later years. Moreover, we and our members could incur substantial legal and accounting costs in contesting any challenge by a tax authority, regardless of the outcome. Our manager generally will have the authority and power to act for, and bind the company in connection with, any such audit or adjustment for administrative or judicial proceedings in connection therewith.

You May Be Subject To State And Local Tax Laws	The state in which a member resides may impose an income tax upon its share of our taxable income. Furthermore, states such as California, in which we will own property, generally impose income tax upon a member's share of the company's taxable income considered allocable to such states, whether or not a member resides in that state. As a result, a nonresident member may be required to file a tax return in California and any other such state. Differences may exist between federal income tax laws and state and local income tax laws. We may be required to withhold state taxes from distributions to members in certain instances.
The IRS May Argue That Our Allocations To You May Not Have Substantial Economic Effect	For U.S. federal income tax purposes, allocations to a member of our items of income, gain, loss, deduction and credit will be governed by our operating agreement if such allocations have "substantial economic effect." Because our operating agreement generally allocates profits and losses (and taxable items) in the same manner as cash distributions are made, we believe these allocations should be respected. However, there can be no assurance that the IRS will not challenge the allocations and will not attempt to reallocate profits and losses (and taxable items) among the members. Any successful challenge by the IRS to such allocations could have a material adverse effect on an investment in our units.
Changes In Tax Laws Could Have An Adverse Effect On Your Investment	Changes in federal, state or local tax law could have an adverse effect on the rate of return on an investment in our units or on the market value of our assets.

Item 1B – Unresolved Staff Comments

Because the company is not an accelerated filer, a large accelerated filer or a well-known seasoned issuer, the information required by Item 1B is not applicable.

Item 2 – Properties

The company owns no property, and has not since its inception.

Item 3 – 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.

Item 4 – Mine Safety Disclosures

Not Applicable.

Part II

Item 5 – Market for the Registrant's Units, Related Unitholder Matters and Issuer Purchases of Equity Securities

There is no established public trading and/or secondary market for the units and none is expected to develop. There are substantial restrictions on transferability of units. In order to provide liquidity to members, we have adopted 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.

Recent sales of unregistered securities

All sales of securities by the company within the past three years were registered under the Securities Act of 1933.

Ongoing public offerings of units/ SEC registrations

In December, 2012, the company's Registration Statement on Form S-11 filed with the Securities and Exchange Commission (SEC File No. 333-181953) to offer up to 150,000,000 units ($150,000,000) to the public and 37,500,000 units ($37,500,000) to its members pursuant to the DRIP became effective. The 2012 filing enabled us to continue the offer to sell units that commenced in an initial public offering with the filing of a Registration Statement on Form S-11 in June 2008 (SEC File No. 333-155428). The offering of units is ongoing and was extended by filing a new, third registration statement on Form S-11 (SEC File No. 333-208315) in December 2015. The current offering continues until the earlier of either the effective date of the third registration statement, or 180 days after December 4, 2015. When the third registration statement is declared effective, the offering will continue for up to three (3) years thereafter.

The following summarizes the proceeds from sales of units, from inception (October 5, 2009) through December 31, 2015.

	Proceeds
Gross proceeds admitted from investors	$30,144,013
From electing members under our distribution reinvestment plan	2,879,166
From premiums paid by RMC	148,904 (1)
Total proceeds from unit sales	$33,172,083
Number of investment accounts as of December 31, 2015	720

(1) If a member acquired units through an unsolicited sale, the member's capital account is credited with their capital contribution plus a premium paid by RMC equal to the amount of the sales commissions that otherwise would have been paid to a broker-dealer by RMC. This amount is reported in the year paid as taxable income to the member.

The proceeds from the sales of the units will not be segregated but will be commingled with the company's cash. The ongoing sources of funds for loans are the proceeds from (1) sale of members' units, including units sold by reinvestment of distributions, (2) loan payoffs, (3) borrowers' monthly principal and interest payments, and (4) to a lesser degree and, if obtained, a line of credit. Cash generated from loan payoffs and borrower payments of principal and interest is used for operating expenses, income distributions to members, reimbursements to RMC of origination and offering expenses and unit redemptions. The cash flow, if any, in excess of these uses is reinvested in new loans.

Please refer to the disclosure under "—Reimbursement and allocation of organization and offering expenses" in Note 3 (Managers and Related Parties) to the financial statements included in Part II, Item 8 of this report for an explanation of the organization and offering expenses, which is incorporated herein by this reference into this Item 5.

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.

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 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 organization and offering expenses allocated to the members for the applicable period pursuant to the company's reimbursement and allocation of organization and offering expenses policy.

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.

Distributions allocable to members, other than those participating in the DRIP, and the manager are distributed to them in cash 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. Cash available for distribution allocable to members who participate in the DRIP is credited to their respective capital accounts at the end of each calendar month.

To determine the amount of cash to be distributed in any specific month, the company relies in part on its annual forecast of profits, which takes into account the difference between the forecasted and actual results in the prior year and the requirement to maintain a cash reserve.

Distribution reinvestment plan

DRIP provision of the operating agreement permits members to elect to have all or a portion of their monthly distributions reinvested in additional units. Members may withdraw from the DRIP with written notice.

Liquidity and unit redemption program

There is no established public trading and/or secondary market for the units and none is expected to develop. There are substantial restrictions on transferability of units. 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 will be 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 will be calculated as follows:

- Beginning after one year: 92% of purchase price of the capital account balance, whichever is less;

- Beginning after two years: 94% of purchase price of the capital account balance, whichever is less;
- Beginning after three years: 96% of purchase price of the capital account balance, whichever is less;
- Beginning after four years: 98% of purchase price of the capital account balance, whichever is less;
- Beginning after five years, 100% of purchase price 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 number of units that may be redeemed per quarter per individual member is subject to a maximum of the greater of 100,000 units or 25% of the member's units outstanding. 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. 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.

Units redeemed by month in the fourth quarter, are presented in the following table.

2015	$ per unit[1]	Units purchased
October	1	—
November	1	—
December	1	$ 289,386
Total		$ 289,386

(1) The unit redemption program is ongoing and available to members beginning one year after the purchase of the units. In accordance with the unit redemption program, early withdrawal penalties withheld from the total paid were $3,348. The maximum number of units that may be redeemed in any year and the maximum amount of redemption available in any period to members is subject to certain limitations.

Fair market value / unit value

The manager obtained information regarding fair market valuations and unit value as of December 31, 2015, for RMI IX in compliance with Financial Industry Regulatory Authority (or FINRA) Rule 2310 concerning direct-participation-program value per unit estimates. The valuation was performed by a qualified, nationally prominent firm in accordance with the objective, scope, and approach established by RMC, and is the sole responsibility of RMC. Industry standard valuation approaches, including the Income, Discounted Cash Flow, Market and Cost Approach, were utilized in deriving the fair values, as appropriate. There is no assurance that this estimated value is or will remain accurate, and it does not determine the amount that a member is entitled to receive upon redemption of units.

The fair value of a unit of RMI IX was determined to be $0.98, after consideration of the fair values of the net assets held and the restrictions in the unit redemption program and the restrictions on transferability of units.

The fair value of the portfolio of secured loans, per the analysis, is approximately $28.6 million, representing a premium of approximately $1.2 million over the book value.

The portfolio of secured loans was valued based on the appropriate application of the income, discounted cash flow, market, and cost approaches. Although all the approaches are considered in a comprehensive valuation analysis, the nature of the asset and the availability of data will dictate which approaches are ultimately utilized to derive each asset's value.

Income Approach - The income approach is a valuation technique that provides an estimation of the fair value of an asset , such as RMI IX's loans, based on the cash flows that an asset can be expected to generate over its estimated remaining economic term. This approach begins with an estimation of the annual cash flows a prudent investor would expect the subject asset to generate over a discrete projection period. The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present value of the estimated cash flows is then added to the present value equivalent of the residual value of the asset at the end of the discrete projection period to arrive at an estimate of fair value.

Market Approach - The market approach measures value based on what other purchasers in the market have paid for assets that can be considered reasonably similar to those being valued. When the market approach is utilized, data are collected on the prices paid for reasonably comparable assets. Adjustments are made to the comparable assets to compensate for differences between those assets and the asset being valued. In the case of real estate for example, adjustments might be made for location, quality or construction, and/or building amenities. The application of the market approach results in an estimate of the price reasonably expected to be realized from the sale of the property.

Cost Approach - The cost approach is based on the premise that a prudent investor would pay no more for an asset than its replacement or reproduction costs. The cost to replace the asset would include the cost of constructing a similar asset of equivalent economic utility at prices applicable at the time of the valuation analysis. To arrive at an estimate of the fair value using the cost approach, the replacement cost new is determined and reduced for depreciation of the asset. In this context, depreciation has three components: (i) physical depreciation, (ii) functional obsolescence, and (iii) economic obsolescence. Physical deterioration is impairment to the condition of the asset brought about by wear and tear, disintegration, use in service, and the action of the elements. Functional obsolescence is the impairment in the efficiency of the asset brought about by such factors as overcapacity, inadequacy or a change in technology that affect the asset. Economic obsolescence is the impairment in the desirability of the asset arising from external economic forces, legislative enactment, or changes in supply and demand relationships.

Item 6 – Selected Financial Data (Not included as smaller reporting company)

Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the audited financial statements and notes thereto, which are included in Part II, Item 8 of this Report.

Managers and Other Related Parties

See Notes 1 (Organization and General) and 3 (Managers and Other Related Parties) to the financial statements included in Part II, Item 8 of this Report for a detailed presentation of the company activities for which related parties are compensated and related transactions, including the formation loan to RMC, which presentation is incorporated by this reference into this Item 7.

Critical Accounting Policies

See Note 2 (Summary of Significant Accounting Policies) to the financial statements included in Part I, Item 1 of this report for a detailed presentation of critical accounting policies, which presentation is incorporated by this reference into this Item 7.

Results of Operations

General economic conditions

All of our mortgage loans are secured by California real estate. Our secured-loan funding and investment activities and the value of the real estate securing our loans are dependent significantly on economic activity and employment conditions in California. Wells Fargo's Economics Group periodically provides timely, relevant information and analysis in its commentary and reports. Highlights from recently issued reports are presented below.

In the publication 'California Economic Outlook: November 2015, the Wells Fargo Economics Group notes:

> From the section Conclusion & Outlook: California's economy has thrived amid what has otherwise been a somewhat disappointing economic recovery. Job growth has consistently outpaced the nation in recent years and personal income and Gross State Product are both expanding at some of the fastest rates in the nation. The state's economic recovery has been extremely uneven, however, with the strongest growth coming along the coast, particularly in areas benefitting from the state's leading position in the rapidly growing information technology and life sciences sectors. Tourism and international trade are also growing solidly. These industries, however, do not tend to generate anywhere near as many high-paying jobs as the tech sector does. Moreover, growth in the interior of the state, which is more dependent on agriculture, has tended to lag.

California's economy continues to grow solidly, with hiring rising at a pace one and half times stronger than the rest of the country. Overall economic conditions, however, encompass a sizable divide between the stronger growing metropolitan areas along the coast and the slower growing inland areas. Every metropolitan area has shown improvement over the past year and gains have been significantly more even than in prior years. The state's economy continues to be driven by information technology, life sciences and tourism, which tend to be focused in and around the larger metropolitan areas along the coast. The state's large agriculture sector once again had to contend with the drought along with the added pressures of weaker global economic growth and a stronger dollar. Despite these challenges, farm income has held up relatively well and the state's farm sector had a fairly good year on an overall basis.

Nonfarm employment in California is up a solid 2.9 percent year over year, not far from the state's three-year average of 3.1 percent. The Golden State has added 464,000 net new jobs from October of last year on a non-seasonally adjusted basis. Gains have been broad-based across a majority of industry sectors. California's steady pace of hiring has pulled the state's unemployment rate down below six percent to 5.8 percent in October, its lowest reading since October 2007. On a year-to- date basis through October, the largest gains have been seen in the professional & business services sector, which added 130,000 new jobs. This comes as no surprise, as employment in professional & business services includes many of the industry groups from the state's rapidly growing tech and life sciences sectors. Employment in professional, scientific & technical services, which includes software engineering, computer system design and scientific research and development, rose 6.2 percent over the year, an addition of 74,300 jobs. The bulk of this gain has been in San Francisco, San Diego and Los Angeles.

The San Francisco Bay Area continues to benefit from the growth of new innovative enterprises. Ride hailing service company Uber recently revealed its plan to build its global headquarters in the Bay Area by 2017. The company will have a seven-story office building in Oakland as well as two offices in San Francisco's Mission Bay neighborhood. In total, Uber's three locations will account for more than 800,000-square feet of real estate and is projected to house between 2,000 and 3,000 employees. Uber's office in Oakland furthers the strong recent momentum in that market. Additionally, Cupertino- based Apple has been snatching up office space across Silicon Valley to keep up with its rapidly expanding workforce, which now totals about 25,000 in the Santa Clara Valley. Apple's new campus, "the spaceship," is still under construction and is expected to have 13,000 workers upon completion. In addition, cloud storage company Dropbox recently announced plans to centralize their headquarters in San Francisco's South of Market (SOMA) neighborhood, and will expand into three buildings in the area.

Tourism is another bright spot in California's economy. Hotel occupancy rates and revenue per available room (RevPAR) have risen across the state. The San Francisco Bay Area, Santa Rosa, and Napa Valley areas saw the highest occupancy rates in September, reporting rates of 86.0 percent, 85.6 percent and 84.4 percent, respectively. The state as a whole posted a 77.0 percent occupancy rate, much higher than the national average of 67.9 percent. RevPAR averaged $119.25 for the state, with the highest room rates in Napa Valley at $289.11. Visitor spending at California hotels totaled $58.2 billion in 2014, and should easily top that figure by 5 to 6 percent this year. Visitors continue to flock to California's major metropolitan areas. Air traffic through Los Angeles International Airport rose solidly this year, with domestic traffic rising 6.1 percent and international traffic climbing 13.4 percent. San Francisco International Airport has also seen increased traffic, as domestic deplaned passenger counts rose 6.0 percent and international deplaned passengers rose 8.9 percent over the year. Passenger traffic was also up in San Diego, San Jose and Oakland.

Hollywood has performed solidly over the past year. Box office receipts are up 6.1 percent on a year-to- date basis through September, rising from $7.7 billion in 2014 to $8.2 billion in 2015. Box office receipts reached a new high in 2015 for the first nine months of the year. Furthermore, the data does not include the recently released "The Hunger Games: Mockingjay – Part 2" which grossed over $100 million during its debut. Additionally, Walt Disney Co.'s highly anticipated "Star Wars: The Force Awakens" will open in December. These contributions along with the slew of pictures opening this upcoming holiday season are likely to push 2015's total box office receipts above their previous high. Growing demand from China is also contributing to Hollywood's success. China is now the second largest box-office territory in the world and the country's revenues continue to climb. China's box- office receipts have seen double-digit increases over the past several years.

Last year, California more than tripled the size of the California Film & Television Tax Credit to $330 million annually in an effort to boost film production in Hollywood. Over the past several years California has seen large-budget movies and TV dramas flee the state, moving production to more affordable states including Georgia and Louisiana. Although California's tax credit is not as generous as some credits given in competing states, the Golden State's new incentives have helped reverse 'runaway production' and have clearly given the industry a needed boost.

The most recent data from FilmLA provide some idea of how the tax credits have helped revive the entertainment industry in Los Angeles. On-location film production in the Greater Los Angeles area increased 3.8 percent in the third quarter to 9,510 shoot days. A new record for number of on-location television production was set in the third quarter at 4,308 shoot days. TV Pilot and TV Sitcom had the largest percentage gains, while TV Reality experienced the only decline. Additionally, the impact of the film tax credit was apparent in the reported third quarter numbers. Incentive-qualified projects accounted for 20.8 percent of the on-location shoot days in TV drama, 8.6 percent for TV Sitcoms and 33.6 percent for TV pilots. The new tax incentive has helped spur a significant amount of work in the California film industry and is likely to continue to help Hollywood remain competitive with other markets heading into 2016.

Housing remains a significant challenge for California. Home prices have continued to rise much faster than income, creating a large affordability hurdle for many homebuyers. According to the California Association of Realtors, the median single-family home price in California rose 5.6 percent year over year to $480,630 in October. There have been signs of slowing price appreciation more recently in the month-to-month data; weaker global economic growth is likely beginning to weigh on foreign demand. California home sales have ramped up over the year, with existing single-family home sales up 5.8 percent over the year on three-month moving average basis. Residential construction is also on the upswing. Single- and multifamily housing permits have made notable gains and are currently at post- recession highs. A significant portion of growth has come from apartments, particularly in the San Francisco Bay Area and Los Angeles.

In the publication "California Employment Conditions" February 2016, the Wells Fargo Economics Group notes:

California continues to see strong overall job growth. Nonfarm payrolls added 39,900 jobs in February on a seasonally-adjusted basis. The increase more than offsets January's surprising 4,000-job drop and leaves the year-to-year gain near its recent average of 2.8 percent. California's unemployment rate fell 0.2 percentage points in February to 5.5 percent. While the jobless rate remains above the national rate, it has fallen faster over the past year, declining by 1.2 percentage points compared to a 0.6 percentage-point drop nationwide. The gap between the two unemployment rates has narrowed by 2.3 percentage points over the past 5 years.

From an overall perspective, job growth still looks exceptionally strong in California, with a net gain of 450,000 new jobs added over the past 12 months. As good as the latest employment figures are, however, they may be near the high water mark for California. Hiring in the state's technology sector, which has been the fastest growing part of the economy, has moderated in recent months. A larger proportion of the new jobs being created are coming from the leisure & hospitality sector and construction, which is booming in the state's larger metropolitan areas. The state's important motion picture industry is also doing well, adding 7,700 jobs over the past year.

The slowdown in the tech sector bears watching. Professional & technical services and the information sector have added 301,000 jobs since January 2010, accounting for 14.2 percent of all new jobs added statewide during this period. These highly paid positions have also helped drive hiring in other areas, as the tech sector is widely believed to have an exceptionally large multiplier. Hiring appears to have moderated in most of the fastest growing subcategories. Professional & technical services, which includes computer systems design and scientific research & development, lost 4,300 jobs in February. Employment in this sector has been essentially flat for the past three months. Seasonally-adjusted data are not available for the subcomponents of this series but the year-to-year gains for both industries have slowed over the past year.

Southern California accounted for the bulk of California's job gains in February, with 21,400 jobs added to nonfarm payrolls in Los Angeles and Anaheim-Orange County adding 3,600 jobs during the month. On a year-to-year basis, the Los Angeles-Long Beach-Anaheim metropolitan area added 133,600 new jobs, which was second only to New York-Newark-Jersey City. The continued strength in Southern California reflects the recent upswing in hiring in the region's motion picture business as well as continued strong gains in tourism and construction. By contrast, metropolitan areas where the tech sector is more dominant, such as San Francisco, San Jose and San Diego, all saw more modest gains. San Francisco actually posted a slight job loss in February, with payrolls falling for the second time in the past four months. San Jose added 700 jobs during February and San Diego added 1,800 jobs.

San Diego's economy has expanded rapidly over the past several years, with job growth outpacing the national average since 2012. The local economy benefits from a well-diversified employment base that includes life sciences, telecommunications technology, wearable devices, and healthcare. The U.S. Navy and Marine Corps also maintain a huge presence in the region and provide some stability to the economy. San Diego surpassed its prerecession employment peak back in late 2013, six months before the state (Figure 3). The service sector has been the principal driver of growth, with professional & business services and education & health services producing some of the strongest growth. The two sectors rose 2.8 percent and 4.5 percent over the past year, respectively. Construction has also gotten back on track. The only industry to show weakness on an annual basis has been information (Figure 4), which has been true in many areas across the nation. Most of the losses in this sector have not been in the technology industry per se, but rather have come in legacy industries such as newspapers and landline telecommunications.

San Diego's biotechnology and life science industries have played a key role in the area's recent expansion. San Diego's biotech cluster is one of the largest and most prosperous in the nation, as the region is home to many world-renowned research facilities, including the La Jolla Cancer Research Center, the Scripps Research Institution, the Salk Institute for Biological Studies and the University of California at San Diego. Employment in the research & biotechnology subsector continues to grow rapidly, rising 4.6 percent year-to-year through the third quarter of last year, which is the most recent data available. San Diego has the third-highest concentration of professions in the scientific research & development services sector, trailing only Trenton and Boulder. Moreover, the region continues to attract scores of new companies. OncoSec Medical Inc., a biotech company developing DNA-based cancer immunotherapies, recently opened a new 34,000-square foot headquarters and research facility in San Diego.

Tourism is another key area of strength. Over 30 million visitors flock to San Diego each year for its ideal weather, coastal beaches and attractions, including the San Diego Zoo, SeaWorld, Old Town San Diego, Mission Bay, the Wild Animal Park and LEGOLAND San Diego. Hiring in the tourist sector has risen 4.0 percent over the year.

Performance highlights

Members' capital at December 31, 2015, was approximately $31,403,000, an increase of $9,682,000 since December 31, 2014. The company is continuing to increase the number of FINRA registered broker-dealer firms and their associated representatives that can sell our units and focusing on increasing the states in which our units can be offered.

In turn, our investment in mortgage loans is increasing steadily as we strive to be fully invested. Mortgage loan balances grew to approximately $27,360,000 at December 31, 2015, an increase of approximately $8,174,000 since December 31, 2014.

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 December 31, 2015, 72 of the company's 75 loans (representing 99% of the aggregate principal of the company's loan portfolio) had a loan term of five years or less from loan inception. The remaining loans had terms longer than five years. Substantially all loans are written without a prepayment-penalty provision. As of December 31, 2015, 24 loans outstanding (representing 40% of the aggregate principal balance of the company's loan portfolio) provide for monthly payments of interest only, with the principal due in full at maturity. The remaining loans require monthly payments of principal and interest, typically calculated on a 30 year amortization, with the remaining principal balance due at maturity.

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 December 31, 2015 was approximately 55%. Thus, per the appraisal-based valuations at the time of loan inception, borrowers have, in the aggregate, equity of 45% in the property, and we as lenders have lent in the aggregate 55% (including other senior liens on the property) against the properties we hold as collateral for the repayment of our loans.

Net income for 2015 and 2014 was $1,757,132 and $1,093,723, an increase of approximately $663,000 over 2014. Revenue from the interest on loans in 2015 increased by approximately $416,000, over 2014, due to the growth of the secured loan portfolio. Operations expense for 2015 decreased by approximately $194,000, over 2014 due primarily to an increase in manager reimbursements and waived fees. In all years presented, the manager, at its sole discretion, provided significant support to the company which affects the net income results.

At times, to enhance the company's earnings, RMC has taken several actions, including:

1) charging less than the maximum allowable fees,

2) has not requested reimbursement of qualifying expenses,

3) paying company expenses, such as professional fees, that could have been obligations of the company, and/or

4) contributing cash to the company that was credited to members' capital accounts.

Such fee waivers and cost actions were not made for the purpose of providing the company with sufficient funds to satisfy withdrawal requests, nor to meet any required level of distributions, as the company has no such required level of distributions. RMC does not use any specific criteria in determining the exact amount of fees to be waived and/or costs to be absorbed. Any decision to waive fees and/or to absorb costs, and the amount (if any) to be waived or absorbed, is made by RMC in its sole discretion.

Key performance indicators

Key performance indicators are presented in the following table for 2015, 2014 and 2013.

	2015	2014	2013
Members' capital, gross – end of period balance	$31,403,178	21,720,875	17,362,065
Members' capital, gross – average balance	26,165,355	19,537,000	16,176,148
Secured loans – end of period balance	$27,360,138	19,185,660	14,698,430
Secured loans – average daily balance	21,929,654	16,548,000	12,648,000
Interest on loans, gross	$ 1,891,358	1,474,887	1,208,186
Portfolio interest rate(1)	8.6%	8.9%	9.9%
Effective yield rate(2)	8.6%	8.9%	9.6%
Amortization of loan administrative fees, net	$ 59,540	111,370	143,605
Percent of average daily balance(3)	0.3%	0.7%	1.1%
Interest on loans, net	$ 1,831,818	1,363,517	1,064,581
Percent of average daily balance(3)	8.4%	8.2%	8.4%
Provision for loan losses	$ —	—	—
Percent of average daily balance(3)	— %	— %	— %
Total operations expense	$ 85,932	280,218	187,139
Percent of average daily balance(3)	0.4%	1.7%	1.5%
Percent of average members' capital(4)	0.3%	1.4%	1.1%
Net Income	$ 1,757,132	1,093,723	884,623
Percent of average members' capital(4)(5)	6.6%	5.5%	5.4%
Member Distributions	$ 1,738,384	1,311,718	1,076,395
Percent	6.5%	6.5%	6.5%
Member Redemptions	$ 1,077,996	548,317	58,190

(1) Stated note interest rate, weighted daily average
(2) Yield rate of interest on loans, annualized
(3) Percent of secured loans – average daily balance, annualized
(4) Percent of members' capital, gross – average balance, annualized
(5) Percent based on the net income available to members (excluding 1% allocated to manager)

Members' capital, gross – end of period balance

The end of period gross members' capital balance at December 31, 2015 was $31,403,178, up 31% or $9.7 million from $21,720,875 at December 31, 2014 which was up 20% or $4.4 million from $17,362,065 at December 31, 2013.

Secured loans – end-of-period balance

The secured loan balance at December 31, 2015 of $27,360,138 was an increase of approximately 30% ($8.1 million) over 2014's $19,185,660, which was up approximately 24% ($4.5 million) from 2013's $14,698,430. The increased balance of the secured loan portfolio is due to the 1) increased balance of members' capital which provides additional capital for funding loans, and 2) the favorable economic environment generally and to increased investment in California real estate markets specifically, both of which expands the opportunity for new loans. Secured loans as a percent of member's capital (based on average balances) was 84%, 85%, and 78% for 2015, 2014, and 2013 respectively.

The effective yield rate of the portfolio decreased 0.3% for 2015 compared to 2014 (decreased 0.7% compared to 2013) as the company funded longer term, lower interest rate loans. The longer term and lower interest rates resulted from exiting a program in which RMC arranged for the purchase of loans from an unaffiliated lender who was the servicer of the loans. These loans generally were secured by first deeds of trust on single-family real property located in California, had short term durations (5-11 months) and carried a note rate of 7.5% to 10.0%.

See Note 4 (Loans) to the financial statements included in Part II, Item 8 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 7.

Revenue – interest on loans

Interest on loans increased due to growth of the secured loan portfolio. The portfolio's strong payment history to date has resulted in no loans being designated as non-accrual. The Secured loans – average daily balance at December 31, 2015 increased approximately $5.4 million, or approximately 25%, over the average daily balance at December 31, 2014.

Year	Secured Loans End Of period Balance	Secured Loans Average Daily Balance	Gross Interest Income(1)	Effective Yield Rate(2)	Portfolio Interest Rate(3)
2015	$27,360,138	$21,929,654	$1,891,358	8.6%	8.6%
2014	$19,185,660	$16,548,000	$1,474,887	8.9%	8.9%
2013	$14,698,430	$12,648,000	$1,208,186	9.6%	9.5%

(1) Interest income on income statement before deduction of loan administrative fee
(2) Stated note interest rate, weighted daily average
(3) Yield rate of interest on loans, annualized

Analysis and discussion of income from operations 2015 v. 2014

Significant changes to revenue and expenses for 2015 and 2014 are summarized in the following table.

	Interest Income, Loans	Late Fees	Provision/ Allowance For Loan Losses	Operations Expense	Net Income
Year					
2015	$1,831,818	$11,246	$ —	$ 85,932	$1,757,132
2014	1,363,517	10,424	—	280,218	1,093,723
Change	$ 468,301	$ 822	$ —	$(194,286)	$ 663,409
Change					
Loan balance increase	513,864	—	—	12,885	500,979
Effective interest rate	(45,563)	—	—	—	(45,563)
Late fees	—	822	—	—	822
Capital balance increase	—	—	—	76,195	(76,195)
Managers fees waived	—	—	—	(215,079)	215,079
Manager reimbursements	—	—	—	(76,343)	76,343
Cost allocation adjustments			—	34,458	(34,458)
Expense recognition timing	—	—	—	(12,728)	12,728
Expense reductions	—	—	—	(4,118)	4,118
Other	—		—	(9,556)	9,556
	$ 468,301	$ 822	$ —	$(194,286)	$ 663,409

Interest income, loans

Between 2014 and 2015, interest on loans, net increased $468,301 (34%) and Net Income increased $663,410 (61%). Operations expense as a percent of interest on loans, net was approximately 5% and 25% for the years ended December 31, 2015, and 2014, respectively, as RMC provided, at its sole discretion, financial support by fee waiver and by not passing on expenses that qualified as reimbursable to RMC. As loan balances continue to increase, operations expense as a percent of interest on loans, net will likewise decline (even with reduced levels of expense support from RMC).

Provision for loan losses/allowance for loan losses

At December 31, 2015 and 2014, the company had not recorded an allowance for loan losses as no loans were designated as impaired, and all loans had protective equity such that at December 31, 2015 and 2014, collection was deemed probable for amounts owing. Total principal amounts past due more than 90 days at December 31, 2015 and 2014 was $0 and $514,791, respectively.

Operations expense

Operations expense as a percent of "Total revenues" on the Statements of Income for 2015 and 2014 was 4.7% and 21%, respectively.

Significant changes to operations expense for 2015 and 2014, are summarized in the following table.

	Mortgage Servicing Fees	Asset Management Fees	Costs Through RMC	Professional Services	Other	Total
Year						
2015	$53,647	$ —	$ —	$ 18,025	$14,260	$ 85,932
2014	40,762	37,454	79,403	99,449	23,150	280,218
Change	$12,885	$ (37,454)	$ (79,403)	$ (81,424)	$ (8,890)	$(194,286)
Change						
Loan Balance Increase	12,885	—	—	—	—	12,885
Capital Balance Increase	—	47,870	28,325	—	—	76,195
Managers Fees Waived	—	(85,324)	(129,775)	—	—	(215,079)
Manager Reimbursements	—	—	(12,431)	(61,518)	(2,394)	(76,343)
Cost Allocation Adjustments	—	—	34,458	—	—	34,458
Professional Service Timing	—	—	—	(9,228)	—	(9,228)
Income Tax Payment Timing	—	—	—	—	(3,500)	(3500)
Expense Reductions	—	—	—	(4,118)	—	(4,118)
Other	—	—	—	(6,560)	(2,996)	(9,556)
	$12,885	$ (37,454)	$ (79,403)	$ (81,424)	$ (8,890)	$(194,286)

- Mortgage servicing fees

The increase in mortgage servicing fees of $12,885 was consistent with the increase in the average daily secured loan portfolio to $21,929,654, noted above in Revenue – interest on loans, at the annual rate of 0.25%.

- Asset management fees

The total amount of asset management fees chargeable were $198,439 and $150,569 for 2015 and 2014, respectively. Of the total amount chargeable, RMC, at its sole discretion, waived asset management fees of $198,439 and $113,115, respectively. There is no assurance RMC will waive its right to receive such fees in future periods.

- Costs through RMC

Costs incurred by RMC, for which reimbursement could have been requested were $167,229 and $104,445, for 2015 and 2014, respectively. Of the total amount chargeable, RMC at its sole discretion, waived reimbursements of $167,229 and $25,402, for 2015 and 2014, respectively. There is no assurance RMC will waive its right to receive such reimbursements in future periods.

- *Professional services*

Professional fees consists primarily of legal, audit and tax expenses. The decrease in professional services for 2015 and 2014, was due primarily to expense reimbursements by RMC, at its sole discretion, of $75,565 and $31,605, respectively. No reimbursements for professional fees were provided during the same period in 2014. In addition, overall Audit & Tax fees decreased due to changes in expense recognition timing and overall cost reductions due to increased efficiency in the reporting process.

Analysis and discussion of income from operations 2014 v. 2013

Significant changes to income revenues and expenses for 2014 and 2013 are summarized in the following table.

	Interest Income, Loans	Late Fees	Provision/ Allowance For Loan Losses	Operations Expense	Net Income
Year					
2014	$1,363,517	$10,424	$ —	$280,218	$1,093,723
2013	1,064,581	7,181	—	187,139	884,623
Change	$ 298,936	$ 3,243	$ —	$ 93,079	$ 209,100
Change					
Loan balance increase	370,456	—	—	9,172	361,284
Loan portfolio effective yield rate	(67,034)	—	—	—	(67,034)
Late fees	—	3,243	—	—	3,243
Asset management fee rate	—	—	—	37,454	(37,454)
Cost allocation adjustments	—	—	—	(39,733)	39,733
Professional fees	—	—	—	77,212	(77,212)
Income tax payments	—	—	—	7,000	(7,000)
Other	(4,486)	—	—	1,974	(6,460)
	$ 298,936	$ 3,243	$ —	$ 93,079	$ 209,100

Interest income on loans increased $298,936 (28%) and net income increased $209,100 (24%). Operations expense as a percent of interest income on loans was 21% and 18% for 2014, and 2013, respectively.

Operations expense

Operations expense as a percent of "Total revenues" on the Statements of Income was 20% and 17%, for 2014, and 2013, respectively.

Significant changes to operations expense for 2014 and 2013 are summarized in the following table.

	Mortgage Servicing Fees	Asset Management Fees	Costs Through RMC	Professional Services	Other	Total
Year						
2014	$40,762	37,454	79,403	99,449	23,150	280,218
2013	31,590	—	119,136	22,237	14,176	187,139
Change	$ 9,172	$ 37,454	$ (39,733)	$ 77,212	$ 8,974	$ 93,079
Change						
Loan Balance Increase	9,172	—	—	—	—	9,172
Managers Fees Waived	—	37,454	—	—	—	37,454
Manager Reimbursements	—	—	—	77,212	—	77,212
Cost Allocation Adjustments	—	—	(39,733)	—	—	(39,733)
Income Tax Timing	—	—	—		7,000	7,000
Other	—	—	—	—	1,974	1,974
	$ 9,172	$ 37,454	$ (39,733)	$ 77,212	$ 8,974	$ 93,079

- *Mortgage servicing fees*

The increase in mortgage servicing fees of $9,172 is consistent with the increases in the average daily secured loan portfolio of $3,900,000.

- *Asset management fees*

The total amount of asset management fees chargeable were $150,569 and $124,100, for the years 2014 and 2013, respectively. Of the total amount chargeable, RMC at its sole discretion, waived asset management fees of $113,115 and $124,100, respectively. There is no assurance RMC will waive its right to receive such fees in future periods.

- *Costs through RMC*

The decrease in costs reimbursed to RMC in 2014 was primarily due to a revision in the managers expense allocation of qualifying charges (includes but is not limited to, salaries, compensation, travel expenses, fringe benefits, rent, insurance, depreciation and outside services), done in accordance with the operating agreement, as well as certain costs being absorbed by the managers, which it may do from time to time in its sole discretion.

The increase in costs from RMC in 2013 was due to reimbursement of qualifying charges (includes but is not limited to, salaries, compensation, travel expenses, fringe benefits, rent, insurance, depreciation and outside services), permitted in the company's operating agreement, some of which RMC chose not to request reimbursement for in 2012, which it may do from time to time in its sole discretion

- *Professional services*

Professional fees consists primarily of legal, audit, and tax expenses, which prior to 2014 had been paid by RMC at its sole discretion, and for which reimbursement could have been requested.

The increase in professional services for 2013 was primarily due to legal fees related to periodic SEC filings, which, prior to April 2013, had been paid by RMC at its sole discretion, and for which reimbursement could have been requested.

Summary comparison – 4th quarter v. 3rd quarter

Significant changes to income or expense items for the three-month period ended December 31, 2015 compared to the three-month period ended September 30, 2015 is summarized in the following table.

	Interest Income Loans	Late Fees	Operations Expenses	Net Income
For the three months ended				
December 31, 2015	$559,224	$3,963	$(11,604)	$574,791
September 30, 2015	462,963	1,951	13,611	451,303
Change	$ 96,261	$2,012	$(25,215)	$123,488
Change				
Loan Balance Increase	$ 96,261	—	1,432	94,829
Manager Reimbursements	—	—	(26,620)	26,620
Late Fees	—	2,012	—	2,012
Other	—	—	(27)	27
	$ 96,261	$2,012	$(25,215)	$123,488

Significant changes to income or expense items for the three-month period ended December 31, 2014 compared to the three-month period ended September 30, 2014 is summarized in the following table.

	Interest Income Loans	Late Fees	Operating Expenses	Net Income
For the three months ended				
December 31, 2014	$374,061	$2,933	$ 13,916	$363,078
September 30, 2014	341,278	3,314	77,741	266,851
Change	$ 32,783	$ (381)	$(63,825)	$ 96,227
Change				
Loan Balance Increase	$ 19,813	—	—	19,813
Loan Portfolio Effective Yield Rate	8,563	—	—	8,563
Manager Reimbursements	—	—	(77,347)	77,347
Other	4,407	(381)	13,522	(9,496)
	$ 32,783	$ (381)	$(63,825)	$ 96,227

Significant changes to interest on loans for the three month periods ended December 31, compared to the three-month periods ended September 30 for 2015 and 2014 are summarized in the following table.

	2015		2014	
	December 31,	September 30,	December 31,	September 30,
Secured loans – end of period	$27,360,138	$22,678,834	$19,185,660	$17,641,037
Secured loans – average daily balance	$24,941,821	$21,646,389	$18,052,585	$17,128,667
Interest on loans, gross	$ 538,816	$ 468,695	$ 404,805	$ 366,153
Amortization of loan administrative fees[1]	(20,408)	5,732	30,744	24,875
Interest on loans, net	$ 559,224	$ 462,963	$ 374,061	$ 341,278
Portfolio Interest Rate[2]	8.6%	8.6%	8.9%	8.8%
Effective Yield Rate[3]	8.6%	8.6%	8.9%	8.5%

(1) For the year ended December 31, 2015 RMC, at its sole discretion, reimbursed the company for loan administrative fees paid to the manager in prior periods, reducing the amortization of loan administrative fees.
(2) Stated note interest rate, weighted daily average.
(3) Yield rate of interest on loans, annualized.

Liquidity and capital resources

The ongoing sources of funds for loans are the proceeds from (1) sale of units, including units sold by reinvestment of distributions, (2) loan payoffs, (3) borrowers' monthly principal and interest payments, and, (4) to a lesser degree and, if obtained, a line of credit. Cash generated from loan payoffs and borrower payments of principal and interest is used for operating expenses, income distributions to members, reimbursements to RMC of origination and offering expenses and unit redemptions in the next 12 months. The cash flow, if any, in excess of these uses is re-invested in new loans.

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 interest rates of interest, a lower yield to members may possibly result.

Cash receipts and disbursement

Cash receipts and disbursements by business activity are presented in the following table.

	2015	2014	2013
Members' capital			
Receipts - Contributions	$ 8,746,494	$ 5,240,744	$ 1,943,264
Supplemental Contribution by manager	791,965	—	—
	9,538,459	5,240,744	1,943,264
Disbursement			
Distributions and redemptions, net	(1,831,997)	(1,155,400)	(606,891)
Organization and offering costs, net	(331,068)	(200,047)	(83,664)
Formation loan, net	(493,135)	(284,833)	(41,755)
	(2,656,200)	(1,640,280)	(732,310)
Cash – Members' capital, net	6,882,259	3,600,464	1,210,954
Loan principal/advances/interest			
Receipts			
Principal & advances collected	13,981,145	9,514,020	12,735,063
Interest received, net	1,830,174	1,305,420	1,020,203
Other loan income	11,246	10,574	7,181
	15,822,565	10,830,014	13,762,447
Disbursements			
Loan funding	(22,155,623)	(14,001,250)	(15,542,476)
Advances made	(10,425)	(11,268)	939
	(22,166,048)	(14,012,518)	(15,541,537)
Cash – loans, net	(6,343,483)	(3,182,504)	(1,779,090)
Operations expenses	5,749	(330,276)	(219,770)
Net change in cash	$ 544,525	$ 87,684	$ (787,906)

Distribution reinvestment plan

The table below shows distributions reinvested by members under the distribution reinvestment plan, cash distributions to members, the total distributions to members, and the percent of members' capital electing cash distribution for 2015, 2014, and 2013.

	2015	2014	2013
Reinvesting	$ 995,321	$ 713,481	$ 533,960
Distributing	743,063	598,237	542,435
Total	$1,738,384	$1,311,718	$1,076,395
Percent of members' capital electing distribution	43%	46%	50%

Unit redemptions

The table below sets forth the company's unit redemptions for 2015, 2014, and 2013.

	2015	2014	2013
Capital redemptions-without penalty	$ 852,478	$446,169	$42,140
Capital redemptions-subject to penalty	225,518	102,148	16,050
Total	$1,077,996	$548,317	$58,190

Period	Units purchased[1]	$ per unit
2010	66,730	1
2011	15,000	1
2012	—	1
2013	58,190	1
2014	548,316	1
2015	1,077,997	1
Program to date	1,766,233	

(1) The unit redemption program is ongoing and available to members beginning one year after the purchase of the units. In accordance with the unit redemption program, early withdrawal penalties from the total paid were $4,301, $3,103, and $11,809 for 2013 and prior, 2014 and 2015, respectively. The maximum number of units that may be redeemed in any year and the maximum amount of the redemption available in any period to members is subject to certain limitations.

Net cash provided by (used in) operating activities, net income, and distributions to members, from inception to December 31, 2015, are summarized in the following table.

Year	Net Cash Provided by Operating Activities	Net Income	Distributions To Members[1]	Distributions To Managers	Percent of Distributions Paid From Net Cash Operating Activities	Percent of Net Income Covering Total Distributions
2009 - 2012	$1,172,287	1,324,308	1,673,479	6,977	70%	79%
2013	806,651	884,623	1,076,395	6,266	75	82
2014	985,718	1,093,723	1,311,718	8,846	75	83
2015	1,847,169	1,757,132	1,738,384	10,937	106	101
Dec. 31, 2015[2] Program to date	$4,811,825	5,059,786	5,799,976	33,026	83	87
Proforma:						
Supplemental Contribution by RMC[2]	—	—	(791,965)	—		
Pro Forma Program to date	$4,811,825	$5,059,786	$5,008,011	$ 33,026	96	101

(1) Includes distributions reinvested pursuant to our distribution reinvestment plan.
(2) At December 31, 2015 RMC, the Manager, at its sole discretion, made a supplemental contribution of $791,965 that was credited to members' capital and offset the cumulative difference between net income and distributions to members for all periods through December 31, 2014.

Contractual obligations

The company had no contractual obligations, except to reimburse RMC for O&O expenses at December 31, 2015. As of December 31, 2015, approximately $2,268,186 was to be reimbursed to RMC contingent upon future sales of units. See Note 3 (Managers and Other Related Parties-Organization and Offering Costs) and Note 5 (Commitments and Contingencies, Other Than Loan Commitments and Organization and Offering Costs) to the financial statements included in Part II, Item 8 of this report for a detailed presentation on commitments and contingencies, which presentation is incorporated by this reference into this Item 7.

Item 7A – Quantitative and Qualitative Disclosures About Market Risk (Not required of a smaller reporting company)

Item 8 – Financial Statements and Supplementary Data

A – Financial Statements

The following financial statements of Redwood Mortgage Investors IX, LLC are included in Item 8:

Reports of Independent Registered Public Accounting Firms
Balance Sheets – December 31, 2015 and 2014
Statements of Income for the years ended December 31, 2015 and 2014
Statements of Changes in Members' Capital for the years ended December 31, 2015 and 2014
Statements of Cash Flows for the years ended December 31, 2015 and 2014
Notes to Financial Statements

B – Financial Statement Schedules (Not required of a smaller reporting company).

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members

Redwood Mortgage Investors IX, LLC

San Mateo, California

We have audited the accompanying balance sheet of Redwood Mortgage Investors IX, LLC as of December 31, 2015 and the related statement of income, changes in members' capital, and cash flows for the year ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Mortgage Investors IX, LLC at December 31, 2015, and the results of its operations and its cash flows for the year ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, in 2015 the Manager, at its sole discretion, provided financial support to the company that improved net income and the return to investors in the form of waived fees, and by the decision not to seek reimbursement for operating costs incurred by the Manager for which reimbursement is allowable under the operating agreement. In addition the Manager reimbursed the Company for certain professional services costs incurred. Collectively, these actions increased net income to the Company by approximately $634,000.

/S/ BDO USA, LLP

San Francisco, California
March 30, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members
Redwood Mortgage Investors IX, LLC
San Mateo, California

We have audited the accompanying balance sheet of Redwood Mortgage Investors IX (a Delaware limited liability company) as of December 31, 2014 and the related statements of income, changes in members' capital and cash flows for the year ended December 31, 2014. These financial statements are the responsibility of Redwood Mortgage Investors IX's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Redwood Mortgage Investors IX is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Redwood Mortgage Investors IX's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Mortgage Investors IX as of December 31, 2014 and the results of its operations and its cash flows for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ Armanino LLP
San Ramon, California
March 31, 2015

REDWOOD MORTGAGE INVESTORS IX, LLC
(A Delaware Limited Liability Company)
Balance Sheets
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 1,808,839	$ 1,264,314
Loans		
Principal	27,360,138	19,185,660
Advances	22,731	12,307
Accrued interest	177,209	144,277
Loan balances secured by deeds of trust	27,560,078	19,342,244
Loan administrative fees, net	86,398	117,686
Total Loans	27,646,476	19,459,930
Receivable from affiliate	—	77,347
Total assets	$29,455,315	$20,801,591
LIABILITIES, INVESTORS IN APPLICANT STATUS, AND MEMBERS' CAPITAL		
Liabilities – Accounts Payable	$ 2,664	$ 319
Investors in applicant status	1,022,865	1,257,000
Members' capital, net	30,171,527	20,799,872
Receivable from manager (formation loan)	(1,741,741)	(1,255,600)
Members' capital, net, less formation loan	28,429,786	19,544,272
Total liabilities, investors in applicant status and members' capital	$29,455,315	$20,801,591

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

REDWOOD MORTGAGE INVESTORS IX, LLC
(A Delaware Limited Liability Company)
Statements of Income
For the Years Ended December 31, 2015 and 2014

	2015	2014
Revenues, net		
Interest income – Loans	$1,831,818	$1,363,517
Late fees	11,246	10,424
Total revenues	1,843,064	1,373,941
Operations Expense		
Mortgage servicing fees	53,647	40,762
Asset management fees, net (Note 3)	—	37,454
Costs from Redwood Mortgage Corp., net (Note 3)	—	79,403
Professional services, net (Note 3)	18,025	99,449
Other	14,260	23,150
Total operations expense	85,932	280,218
Net income	$1,757,132	$1,093,723
Members (99%)	$1,739,561	$1,082,786
Managers (1%)	17,571	10,937
	$1,757,132	$1,093,723

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

REDWOOD MORTGAGE INVESTORS IX, LLC
(A Delaware Limited Liability Company)
Statements of Changes in Members' Capital
For the Years Ended December 31, 2015 and 2014

	Investors In Applicant Status	Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' Capital, net
Balances at December 31, 2013	$ 443,350	$17,362,065	$ 25,755	$ (754,491)	$16,633,329
Contributions on application	5,223,978	—	—	—	—
Contributions admitted to members' capital	(4,417,328)	4,417,328	4,422	—	4,421,750
Premiums paid on application by RMC	12,250	—	—	—	—
Premiums admitted to members' capital	(5,250)	5,250	—	—	5,250
Net income	—	1,082,786	10,937	—	1,093,723
Earnings distributed to members	—	(1,311,718)	(8,846)	—	(1,320,564)
Earnings distributed used in DRIP	—	713,481	—	—	713,481
Member's redemptions	—	(548,317)	—	—	(548,317)
Organization and offering expenses	—	—	—	(200,047)	(200,047)
Early withdrawal penalties	—	—	—	1,267	1,267
Balances at December 31, 2014	$ 1,257,000	$21,720,875	$ 32,268	$ (953,271)	$20,799,872
Contributions on application	8,733,081	—	—	—	—
Contributions admitted to members' capital	(8,960,216)	8,960,216	8,972	—	8,969,188
Premiums paid on application by RMC	4,620	—	—	—	—
Premiums admitted to members' capital	(11,620)	11,620	—	—	11,620
Net income	—	1,739,561	17,571	—	1,757,132
Earnings distributed to members	—	(1,738,384)	(10,937)	—	(1,749,321)
Earnings distributed used in DRIP	—	995,321	—	—	995,321
Member's redemptions	—	(1,077,996)	—	—	(1,077,996)
Manager suplementally contributed member capital	—	791,965	—	—	791,965
Manager reimbursement-redemptions	—	—	—	76,956	76,956
Organization and offering expenses	—	—	—	(408,023)	(408,023)
Early withdrawal penalties	—	—	—	4,813	4,813
Balances at December 31, 2015	$ 1,022,865	$31,403,178	$ 47,874	$(1,279,525)	$30,171,527

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

REDWOOD MORTGAGE INVESTORS IX, LLC
(A Delaware Limited Liability Company)
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
Operations		
Interest received	$ 1,858,426	$ 1,443,132
Other loan income	11,246	10,574
Loan administrative fee paid	(28,252)	(137,712)
Operations expense	5,749	(330,276)
Cash from operations	1,847,169	985,718
Investing – loan principal/advances		
Principal collected on loans	13,981,145	9,514,020
Loans originated	(22,155,623)	(14,001,250)
Advances on loans	(10,425)	(11,268)
Cash used in loan principal/advances, net	(8,184,903)	(4,498,498)
Financing – members' capital		
Contributions by members	8,746,494	5,240,744
Supplemental contribution by manager	791,965	—
Organization and offering expenses paid, net	(331,068)	(200,047)
Formation loan funding	(620,066)	(373,728)
Formation loan collected	126,931	88,895
Cash from members' capital	8,714,256	4,755,864
Net cash increase(decrease) before distributions to members	2,376,522	1,243,084
Distributions to members		
Earnings distributed	(754,001)	(607,083)
Redemptions	(1,077,996)	(548,317)
Cash distributions to members	(1,831,997)	(1,155,400)
Net increase(decrease) in cash	544,525	87,684
Cash, beginning of period	1,264,314	1,176,630
Cash, end of period	$ 1,808,839	$ 1,264,314

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

	2015	2014
Net income	$ 1,757,132	$ 1,093,723
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Amortization of loan administrative fees	139,482	111,370
Interest income, imputed on formation loan	(33,146)	(25,958)
Amortization of discount on formation loan	33,146	25,958
Change in operating assets and liabilities		
Accrued interest	(32,932)	(31,756)
Receivable from affiliate	77,347	(62,310)
Prepaid Expenses	—	25,000
Loan administrative fees	(108,194)	(137,712)
Accounts payable	—	(50)
Payable to affiliate	—	(15,650)
Other	14,334	3,103
Total adjustments	90,037	(108,005)
Net cash provided by (used in) operating activities	$ 1,847,169	$ 985,718

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

REDWOOD MORTGAGE INVESTORS IX, LLC
(A Delaware Limited Liability Company)
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1 – ORGANIZATION AND GENERAL

Redwood Mortgage Investors IX, LLC (or 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 mortgage loans secured by California real estate, primarily first and second deeds of trust.

The company is externally managed. Redwood Mortgage Corp. (or RMC) is the manager of the company. RMC's wholly-owned subsidiary, Gymno LLC, was a co-manager prior to its merger into RMC effective June 30, 2015. The mortgage loans the company funds and/or invests in are arranged and generally are serviced 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.

The rights, duties and powers of the members and manager of the company are governed by the company's operating agreement, the Delaware Limited Liability Company Act and the California Revised Uniform Limited Liability Company Act. Members should refer to the company's operating agreement for complete disclosure of its provisions.

The manager is required to contribute to capital one tenth of one percent (0.1%) of the aggregate capital accounts of the members. In December 2015, the manager, at its sole discretion, made a supplemental contribution to members' capital of $791,965. This contribution offsets the cumulative difference, between net income and distributions to members for all periods through December 31, 2014.

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.

Profits and losses are allocated among the members according to their respective capital accounts monthly after one percent (1%) of the profits and losses are allocated to the manager. 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 any California LLC cash receipts taxes paid by the company.

The ongoing sources of funds for loans are the proceeds from (1) sale of members' units, including units sold by reinvestment of distributions, (2) loan payoffs, (3) borrowers' monthly principal and interest payments, and, (4) to a lesser degree and, if obtained, a line of credit. Cash generated from loan payoffs and borrower payments of principal and interest is used for operating expenses, income distributions to members, reimbursements to RMC of origination and offering expenses and unit redemptions. The cash flow, if any, in excess of these uses is re-invested in new loans.

NOTE 1 – ORGANIZATION AND GENERAL (continued)

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 organization and offering expenses allocated to the members for the applicable period pursuant to the company's reimbursement and allocation of organization and offering expenses policy.

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.

Distributions allocable to members, other than those participating in the distribution reinvestment plan (DRIP), and the manager are distributed to them in cash 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. Cash available for distribution allocable to members who participate in the DRIP is credited to their respective capital accounts at the end of each calendar month.

To determine the amount of cash to be distributed in any specific month, the company relies in part on its annual forecast of profits, which takes into account the difference between the forecasted and actual results in the prior year and the requirement to maintain a cash reserve.

Distribution reinvestment plan

The DRIP provision of the operating agreement permits members to elect to have all or a portion of their monthly distributions reinvested in additional units. Members may withdraw from the DRIP with written notice.

Ongoing public offering of units/ SEC Registrations

In December, 2012, the company's Registration Statement on Form S-11 filed with the Securities and Exchange Commission (SEC File No. 333-181953) to offer up to 150,000,000 units ($150,000,000) to the public and 37,500,000 units ($37,500,000) to its members pursuant to the DRIP became effective. The 2012 filing enabled us to continue the offer to sell units that commenced in an initial public offering with the filing of a Registration Statement on Form S-11 in June 2008 (SEC File No. 333-155428). The offering of units is ongoing and was extended by filing a new, third registration statement on Form S-11 (SEC File No. 333-208315) in December 2015. The current offering continues until the earlier of either the effective date of the third registration statement, or 180 days after December 4, 2015. When the third registration statement is declared effective, the offering will continue for up to three (3) years thereafter.

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.

NOTE 1 – ORGANIZATION AND GENERAL (continued)

The following summarizes the proceeds from sales of units, from inception (October 5, 2009) through December 31, 2015.

	Proceeds
Gross proceeds admitted from investors	$30,144,013
From electing members under our distribution reinvestment plan	2,879,166
From premiums paid by RMC	148,904 (1)
Total proceeds from unit sales	$33,172,083

(1) If a member acquired units through an unsolicited sale, the member's capital account is credited with their capital contribution plus a premium paid by RMC equal to the amount of the sales commissions that otherwise would have been paid to a broker-dealer by RMC. This amount is reported in the year paid as taxable income to the member.

Liquidity and unit redemption program

Under the operating agreement, members have the right to withdraw from the company or to obtain the return of their capital account after one year from the date of purchase of units. In order to provide liquidity, we have adopted a unit redemption program that provides for a member to redeem all or part of their units, subject to certain limitations.

After the one-year period, a member may redeem all or part of their units, subject to certain limitations. The price paid for redeemed units will be 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 will be calculated as follows:

- Beginning after one year: 92% of purchase price of the capital account balance, whichever is less;
- Beginning after two years: 94% of purchase price of the capital account balance, whichever is less;
- Beginning after three years: 96% of purchase price of the capital account balance, whichever is less;
- Beginning after four years: 98% of purchase price of the capital account balance, whichever is less;
- Beginning after five years, 100% of purchase price 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 number of units that may be redeemed per quarter per individual member is subject to a maximum of the greater of 100,000 units or 25% of the member's units outstanding. 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. 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.

NOTE 1 – ORGANIZATION AND GENERAL (continued)

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. In December 2015, the manager, at its sole discretion, made a supplemental contribution to members' capital of $791,965. This contribution offset the cumulative difference, between net income and distributions to members for all periods through December 31, 2014.

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.

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. Any O&O expenses with respect to a member's units that remain unallocated upon redemption of such units shall be reimbursed to the company by the manager.

Unit sales commissions paid to broker-dealers/formation loan

Commissions for units sales to be paid to broker-dealers (B/D sales commissions) are paid by RMC and are not paid directly by the company out of offering proceeds. Instead, the company advances to RMC amounts sufficient to pay the B/D sales commissions and premiums to be paid to investors in connection with unsolicited orders 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 December 31, 2015 the company had made such advances of $2,198,481, of which $1,741,741 remain outstanding on the formation loan.

NOTE 1 – ORGANIZATION AND GENERAL (continued)

Income taxes and members' capital – tax basis

Federal and state income taxes are the obligation of the members, if and when taxes apply, other than the annual California franchise tax and any California LLC cash receipts taxes paid by the company.

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").

Certain reclassifications, not affecting previously reported net income or total members capital, have been made to the previously issued consolidated financial statements to conform to the current year presentation.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

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

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. Periodically, company cash balances in banks exceed federally insured limits.

Loans and interest income

Loans generally are stated at the unpaid principal balance (principal). Management has discretion to pay amounts (advances) to third parties on behalf of borrowers to protect 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 reduction in the cash flow compared to the original note, the modification is deemed a troubled debt restructuring and a loss is recognized. 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.

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

Loan administrative fees paid to RMC for loans funded by the company are capitalized and amortized over the life of the loan on a straight-line method which approximates the effective interest method.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the lower of the amount owed on the loan (legal basis), plus any senior indebtedness, or at the 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

There are no recently effective or issued but not yet effective accounting pronouncements which would have a material effect on the company's reported financial position or results of operations.

NOTE 3 – MANAGERS AND OTHER RELATED PARTIES

RMC's allocated one percent (1%) of the profits and losses was $17,571 and $10,937 for 2015 and 2014, respectively. The manager, at its sole discretion, provided financial support that improved net income and the return to investors in both 2015 and 2014. Total support provided, as detailed below, was approximately $634,000 and $204,000 for 2015 and 2014, respectively.

At times, to enhance the company's earnings, RMC has taken several actions, including:

1) charging less than the maximum allowable fees,

2) has not requested reimbursement of qualifying expenses,

3) paying company expenses, such as professional fees, that could have been obligations of the company, and/or

4) contributing cash to the company that was credited to members' capital accounts.

NOTE 3 – MANAGERS AND OTHER RELATED PARTIES (continued)

Such fee waivers and cost actions were not made for the purpose of providing the company with sufficient funds to satisfy withdrawal requests, nor to meet any required level of distributions, as the company has no such required level of distributions. RMC does not use any specific criteria in determining the exact amount of fees to be waived and/or costs to be absorbed. Any decision to waive fees and/or to absorb costs, and the amount (if any) to be waived or absorbed, is made by RMC in its sole discretion.

Formation loan

Formation loan transactions are presented in the following table.

	2015	2014	Since Inception
Balance, January 1	$ 1,255,600	$ 972,603	$ —
Formation loan advances to RMC	620,067	373,728	2,198,482
Payments received from RMC	(126,931)	(88,895)	(445,123)
Early withdrawal penalties applied	(6,995)	(1,836)	(11,618)
Balance, December 31	$ 1,741,741	$ 1,255,600	$ 1,741,741
Subscription proceeds since inception	$31,166,879	$22,433,797	$31,166,879
Formation loan advance			7%

The future minimum payments on the formation loan of December 31, 2015 are presented in the following table.

Year	
2016	$ 174,174
2017	174,174
2018	174,174
2019	174,174
Thereafter	1,045,045
Total	$1,741,741

RMC is required to make annual payments on the formation loan 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 following commissions and fees are paid by the borrowers.

- *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. Loan brokerage commissions paid by the borrowers were $368,535 and $196,564, for 2015 and 2014, respectively.

NOTE 3 – MANAGERS AND OTHER RELATED PARTIES (continued)

- *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. These fees totaled $56,219 and $36,333, for 2015 and 2014, respectively.

The following fees are paid by the company.

- *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 are payable by the company upon the closing or acquisition of each loan. The loan administrative fees paid by the company to RMC were $108,194 and $137,712 for the years ended December 31, 2015, and 2014, respectively. In August 2015 RMC, at its sole discretion, began waiving loan administrative fees. Loan administrative fees waived were approximately $113,000, for 2015. There is no assurance RMC will waive these fees in the future.

For 2015, RMC, at its sole discretion, reimbursed the company for approximately $80,000 of loan administrative fees paid to the manager in prior periods, reducing the amortization of loan administrative fees in the income statement and cash flow presentations. There is no assurance RMC will reimburse these fees in the future.

- *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. To enhance the earnings of the company, RMC, in its sole discretion, may elect to accept less than the maximum amount of the mortgage servicing fee. An increase or decrease in this fee within the limits set by the operating agreement directly impacts the yield to the members. Mortgage servicing fees incurred and paid were $53,647 and $40,762 for 2015 and 2014, respectively. RMC did not waive any mortgage servicing fees during 2015 and 2014.

- *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. 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.

NOTE 3 – MANAGERS AND OTHER RELATED PARTIES (continued)

RMC, at its sole discretion, may elect to accept less than the maximum amount of the asset management fee. An increase or decrease in this fee within the limits set by the operating agreement directly impacts the yield to the members. There is no assurance RMC will decrease or waive these fees in the future.

Asset management fees paid to RMC are presented in the following table.

	2015	2014
Chargeable by the managers	$ 198,439	$ 150,569
Waived by the managers	(198,439)	(113,115)
Charged	$ —	$ 37,454

- *Costs through RMC*

RMC, per the operating agreement, may request reimbursement by the company for operations expense incurred on behalf of the company, including without limitation, accounting and audit fees, legal fees and expenses, postage and preparation of reports to members and out-of-pocket general and administration expenses. Certain costs (e.g. postage) can be allocated specifically to the company. Other costs 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. The decision to request reimbursement of any qualifying charges is made by RMC at its sole discretion. Costs incurred by RMC, for which reimbursement could have been requested, were $167,229 and $104,445, for 2015 and 2014, respectively, of which $0 and $79,403 was collected.

In addition, RMC, at its sole discretion, may elect to reimburse the company for professional services (primarily audit and tax expense). An increase or decrease in reimbursements by RMC directly impacts the yield to the members. RMC reimbursed the company for professional services of $75,565 and $31,605 for 2015 and 2014, respectively. There is no assurance that RMC will reimburse these expenses in the future.

NOTE 3 – MANAGERS AND OTHER RELATED PARTIES (continued)

Reimbursement and allocation of organization and offering expenses

Organization and offering expenses (O & O expenses) are summarized in the following table.

	2015	2014
Balance, January 1	$ 953,271	$ 754,491
O&O expenses reimbursed to RMC (1)	407,903	199,410
O&O expenses paid by the company	120	637
Amounts paid by manager	(76,956)	—
Early withdrawal penalties applied (2)	(4,813)	(1,267)
Organization and offering costs allocated	—	—
Balance, December 31	$ 1,279,525	$ 953,271
Gross proceeds admitted	$30,144,013	$21,183,798
Percent reimbursed to RMC	4.50%	4.50%

(1)	O & O expenses incurred by RMC, RMI IX inception to date	$ 3,625,000	$ 3,064,000
	O & O expenses incurred by RMC and remaining to be reimbursed to RMC contingent upon future sales of units	2,268,000	2,111,000

(2) Redemption penalties collected are applied to the next installment of principal due under the formation loan and to reduce the amount owed RMC for syndication costs. The amounts credited will be determined by the ratio between the initial amount of the formation loan and the total amount of offering costs incurred by the company.

NOTE 4 – LOANS

Loans generally are funded or acquired 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 December 31, 2015, 72 of the company's 75 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. As of December 31, 2015, 24 loans outstanding (representing 40% of the aggregate principal balance of the company's loan portfolio) provide for monthly payments of interest only, with the principal due in full at maturity. The remaining loans require monthly payments of principal and interest, typically calculated on a 30-year amortization, with the remaining principal balance due at maturity.

Secured loans unpaid principal balance (principal)

Secured loan transactions are summarized in the following table.

	2015	2014
Principal, January 1	$ 19,185,660	$14,698,430
Loans acquired from affiliates	22,155,623	13,265,250
Loans acquired from third party	—	736,000
Principal payments received	(13,981,145)	(9,514,020)
Principal, December 31	$ 27,360,138	$19,185,660

NOTE 4 – LOANS (continued)

Loan characteristics

Secured loans had the characteristics presented in the following table at December 31.

	2015	2014
Number of secured loans	75	52
Secured loans – principal	$27,360,138	$19,185,660
Secured loans – lowest interest rate (fixed)	7.5%	7.3%
Secured loans – highest interest rate (fixed)	10.0%	10.0%
Average secured loan – principal	$ 364,801	$ 368,955
Average principal as percent of total principal	1.3%	1.9%
Average principal as percent of members' capital	1.3%	1.9%
Average principal as percent of total assets	1.2%	1.7%
Largest secured loan – principal	$ 1,200,000	$ 1,600,000
Largest principal as percent of total principal	4.4%	8.3%
Largest principal as percent of members' capital	4.2%	8.2%
Largest principal as percent of total assets	4.1%	7.7%
Smallest secured loan – principal	$ 45,906	$ 66,278
Smallest principal as percent of total principal	0.2%	0.4%
Smallest principal as percent of members' capital	0.2%	0.3%
Smallest principal as percent of total assets	0.2%	0.3%
Number of counties where security is located (all California)	17	13
Largest percentage of principal in one county	32.3%	25.2%
Number of secured loans in foreclosure	1	1
Secured loans in foreclosure – principal	$ 191,772	$ 193,893
Number of secured loans with an interest reserve	—	—
Interest reserves	$ —	$ —

As of December 31, 2015, the company's largest loan with principal of $1,200,000 represents 4.4% of outstanding secured loans and 4.1% of company assets. The loan is secured by a single family residence property located in San Francisco County, bears an interest rate of 8.5% and matures on July 1, 2016. The loan listed as in foreclosure is current in terms of loan payments, and is expected to perform in accordance with the note.

NOTE 4 – LOANS (continued)

Lien position

Secured loans had the lien positions presented in the following table at December 31.

	2015			2014		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	59	$21,204,614	77%	44	$17,114,452	89%
Second trust deeds	16	6,155,524	23	8	2,071,208	11
Total secured loans	75	27,360,138	100%	52	19,185,660	100%
Liens due other lenders at loan closing		9,564,255			4,773,151	
Total debt		$36,924,393			$23,958,811	
Appraised property value at loan closing		$71,836,840			$44,552,048	
Percent of total debt to appraised values (LTV) at loan closing [1]		54.8%			53.8%	

(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 at December 31.

	2015			2014		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family[2]	58	19,664,462	72%	40	$14,512,116	76%
Multi-family	4	2,266,402	8	3	1,272,724	6
Commercial	13	5,429,274	20	9	3,400,820	18
Total secured loans	75	27,360,138	100%	52	$19,185,660	100%

(2) Single family property type as of December 31, 2015 consists of six loans with principal of $2,098,628 that are owner occupied and 52 loans with principal of $17,565,834 that are non-owner occupied. At December 31, 2014, single family property consisted of five loans with principal of $1,318,743 that were owner occupied and 35 loans with principal of $13,193,373 that were non-owner occupied.

NOTE 4 – LOANS (continued)

Delinquency

Secured loans summarized by payment delinquency are presented in the following table at December 31.

	2015		2014	
	Loans	Amount	Loans	Amount
Past Due				
30-89 days	1	$ 318,020	1	$ 448,930
90-179 days	—	—	2	514,791
180 or more days	—	—	—	—
Total past due	1	318,020	3	963,721
Current	74	27,042,118	49	18,221,939
Total secured loan balance	75	$27,360,138	52	$19,185,660

Modifications and troubled debt restructurings

No loan modifications were made during 2015 and 2014, and no modifications were in effect at December 31, 2015 and 2014.

Loans in non-accrual status

At December 31, 2015 and 2014, no loans were designated as in non-accrual status.

Impaired loans/allowance for loan losses

No loans were designated at December 31, 2015 and 2014 as impaired. As all loans were deemed to have protective equity (*i.e.*, low loan-to-value ratio) such that collection is reasonably assured for amounts owing, no allowance for loan losses has been recorded.

Scheduled maturities

Secured loans are scheduled to mature as presented in the following table as of December 31, 2015.

	Loans	Principal	Percent
2016	19	$ 7,821,483	28%
2017	16	6,826,844	25
2018	13	4,559,673	16
2019	9	2,533,269	9
2020	15	4,080,643	15
Thereafter	3	1,538,226	7
Total future maturities	75	$27,360,138	100%

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.

NOTE 4 – LOANS (continued)

The company renewed two loans, at then market terms, during both 2015 and 2014, respectively, with aggregate principal balances of $1,375,000 and $1,020,664, respectively.

Distribution by California counties

The distribution of secured loans outstanding by California counties at December 31 is presented in the following table.

	2015		2014	
	Principal	Percent	Principal	Percent
San Francisco Bay Area				
Alameda	$ 5,121,849	18.7%	$ 2,322,907	12.1%
San Francisco	3,885,098	14.2	4,584,854	23.9
San Mateo	3,057,222	11.2	1,554,577	8.1
Santa Clara	1,383,633	4.9	891,674	4.7
Contra Costa	1,303,036	4.7	1,186,371	6.1
Marin	379,758	1.5	—	—
Sonoma	45,906	0.2	67,146	0.4
	15,176,502	55.4	10,607,529	55.3
Other Northern California				
Monterey	559,304	2.1	180,897	0.9
Placer	359,118	1.3	—	—
Sacramento	214,607	0.8	—	—
Yolo	174,927	0.6	—	—
San Joaquin	159,533	0.6	—	—
Santa Cruz	—	—	2,320,000	12.0
	1,467,489	5.4	2,500,897	13.0
Northern California Total	16,643,991	60.8	13,108,426	68.3
Los Angeles & Coastal				
Los Angeles	8,841,419	32.3	4,840,941	25.2
Orange	747,708	2.7	432,828	2.3
San Diego	593,019	2.2	66,278	0.4
	10,182,146	37.2	5,340,047	27.9
Other Southern California				
San Bernardino	136,028	0.5	635,768	3.3
Riverside	397,973	1.5	101,419	0.5
	534,001	2.0	737,187	3.8
Southern California Total	10,716,147	39.2	6,077,234	31.7
Total Secured Loans	$27,360,138	100%	$19,185,660	100.0%

NOTE 4 – LOANS (continued)

Commitments/loan disbursements/construction and rehabilitation loans

The company may make construction loans that are not fully disbursed at loan inception. Construction loans are determined by the managers to be those loans made to borrowers for the construction of entirely new structures or dwellings, whether residential, commercial or multi-family properties. The company will approve and fund the construction loan up to a maximum loan balance. Disbursements will be made periodically as phases of the construction are completed or at such other times as the loan documents may require. Undisbursed construction funds will be held in escrow pending disbursement. Upon project completion, construction loans are reclassified as permanent loans. Funding of construction loans is limited to 10% of the loan portfolio. As of December 31, 2015, the company had no construction loans outstanding.

The company may also make rehabilitation loans. A rehabilitation loan will be approved up to a maximum principal balance and, at loan inception, will be either fully or partially disbursed. If fully disbursed, a rehabilitation escrow account is established and advanced periodically as phases of the rehabilitation are completed or at such other times as the loan documents may require. If not fully disbursed, the rehabilitation loan will be funded from available cash balances and future cash receipts. The company does not maintain a separate cash reserve to fund undisbursed rehabilitation loan obligations. Rehabilitation loan proceeds are generally used to acquire and remodel single family homes for future sale or rental. Upon project completion, rehabilitation loans are reclassified as permanent loans. Funding of rehabilitation loans is limited to 15% of the loan portfolio. At December 31, 2015, the company had no rehabilitation loans outstanding.

Fair value

The company does not record its loans at fair value on a recurring basis. Loans designated impaired (i.e. that are collateral dependent) are measured at fair value on a non-recurring basis. The company did not have any loans designated impaired at December 31, 2015 or 2014.

- *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. Also considered is the limited resale market for the loans. Most companies or individuals making similar loans as the company intend to hold the loans until maturity as the average contractual term of the loans (and the historical experience of the time the loan is outstanding due to pre-payments) is shorter than conventional mortgages. As there are no prepayment penalties to be collected, loan buyers may be hesitant to risk paying above par. Due to these factors, sales of the loans are infrequent, because an active market does not exist. The recorded amount of the performing loans (i.e. the loan balance) is deemed to approximate the fair value, although the intrinsic value of the loans would reflect a premium due to the interest to be received.
- *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).

NOTE 4 – LOANS (continued)

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.

Where adequate sale comps are not available, management will seek additional information in the form of brokers' opinions of value or appraisals.

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 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.

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 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.

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 AND ORGANIZATION AND OFFERING COSTS

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.

Commitments

The company had no contractual obligations, except to reimburse RMC for O&O expenses at December 31, 2015. As of December 31, 2015, approximately $2,268,186 was to be reimbursed to RMC contingent upon future sales of units.

NOTE 6 – SUBSEQUENT EVENTS

None

Item 9 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Armanino LLP (or Armanino) was previously the independent registered public accounting firm for RMI IX. In December 2015, Armanino was dismissed and BDO USA, LLP was engaged as the new independent registered public accounting firm for RMI IX. The audit report of Armanino on the financial statements of RMI IX as of and for the year ended December 31, 2014 did not contain any adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope, or accounting principles. The decision to change accountants was approved by the board of directors of RMC, the manager of RMI IX.

During the year ended December 31, 2014, and the subsequent year through December 17, 2015, there were no: (1) disagreements (as defined in Item 304(a)(1)(iv) of Regulation S-K and related instructions) with Armanino on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference to the subject matter of such disagreement in their reports, or (2) reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K).

Item 9A – Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The company carried out an evaluation, under the supervision and with the participation of the managers of the effectiveness of the design and operation of the company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the managers concluded the company's disclosure controls and procedures were effective.

Manager's Report on Internal Control over Financial Reporting

The managers are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rule 13a-15(f). The internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The managers and their respective managements conducted an evaluation of the effectiveness of the company's internal control over financial reporting based on the *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this evaluation, the managers concluded the manager's internal control over financial reporting was effective as of December 31, 2015.

This annual report does not include an attestation report of the manager's independent registered public accounting firm regarding internal control over financial reporting because current law and SEC rules require such attestation reports only for large accelerated filers and accelerated filers (and the company, as a smaller reporting company, is not subject to that requirement).

Changes to Internal Control Over Financial Reporting

There have not been any changes in the manager's internal control over financial reporting (as such term is defined in Rules 13a-15(f) under the Exchange Act) during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the manager's internal control over financial reporting.

Item 9B – Other Information

None

Part III

Item 10 – Directors, Executive Officers and Corporate Governance

The company has no directors or executive officers. The company is externally managed. The manager of the company is 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. Members representing a majority of the outstanding units may, without the consent 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 and (iv) remove or replace one or all of the managers. A majority in interest of 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.

The Manager

Redwood Mortgage Corp. Redwood Mortgage Corp. is a licensed real estate broker incorporated in 1978 under the laws of the State of California, and is engaged primarily in the business of arranging and servicing mortgage loans. Redwood Mortgage Corp. will act as the loan broker and servicing agent in connection with loans, as it has done on behalf of several other affiliate of mortgage funds formed by the managers. (RMC's wholly-owned subsidiary, Gymno LLC, was a co-manager prior to its merger into RMC effective June 30, 2015).

Affiliates of Our Manager

Michael R. Burwell. Michael R. Burwell, age 59, President, Director, Chief Financial Officer, Redwood Mortgage Corp. (1979-present); Director, Secretary and Treasurer A & B Financial Services, Inc. (1980-2011); President, Director, Chief Financial Officer and Secretary of Gymno Corporation (1986-September 2011) and, the manager of Gymno LLC, the entity into which Gymno Corporation was converted (September 2011- June 30, 2015); President, Director, Secretary and Treasurer of The Redwood Group, Ltd. (1979-September 2011); past member of Board of Trustees and Treasurer, Mortgage Brokers Institute (1984-1986). Mr. Burwell is licensed as a real estate sales person. Mr. Burwell was a general partner of each of the RMI, RMI II and RMI III limited partnerships. Mr. Burwell is a general partner of each of the RMI IV, RMI V, RMI VI, RMI VII and RMI VIII limited partnerships. Mr. Burwell attended the University of California, at Davis from 1975-1979, playing NCAA soccer for three seasons.

Lorene A. Randich. Lorene A. Randich, age 58, joined Redwood Mortgage Corp. in 1991, and has served as a Director since November 2011. Ms. Randich has held the real estate broker's license of record for Redwood Mortgage Corp. since November 2011. Since 2001, she has been Vice President of Loan Production and Underwriting. Ms. Randich has been a licensed real estate broker since 1996. She is a member of the National Association of Realtors, the California Mortgage Bankers Association, the California Association of Mortgage Professionals (Board Member–San Francisco/Peninsula Chapter) and the California Mortgage Association (Board Member and Education Committee Chairperson). Ms. Randich received a BA from UC Berkeley in 1980.

Thomas R. Burwell. Thomas R. Burwell, age 48, joined Redwood Mortgage Corp. in 2007 and has served as Marketing and Sales Director since 2012; Loan Officer-Builder Division Wells Fargo Bank, N.A (Westwood, CA 2005-2007); Loan Officer, Wells Fargo Bank, N.A. (Beverly Hills 2004-2005); Loan Officer Wells Fargo Bank, N.A. (New York, NY 2002-2004). Mr. Burwell is a member of the Financial Planning Association, San Francisco, CA. Mr. Burwell received a BA from the University of California at Davis in 1990. Mr. Burwell is a former ATP (Association of Tennis Professionals) world tour professional and was a NCAA Team and Individual Finalist, Team Captain, (Three-time) All-American, #1 Singles and #1 Doubles Player for University of California at Davis.

Financial Oversight by Managers

The company does not have a board of directors or an audit committee. Accordingly, the manager serves the equivalent function of an audit committee for, among other things, the following purposes: appointment, compensation, review and oversight of the work of our independent public accountants, and establishing the enforcing of the Code of Ethics. However, since the company does not have an audit committee and the manager is not independent of the company, the company does not have an "audit committee financial expert."

Code of Ethics

The managers have adopted a Code of Ethics applicable to the manager and to any agents, employees or independent contractors engaged by the managers to perform the functions of a principal financial officer, principal accounting officer or controller of the company, if any. You may obtain a copy of this Code of Ethics, without charge, upon request by calling our Investor Services Department at (650) 365-5341, option 5.

Item 11 – Executive Compensation

COMPENSATION OF THE MANAGER AND AFFILIATES

As indicated above in Item 10, the company is externally managed and has no officers or directors. 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.

RMC is the manager of the company. The mortgage loans the company invests in are arranged and are generally serviced by RMC. Michael R. Burwell is the president and majority shareholder (through his holdings and beneficial interests in certain trusts) of RMC.

The company's operating agreement permits certain fees and cost reimbursements to be paid to the managers. See Note 3 (Managers and Other Related Parties) to the financial statements included in Part II, item 8 of this report for a presentation of fees and cost reimbursements to the Manager, which presentation is incorporated herein by reference.

The fees and cost reimbursements in 2015 and 2014 are summarized below.

	Year Ended December 31, 2015				Year Ended December 31, 2014			
	Actual Amount Received	Actual Fee %	Maximum Amount Allowable	Maximum Fee %	Actual Amount Received	Actual Fee %	Maximum Amount Allowable	Maximum Fee %
Paid by the Company								
Loan Administrative Fee	$108,194	0.49%	$ 221,556	1.00%	$137,712	1.00%	$137,712	1.00%
Mortgage Servicing Fee	$ 53,647	0.25%	$ 53,647	0.25%	$ 40,762	0.25%	$ 40,762	0.25%
Asset Management Fee	—	0.00%	$ 198,439	0.75%	$ 37,454	0.18%	$150,569	0.75%
Reimbursement of Operating Expenses	—	N/A	$ 167,299	N/A	$ 79,403	N/A	$ 79,403	N/A
1% of Profits and Losses	$ 17,571	1.00%	$ 17,571	1.00%	$ 10,937	1.00%	$ 10,937	1.00%
Total	$179,412		$ 658,512		306,268		$419,383	
Paid by the Borrowers								
Loan Brokerage Commissions	$368,535	2.22%	$1,178,213	4.00%	$196,564	2.24%	$832,064	4.00%
Ancillary Fees	$ 56,219	N/A	$ 56,219	N/A	$ 36,333	N/A	$ 36,333	N/A
Total	$424,754		$1,234,432		$232,897		$868,397	
Paid by Others								
Interest earned on deposit	—	N/A	—	N/A	$ 0	N/A	$ 0	N/A
Early withdrawal penalty	$ 4,814	N/A	$ 4,814	N/A	$ 3,103	N/A	$ 3,103	N/A

Item 12 – Security Ownership of Certain Beneficial Owners and Management, and Related Stockholder Matters

No person or entity owns beneficially more than five percent (5%) of the units. The manager does not own any units, but has, per the provisions of the company's operating agreement, made capital contributions of one-tenth of one percent (0.1%) of the aggregate capital accounts of the members, and is allocated one percent (1%) of the net income and losses of the company. In December 2015, the manager, at its sole discretion, made a supplemental contribution to members' capital of $791,965. This contribution offset the cumulative difference, between net income and distributions to members for all periods through December 31, 2014.

Item 13 – Certain Relationships and Related Transactions, and Director Independence

See Note 1 (Organization and General) and Note 3 (Managers and Other Related Parties) to the Financial Statements in Part II item 8, which describes certain relationships and related transactions and related party fees.

The company is managed externally and does not have the equivalent of independent directors.

Item 14 – Principal Accountant Fees and Services

Fees for services performed for the company by the principal accountant for 2015 and 2014 are as follows:

Audit Fees The aggregate fees billed during the years ended December 31, 2015 and 2014 for professional services rendered for the audit of the company's annual financial statements included in the company's Annual Report on Form 10-K, review of financial statements included in the company's Quarterly Reports on Form 10-Q and for services provided in connection with regulatory filings were approximately $90,000 and $69,000, respectively. RMC, at its sole discretion, absorbed $60,290 and $27,762 of these costs during the years ended December 31, 2015 and 2014, respectively.

Audit Related Fees There were no fees billed during the years ended December 31, 2015 and 2014 for audit-related services.

Tax fees The aggregate fees billed for tax services for the years ended December 31, 2015 and 2014 were approximately $10,000 and $7,000, respectively, and relate to professional services rendered primarily for tax compliance.

All Other Fees There were no other fees billed during the years ended December 31, 2015 and 2014.

All audit and non-audit services are approved by the manager prior to the accountant being engaged by the company.

Part IV

Item 15 – Exhibits and Financial Statement Schedules

A. Documents filed as part of this report are incorporated:

1. In Part II, Item 8 under A –Financial Statements.
2. No financial statement schedules are required to be filed because Redwood Mortgage Investors IX, LLC is a smaller reporting company.
3. Exhibits.

Exhibit No.	Description of Exhibits
3.1	Ninth Amended and Restated Limited Liability Company Operating Agreement
3.2	Certificate of Formation
4.1	Subscription Agreement and Power of Attorney, including Special Notice for California Residents
10.1	Form of Distribution Reinvestment Plan
10.2	Loan Servicing Agreement
10.3	Form of Note
10.4	Form of Deed of Trust
10.5	Form of Participating Broker-Dealer Agreement
10.6	Form of Advisory Agreement
10.7	Form of Formation Loan Promissory Note
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: March 30, 2016

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

By: /s/ Michael R. Burwell
Name: Michael R. Burwell
Title: President, Secretary and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity indicated on the 30th day of March, 2016.

Signature	Title	Date
/s/ Michael R. Burwell Michael R. Burwell	President, Secretary and Treasurer of Redwood Mortgage Corp. (Principal Executive, Financial and Accounting Officer); Director of Redwood Mortgage Corp.	March 30, 2016
/s/ Lorene A. Randich Lorene A. Randich	Director of Redwood Mortgage Corp	March 30, 2016
/s/ Thomas R. Burwell Thomas R. Burwell	Director of Redwood Mortgage Corp	March 30, 2016

EXHIBIT INDEX

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Exhibit 3.1

NINTH AMENDED AND RESTATED
LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF
REDWOOD MORTGAGE INVESTORS IX, LLC
a Delaware Limited Liability Company

THIS NINTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY OPERATING AGREEMENT (this "Agreement") of REDWOOD MORTGAGE INVESTORS IX, LLC (the "Company") is made and entered into as of the 25th day of March, 2016, by REDWOOD MORTGAGE CORP., a California corporation, and the Persons listed on Schedule A attached hereto, as may be amended, modified or supplemented from time to time (the "Members"). This Agreement amends and restates in its entirety the prior limited liability company operating agreement of the Company.

RECITALS

A. The Company was organized as a Delaware limited liability company by filing its Certificate with the Secretary of State of the State of Delaware on October 8, 2008, pursuant to and in accordance with the Act.

B. On October 8, 2008, the Redwood Mortgage Corp. and Gymno LLC, a California limited liability company (collectively, the "Initial Managers"), and the Initial Member entered into the Limited Liability Company Operating Agreement of the Company (as previously amended from time to time, the "Original Agreement.")

C. On April 28, 2009, the Initial Managers and the Initial Member entered into the Amended and Restated Limited Liability Company Operating Agreement of the Company (the "First Amended Agreement"), which amended and restated the Original Agreement in its entirety.

D. In June 2009, the Company commenced its initial public offering of Units (hereinafter defined), pursuant to a Registration Statement filed in connection therewith.

E. On January 29, 2010, the Initial Managers and the Initial Member entered into the Second Amended and Restated Limited Liability Company Operating Agreement of the Company (the "Second Amended Agreement"), which amended and restated the First Amended Agreement in its entirety.

F. On August 1, 2011, the Initial Managers entered into the Third Amended and Restated Limited Liability Company Operating Agreement of the Company (the "Third Amended Agreement"), which amended and restated the Second Amended Agreement in its entirety.

G. On April 27, 2012, the Initial Managers entered into the Fourth Amended and Restated Limited Liability Company Operating Agreement of the Company (the "Fourth Amended Agreement"), which amended and restated the Third Amended Agreement in its entirety.

H. On November 27, 2012, the Initial Managers entered into the Fifth Amended and Restated Limited Liability Company Operating Agreement of the Company (the "Fifth Amended Agreement"), which amended and restated the Fourth Amended Agreement in its entirety.

I. On January 23, 2014, the Initial Managers entered into the Sixth Amended and Restated Limited Liability Company Operating Agreement of the Company (the "Sixth Amended Agreement"), which amended and restated the Fifth Amended Agreement in its entirety.

J. On April 21, 2014, the Initial Managers entered into the Seventh Amended and Restated Limited Liability Company Operating Agreement of the Company (the "Seventh Amended Agreement"), which amended and restated the Sixth Amended Agreement in its entirety.

K. Effective June 30, 2015, Gymno LLC was merged with and into Redwood Mortgage Corp.

L. On December 2, 2015, the Managers entered into the Eighth Amended and Restated Limited Liability Company Operating Agreement of the Company (the "Eighth Amended Agreement"), which amended and restated the Seventh Amended Agreement in its entirety.

M. In order to cure some ambiguities, to correct or supplement provisions that may be inconsistent with other provisions, or to make other provisions with respect to matters or questions arising under the Eighth Amended Agreement which will not be inconsistent with the provisions of the Eighth Amended Agreement or any Registration Statement, the Managers desire to amend and restate the Eighth Amended Agreement in its entirety.

NOW THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1

DEFINITIONS

Unless stated otherwise, the terms set forth in this Article 1 shall, for all purposes of this Agreement, have the meanings as defined herein:

1.1 "Act" means the Delaware Limited Liability Company Act, 6 Del. C. §§ 18-101 et. seq., as the same may be amended from time to time. All references herein to sections of the Act shall include any corresponding provisions of succeeding law.

1.2 "Acquisition and Origination Expenses" means expenses including but not limited to legal fees and expenses, travel and communications expenses, costs of appraisals, accounting fees and expenses, title insurance funded by the Company, and miscellaneous expenses related to the origination, selection and acquisition of mortgages, whether or not acquired.

1.3 "Acquisition and Origination Fees" means the total of all fees and commissions paid by any party in connection with making or investing in Company mortgage loans. Included in the computation of such fees or commissions shall be any selection fee, mortgage placement fee, nonrecurring management fee, and any origination fee, loan fee or points paid by borrowers to the Managers, or any fee of a similar nature, however designated.

1.4 "Adjusted Capital Account" shall mean, with respect to any Member, the balance, if any, in such Member's Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

(a) Credit to such Capital Account any amounts which the Member is obligated to restore and the Member's share of Member Minimum Gain and Company Minimum Gain; and

(b) Debit to such Capital Account the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6).

1.5 "Administrator" means the agency or official administering the securities law of a state in which Units are registered or qualified for offer and sale.

1.6 "Affiliate" means (a) any Person directly or indirectly controlling, controlled by or under common control with another Person, (b) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such other Person, (c) any officer, director, manager or partner of such Person, or (d) if such other Person is an officer, director, manager or partner, any company for which such Person acts in any such capacity.

1.7 "Agreement" means this Ninth Amended and Restated Limited Liability Company Operating Agreement, as amended, modified, supplemented or restated from time to time.

1.8 "Asset Management Fee" means the compensation payable to the Managers described in (and computed in accordance with) Section 11.5 of this Agreement.

1.9 "Audited Financial Statements" means financial statements (balance sheet, statement of income, statement of members' equity and statement of cash flows) prepared in accordance with accounting principles generally accepted in the United States and accompanied by an independent auditor's report containing: (a) an unqualified opinion; (b) an opinion containing no material qualification; or (c) no explanatory paragraph disclosing information relating to material uncertainties (except as to litigation) or going concern issues.

1.10 "Base Amount" means that portion of the capital originally committed to investment in Loans, not including leverage, and including up to 2% of working capital reserves. The Base Amount shall be recomputed annually after the second full year of Company operations by subtracting from the then fair market value of the Company's Loans plus the working capital reserves, an amount equal to the Company's outstanding debt.

1.11 "Benefit Plan Investor" means a Member who is subject to ERISA or to the prohibited transaction provisions of Section 4975 of the Code.

1.12 "Capital Account" means, with respect to any Member, the Capital Account maintained for such Member in accordance with the following provisions:

(a) To each Member's Capital Account there shall be credited, in the event such Member utilized the services of a participating broker-dealer, such Member's Capital Contribution, or if such Member acquired his Units through an unsolicited sale, such Member's Capital Contribution plus the amount of the Sales Commissions, if any, paid by Redwood Mortgage Corp. that are specially allocated to such Member, such Member's share of Profits and any items in the nature of income or gain (from unexpected adjustments, allocations or distributions) that are specially allocated to a Member and the amount of any Company liabilities that are assumed by such Member or that are secured by any Company property distributed to such Member.

(b) To each Member's Capital Account there shall be debited the amount of cash and the Gross Asset Value of any Company property distributed to such Member pursuant to any provision of this Agreement, such Member's share of Losses, and any items in the nature of expenses or losses that are specially allocated to a Member and the amount of any liabilities of such Member that are assumed by the Company or that are secured by any property contributed by such Member to the Company.

In the event any interest in the Company is transferred in accordance with Section 7.2 of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest. In the event the Gross Asset Values of the Company assets are adjusted pursuant to Section 1.37, the Capital Accounts of all Members shall be adjusted simultaneously to reflect the aggregate net adjustment as if the Company recognized gain or loss equal to the amount of such aggregate net adjustment.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulation Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Treasury Regulation. In the event the Managers shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed in order to comply with the then existing Treasury Regulations, the Managers may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Member pursuant to Article 10 hereof upon the dissolution of the Company. The Managers shall make any appropriate modification in the event unanticipated events might otherwise cause this Agreement not to comply with Treasury Regulation Section 1.704-l(b).

1.13 "Capital Contribution" means the gross amount of investment in the Company by a Member, or all Members, as the case may be.

1.14 "Capital Transaction" means the repayment or prepayment of the principal amount of a Loan, and the foreclosure, sale, exchange, condemnation, eminent domain taking or other disposition of a Loan or of a property subject to a Loan to the extent classified as a return of capital for federal income tax purposes, or the payment of insurance or a guarantee with respect to a Loan.

1.15 "Carried Interest" means an equity interest in a Program which participates in all allocations and distributions for which full consideration is not paid or to be paid.

1.16 "Cash Available for Distribution" means Cash Flow less amounts set aside for creation or restoration of reserves.

1.17 "Cash Flow" means Company cash funds provided from operations (including without limitation, interest, points, revenue participations, participations in property appreciation, and interest or dividends from interim investments but excluding repayment of Loan principal), and investment of, or the sale or refinancing or other disposition of, Company assets during any calendar month (but excluding Capital Transaction proceeds), after deducting cash funds used to pay operating expenses and debt payments of the Company during such month, including any adjustments for bad debt reserves, principal payments on outstanding debt, or deductions as the Managers may deem appropriate, all determined in accordance with accounting principles generally accepted in the United States; provided, that such operating expenses shall not include any general overhead expenses of the Managers not specifically related to, billed to or reimbursable by the Company as specified in Sections 11.20 through 11.22.

1.18 "Certificate" means the Certificate of Formation of the Company and any and all amendments thereto and restatements thereof filed on behalf of the Company with the office of the Secretary of State of the State of Delaware pursuant to the Act.

1.19 "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any corresponding provisions of subsequent revenue laws.

1.20 "Company" means Redwood Mortgage Investors IX, LLC, a Delaware limited liability company.

1.21 "Company Minimum Gain" shall have the same meaning as "partnership minimum gain" as set forth in Treasury Regulations Sections 1.704-2(d).

1.22 "Competent Independent Expert" means a Person with no material current or prior business or personal relationship with the Managers who is engaged to a substantial extent in the business of rendering opinions regarding the value of assets of the type held by the Company and who is qualified to perform such work.

1.23 "Competitive Real Estate Commission" means that real estate or brokerage commission paid for the purchase or sale of property which is reasonable, customary and competitive in light of the size, type and location of the property.

1.24 "Deed(s) of Trust" means the lien or liens created on the Real Property or properties of the borrower with respect to a Loan securing the borrower's obligation to the Company to repay the Loan, whether in the form of a deed of trust, mortgage or otherwise.

1.25 "Depreciation" means, for each Fiscal Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such Fiscal Year, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year bears to such beginning adjusted tax basis; provided however, that if the adjusted basis for federal income tax purposes of an asset at the beginning of such Fiscal Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Company.

1.26 "Dissenting Member" means any Member who casts a vote against a plan of merger, plan of exchange or plan of conversion, including a Roll-Up; except that, for purposes of a transaction which involves an

exchange or a tender offer, Dissenting Member means any person who files a dissent from the terms of the transaction with the party responsible for tabulating the votes or tenders to be received in connection with the transaction during the period in which the offer is outstanding.

1.27 "Distribution Reinvestment Plan" means the plan established pursuant to Article 9 hereof, and **"DRIP Units"** means Units purchased through the Distribution Reinvestment Plan.

1.28 "Economic Interest" means a Person's right to share in the income, gains, losses, deductions, credits, or similar items of the Company, and to receive distributions from the Company, but excluding any other rights of a Member, including the right to vote or to participate in management, or, except as may be provided in the Act, any right to information concerning the business and affairs of the Company.

1.29 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.30 "Excess Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.752-3(a)(3).

1.31 "Financing" means all indebtedness incurred by the Company, the principal amount of which is scheduled to be paid over a period of not less than 48 months, where not more than 50% of the principal amount of which is scheduled to be paid during the first 24 months. Nothing in this definition shall be construed as prohibiting a bona fide pre-payment provision in the financing agreement.

1.32 [Reserved.]

1.33 [Reserved.]

1.34 "Fiscal Year" means a year ending December 31.

1.35 "Formation Loans" means one or more advances/loans to Redwood Mortgage Corp. in connection with an Offering the proceeds of which Redwood Mortgage Corp. will use solely to pay Sales Commissions in connection with the Units sold in such Offering and all premiums payable in connection with any unsolicited sales of Units in such Offering (excluding Units issued under the Distribution Reinvestment Plan).

1.36 "Front-End Fees" means fees and expenses paid by any party for any services rendered to organize the Company and to acquire assets for the Company, including Organization and Offering Expenses, Acquisition and Origination Expenses, Acquisition and Origination Fees, interest on deferred fees and expenses, and any other similar fees, however designated by the Managers.

1.37 "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as determined by the contributing Member and the Company;

(b) The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Managers, as of the following times: (a) the acquisition of an additional interest in the Company (other than pursuant to Section 4.4) by any new or existing Member in exchange for more than a de minimis Capital Contribution; (b) the distribution by the Company to a Member of more than a de minimis amount of Company property other than money, unless all Members receive simultaneous distributions of undivided interests in the distributed property in proportion to their Interests in the Company; (c) the termination of the Company for federal income tax purposes pursuant to Section 708(b)(1)(B) of the Code; and (d) the grant of an interest in the Company other than a de minimis interest as consideration for the provision of services to, or for the benefit of, the Company by an existing or a new Member acting in a "partner capacity," or in anticipation of becoming a "partner" (in each case within the meaning of Treasury Regulation Section 1.704-1(b)(2)(iv)(d)); and upon any other event on which it is necessary or appropriate in order to comply with the Treasury Regulations under Code Section 704(b).

(c) The Gross Asset Value of any Company asset distributed to any Member will be adjusted to equal the gross fair market value of the asset (taking into account Code Section 7701(g)) on the date of distribution;

(d) The Gross Asset Value of Company assets will be increased (or decreased) to reflect any adjustments to the adjusted basis of these assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining the Capital Accounts pursuant to Regulations Section 1.704-l(b)(2)(iv)(m); and

(e) If the Gross Asset Value of an asset has been determined or adjusted pursuant to clause (b), (c) or (d) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation, amortization or other cost recovery deduction allowable which is taken into account with respect to such asset for purposes of computing profits and losses for U.S. federal income tax purposes.

1.38 "Initial Member" means Gymno Corporation, a California corporation that was converted to a California limited liability company named Gymno LLC on September 30, 2011 and that was merged into Redwood Mortgage Corp. on June 30, 2015.

1.39 "Investment in Mortgages" means the amount of Capital Contributions used to make or invest in mortgage loans or the amount actually paid or allocated to the purchase of mortgages, working capital reserves allocable thereto (except that working capital reserves in excess of 3.0% shall not be included), and other cash payments such as interest and taxes but excluding Front-End Fees.

1.40 "Loans" means mortgage loans made or acquired by the Company.

1.41 "Majority of the Members" means Members holding more than fifty percent (50%) of the total outstanding Percentage Interests of the Company as of a particular date (or if no date is specified, the first day of the then current calendar month).

1.42 "Manager Provider" has the meaning as set forth in Section 3.17.

1.43 "Managers" mean Redwood Mortgage Corp., a California corporation, or any Person added as a Manager pursuant to Section 3.11 or, in each case, substituted in place thereof pursuant to this Agreement. "Manager" means any one of the Managers.

1.44 "Manager's Interest" has the meaning as set forth in Section 3.10.

1.45 "Member List" has the meaning as set forth in Section 6.2.

1.46 "Members" means the Initial Member until it shall withdraw as such, and the purchasers of Units in the Company, who are admitted thereto and whose names are included on Schedule A of this Agreement. Reference to a "Member" shall be to any one of them.

1.47 "Membership Interest" means a Member's rights in one or more Units at any particular time, including the Member's Economic Interest in the Company, any right to vote or participate in management of the Company and any right to information concerning the business and affairs of the Company provided by this Agreement or the Act.

1.48 "Member Minimum Gain" shall mean "partner non-recourse debt minimum gain" as determined under Treasury Regulations Section 1.704-2(i)(3).

1.49 "Member Non-Recourse Debt" shall mean "partner non-recourse debt" as set forth in Treasury Regulations Section 1.704-2(b)(4).

1.50 "Member Non-Recourse Deductions" shall mean "partner non-recourse deductions," and the amount thereof shall be, as set forth in Treasury Regulations Section 1.704-2(i).

1.51 "NASAA Mortgage Guidelines" means the NASAA Mortgage Program Guidelines issued by the North American Securities Administrators Association, Inc., effective September 10, 1996, as amended.

1.52 "Net Asset Value" means the Company's total assets less its total liabilities.

1.53 "Net Worth" means the excess of total assets over total liabilities, as determined by accounting principles generally accepted in the United States, except that if any of such assets have been depreciated, then the amount of Depreciation relative to any particular asset may be added to the depreciated cost of such asset to compute total assets, provided that the amount of Depreciation may be added only to the extent that the amount resulting after adding such Depreciation does not exceed the fair market value of such asset.

1.54 "Non-Recourse Debt" shall have the meaning set forth in Treasury Regulations Section 1.704-2(b)(3).

1.55 "Non-Recourse Deductions" shall have the meaning, and the amount thereof shall be, as set forth in Treasury Regulations Section 1.704-2(c).

1.56 "Non-Specified Mortgage Programs" means Programs other than Specified Mortgage Programs.

1.57 "Offering" means the offer and sale of Units to the public as described in and pursuant to the terms and conditions set forth in a Prospectus.

1.58 "Organization and Offering Expenses" means those expenses incurred in connection with the formation of the Company and in preparing the Company's securities for registration and subsequently offering and distributing them to the public, including Sales Commissions paid to broker-dealers in connection with the distribution of the Company's securities and all advertising and marketing expenses.

1.59 "Person" means any natural person, partnership, corporation, limited liability company, trust, estate, unincorporated association or other legal entity.

1.60 "Percentage Interest" means the percentage ownership interest of any Member determined at any time by dividing a Member's current Units by the total outstanding Units of all Members.

1.61 "Profits" and **"Losses"** mean, for each Fiscal Year or any other period, an amount equal to the Company's income or loss for such Fiscal Year or other given period, determined in accordance with accounting principles generally accepted in the United States.

1.62 "Program" means a limited liability company, limited or general partnership, joint venture, unincorporated association or similar organization (other than a corporation) formed and operated for the primary purpose of making or investing in mortgage loans or for investment in and the operation of or gain from an interest in Real Property.

1.63 "Program Interest" means the membership unit, limited partnership unit or other indicia of ownership in a Program.

1.64 "Property Management Fee" means a fee paid to the Managers or other Persons for professional property management services.

1.65 "Prospectus" means a prospectus that forms a part of a Registration Statement on Form S-11 filed or to be filed by the Company under the Securities Act of 1933 with the Securities and Exchange Commission and any supplement or amended prospectus or new prospectus that forms a part of a supplement or amendment to such Registration Statement filed by the Company, unless the context should indicate to the contrary.

1.66 "Purchase Price" means the price paid upon or in connection with the purchase of a particular mortgage, but excluding points and prepaid interest, Acquisition and Origination Fees and Acquisition and Origination Expenses.

1.67 "Real Property" means and includes (a) land and any buildings, structures, and improvements, and (b) all fixtures, whether in the form of equipment or other personal property that is located on or used as part of land. Real Property does not include Deeds of Trust, mortgage loans or interests therein.

1.68 "Redemption Request" has the meaning as set forth in Section 8.1.

1.69 "Registered Investment Advisor" means an investment professional retained by an investor to provide advice regarding the investor's overall investment strategy (not just an investment in the Units) and who is compensated by the investor based upon the total amount of the investor's assets being managed by the investment professional.

1.70 "Registration Statement" means one or more registration statements filed by the Company with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, in order to register the Units for sale to the public, including all amendments thereto.

1.71 "Retirement Plans" means Individual Retirement Accounts established under Section 408 or Section 408A of the Code and Keogh or corporate pension or profit sharing plans established under Section 401(a) of the Code.

1.72 "Roll-Up" means any transaction that involves the acquisition, merger, conversion or consolidation, either directly or indirectly, of the Company and the issuance of securities of a Roll-Up Entity; provided, however, that such term does not include a transaction that (a) involves securities of the Company that have been listed for at least 12 months on a national securities exchange; or (b) involves the conversion to corporate, trust or association form of only the Company if, as a consequence of the transaction, there will be no significant adverse change in any of the following rights or terms, as compared to such rights and terms in effect for the Company prior to such transaction: (i) voting rights of holders of the class of securities to be held by Members, (ii) the term of existence of the surviving or resulting entity, (iii) compensation to the Sponsor of the surviving or resulting entity, or (iv) the investment objectives of the surviving or resulting entity.

1.73 "Roll-Up Entity" means a partnership, real estate investment trust, corporation, trust, limited liability company or other entity that would be created or would survive after the successful completion of a proposed Roll-Up.

1.74 "Safe Harbor" means the election described in the Safe Harbor Regulation, pursuant to which the Company and all of its Members may elect to treat the fair market value of any Membership Interest that is transferred in connection with the performance of services as being equal to the liquidation value of that Membership Interest.

1.75 "Safe Harbor Election" means the election by the Company and its Members to apply the safe harbor, as described in the Safe Harbor Regulation and Internal Revenue Service Notice 2005-43 or any successor authority.

1.76 "Safe Harbor Regulation" means Proposed Regulation Section 1.83-3(1) or any successor authority.

1.77 "Sales Commissions" means the amount of compensation that may be paid to participating broker-dealers in connection with the sale of Units.

1.78 [Reserved.]

1.79 "Securities Act" means the Securities Act of 1933, as amended.

1.80 "Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

1.81 "Specified Mortgage Program" means a Program where, at the time a securities registration is ordered effective, more than 75% of the net proceeds from the sale of Program Interests is allocable to the origination or purpose of specific mortgage loans. Reserves shall be included in the nonspecified portion.

1.82 "Sponsor" means any Person directly or indirectly instrumental in organizing, wholly or in part, a Program or any Person who will manage or participate in the management of a Program, and any Affiliate of any such Person, but does not include a Person whose only relation with the Program is as that of an independent property manager, whose only compensation is as such. Sponsor does not include wholly independent third parties such as attorneys, accountants and underwriters whose only compensation is for professional services rendered in connection with the offering of Program Interests. A Person may also be a Sponsor of the Program by:

(a) taking the initiative, directly and indirectly, in founding or organizing the business or enterprise of the Program either alone or in conjunction with one or more other Persons;

(b) receiving a material participation in the Program in connection with the founding or organizing of the business of the Program, in consideration of services or property, or both services and property;

(c) having a substantial number of relationships and contacts with the Program;

(d) possessing significant rights to control Program properties;

(e) receiving fees for providing services to the Program which are paid on a basis that is not customary in the industry; or

(f) providing goods or services to the Program on a basis which was not negotiated at arm's-length with the Program.

Based on the foregoing criteria, the Managers are the Sponsors of the Company.

1.83 "Subscription Agreement" means the document that a Person who buys Units of the Company must execute and deliver with full payment for the Units and which, among other provisions, contains the written consent of each Member to the adoption of this Agreement.

1.84 "Subscription Account" has the meaning set forth in Section 4.8.

1.85 "Treasury Regulations" means the Treasury Regulations promulgated under the Code.

1.86 "Units" means the units of equity in the Company evidencing the Membership Interests that are (i) issued to Members upon their admission to the Company or (ii) otherwise issued pursuant to the terms of this Agreement.

ARTICLE 2

ORGANIZATION OF THE LIMITED LIABILITY COMPANY

2.1 Formation. The parties hereto hereby acknowledge that the Company was formed as a limited liability company pursuant to the provisions of the Act, and agree that the rights, duties and liabilities of the Members shall be as provided in the Act, except as otherwise provided herein. An authorized person has previously filed the Certificate.

2.2 Name. The name of the Company is REDWOOD MORTGAGE INVESTORS IX, LLC. The business of the Company will be conducted under such name, as well as any other name or names as the Managers may from time to time determine.

2.3 Principal Place of Business. The principal place of business of the Company shall be located at 1825 S. Grant Street, Suite 250, San Mateo, California 94402, until changed by designation of the Managers, with notice to all Members. The Company may have such other offices as the Managers may designate from time to time.

2.4 Registered Agent and Registered Office. The initial registered agent and the initial registered office of the Company in the State of Delaware shall be as provided in the Certificate. The Managers may from time to time designate in the manner provided by law another registered agent or agents or another location or locations for the registered office of the Company.

2.5 Qualification in Other Jurisdictions. The Managers shall cause the Company to be qualified, formed or registered under assumed or fictitious name statutes or similar laws in any jurisdiction in which the Company transacts business, including without limitation, California. The Managers of the Company shall execute, deliver and file any certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business, including without limitation, California.

2.6 Purpose. The principal business activity and purposes of the Company shall be to engage in business as a mortgage lender for the primary purpose of making or investing in Loans secured by Deeds of Trust on Real Property primarily located in California and to distribute to the Members the Company's Cash Available for Distribution arising from its operations. The Company may engage in all activities and transactions as may be related, incidental, necessary, advisable, or desirable to carry out the foregoing. The Company shall have all of the powers necessary or convenient to achieve its purposes and to further its business.

2.7 Objectives. The business of the Company shall be conducted with the following primary objectives:

(a) To yield a favorable rate of return from the Company's business of making and/or investing in loans;

(b) To preserve and protect the Company's capital by making 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

(c) To generate and distribute Cash Flow from the foregoing mortgage lending and investment activities.

2.8 Substitution of Member. A Member may assign all or a portion of its Membership Interest and substitute another person in his place as a Member only in compliance with the terms and conditions of Sections 7.2, 7.3 and 7.4.

2.9 Term. The term of the Company commenced on the date the Certificate was filed and shall continue until October 8, 2028, unless earlier terminated pursuant to the provisions of this Agreement or by operation of law or unless such term is extended by the affirmative vote or consent of the Majority of the Members.

2.10 No State Law Partnership. The Company is a Delaware limited liability company that will be treated as a partnership only for federal income tax purposes, and if applicable, state tax purposes, and no Member

shall be deemed to be a partner or joint venturer of any other Member, for any purposes other than federal income tax purposes and, if applicable, state tax purposes, and this Agreement shall not be construed to suggest otherwise. The Members intend that the Company shall be treated as a partnership for federal and, if applicable, state income tax purposes, and each Member and the Company shall file all tax returns and shall otherwise take all tax and financial reporting positions in a manner consistent with such treatment.

2.11 Power of Attorney. Each of the Members irrevocably constitutes and appoints the Managers, and each of them, any one of them acting alone, as his true and lawful attorney-in-fact, with full power and authority for him, and in his name, place and stead, to execute, acknowledge, publish and file:

(a) This Agreement, the Certificate and any amendments thereof required under the laws of the State of Delaware and of any other state, or which the Managers deem advisable to prepare, execute and file;

(b) Any certificates, instruments and documents, including, without limitation, fictitious business name statements, as may be required by, or may be appropriate under, the laws of any state or other jurisdiction in which the Company is doing or intends to do business; and

(c) Any documents which may be required to effect the continuation of the Company, the admission of an additional or substituted Member, or the dissolution and termination of the Company, provided that the continuation, admission, substitution or dissolution or termination, as applicable, is in accordance with the terms of this Agreement.

Each Member hereby agrees to execute and deliver to the Managers within five (5) days after receipt of the Managers' written request therefore, such other and further statements of interest and holdings, designations, and further statements of interest and holdings, designations, powers of attorney and other instruments that the Managers deem necessary to comply with any laws, rules or regulations relating to the Company's activities.

2.12 Nature of Power of Attorney. The foregoing grant of authority is a special power of attorney coupled with an interest, is irrevocable, and survives the death of the undersigned or the delivery of an assignment by the undersigned of a Membership Interest; provided, that where the assignee thereof has been approved by the Managers for admission to the Company as a substituted Member, the Power of Attorney survives the delivery of such assignment for the sole purpose of enabling the Managers to execute, acknowledge and file any instrument necessary to effect such substitution.

ARTICLE 3

MANAGEMENT OF THE COMPANY

3.1 Authority of the Managers. The Managers shall have all of the rights and powers of a manager in a Delaware limited liability company, except as otherwise provided herein.

3.2 General Management Authority of the Managers. Except as expressly provided herein or required by non-waivable provisions of applicable law, the Managers shall have sole and complete authority, power and discretion to manage, operate and control the business and affairs of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business. Each of the Managers, acting alone or together, shall have the authority to act on behalf of the Company as to any matter for which the action or consent of the Managers is required or permitted. Without limitation upon the generality of the foregoing, the Managers shall have the specific authority:

(a) To expend Company funds in furtherance of the business of the Company and to acquire and deal with assets upon such terms as they deem advisable, from Affiliates and other persons;

(b) To determine the terms of the Offering of Units, including the right to increase the size of the Offering or offer additional Units or other securities, the amount for discounts allowable or commissions to be paid and the manner of complying with applicable law;

(c) To employ, at the expense of the Company, such agents, employees, independent contractors, attorneys and accountants as they deem reasonable and necessary, and to enter into agreements and contracts with such persons on terms and for compensation that the Managers determine to be reasonable;

(d) To purchase liability and other insurance to protect the Company's property and business and to protect the assets of the Managers and their employees, agents or Affiliates;

(e) To pay, collect, compromise, arbitrate, or otherwise adjust any and all claims or demands against the Company;

(f) To bind the Company in all transactions involving the Company's property or business affairs, including the execution of all loan documents, the sale of notes or real estate, and to change the Company's investment objectives, notwithstanding any other provision of this Agreement; provided, however, the Managers may not, without the affirmative vote or consent of the Majority of the Members, sell or exchange all or substantially all of the Company's assets;

(g) To amend this Agreement with respect to the matters described in Section 12.4 (a) through (j) of this Agreement;

(h) To determine the accounting method or methods to be used by the Company, which methods may be changed by the Managers from to time, provided that such change is disclosed in a report publicly filed with the Securities and Exchange Commission or is disclosed in a written notice sent to Members;

(i) To open accounts in the name of the Company in one or more banks, savings and loan associations or other financial institutions, and to deposit Company funds therein, subject to withdrawal upon the signature of the Managers or any person authorized by them;

(j) To borrow funds for the purpose of making Loans on such terms as the Managers deem appropriate (provided that the Company may not at any time incur any indebtedness in excess of 50% of the Members' capital) and in connection with such borrowings, to pledge, encumber, hypothecate all or a portion of the assets of the Company as security for such Loans; provided further, that the Company shall not incur indebtedness at its commencement;

(k) To invest the reserve funds of the Company in cash, bank accounts, certificates of deposits, money market accounts, short-term bankers acceptances, publicly traded bond funds or any other liquid assets;

(l) To execute, acknowledge (as appropriate) and deliver on behalf of the Company all instruments and documents, including checks, drafts, notes and other negotiable instruments, mortgages or deeds of trust, security agreements, financing statements, documents providing for the acquisition, mortgage or disposition of the Company's property, assignments, bills of sale, leases, contracts, partnership agreements, operating agreements and limited liability company agreements of other limited liability companies, and any other instruments or documents necessary, desirable or conducive in the opinion of Managers to the business of the Company;

(m) To repay in whole or in part, refinance, increase, modify, or extend, any obligation, affecting Company property;

(n) To maintain, at the expense of the Company, adequate records and accounts of all operations and expenditures and furnish the Members with annual statements of account as of the end of each calendar year, together with all necessary tax-reporting information;

(o) To refinance, recast, modify, consolidate, extend or permit the assumption of any Loan or other investment owned by the Company;

(p) To file tax returns on behalf of the Company and to make any and all elections available under the Code;

(q) To sue and be sued, to prosecute, settle or compromise all claims against third parties, to compromise, settle and consent to, or accept judgment with respect to, claims against the Company, and to execute all documents and make all representations, admissions and waivers in connection therewith;

(r) To determine and pay all expenses of the Company, and to make all accounting and financial determinations and decisions with respect to the Company;

(s) To enter into, make and perform all contracts, agreements and other undertakings as may be determined by the Managers, in their discretion, to be necessary or advisable or incident to the carrying out of the foregoing purposes and powers, the execution thereof by a Manager to be conclusive evidence of such determination;

(t) To execute and file with the appropriate governmental authorities all certificates, documents or other instruments of any kind or character which the Managers, in their discretion, determine to be necessary or appropriate in connection with the business of the Company, the execution thereof by a Manager to be conclusive evidence of such determination; and

(u) To do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business in the Managers' discretion.

3.3 Limitations on Powers of the Managers. Without the affirmative vote, written consent or written ratification by all Members, the Managers shall have no authority to do any act prohibited by law or to admit a person as a Member other than in accordance with the terms of this Agreement. The Managers shall observe the following policies in connection with Company operations:

(a) The Company may not invest in or make Loans on any one property that would exceed, in the aggregate, an amount equal to 10% of the then total gross Offering proceeds. The Company may not invest in or make Loans to or from any one borrower that would exceed, in the aggregate, an amount greater than 10% of the then total gross Offering proceeds. The Company shall not invest in or make a Loan secured by unimproved Real Property (other than construction Loans as described below), except in amounts and upon terms which can be financed by the Offering proceeds or from cash flow and provided investment in Loans secured by such unimproved Real Property shall not exceed 10% of the then total gross Offering proceeds. Properties shall not be considered unimproved if they are expected to produce income within a reasonable period of time after their acquisition, and for purposes hereof, two years shall be deemed to be presumptively reasonable. The Company shall not invest in or make a construction Loan if it would cause the aggregate outstanding principal balance of all of the Company's construction Loans to exceed 10% of the Company's total loan portfolio. The Company shall not invest in or make a rehabilitation Loan if it would cause the aggregate outstanding principal balance of all of the Company's rehabilitation Loans to exceed 15% of the Company's total loan portfolio. The Company ordinarily shall not make or invest in a Loan secured by a property if, at the time of the acquisition of the Loan, the sum of the Company's investment in the Loan plus the outstanding principal balance of all loans that are secured by mortgages senior to the Company's Deed of Trust would exceed the following applicable percentage of the appraised value of the property, as determined by an independent appraisal: for residential property – 80%; for commercial property – 75%; and for unimproved land – 50%; provided however, except in the case of construction loans, the foregoing loan-to-value ratios may be exceeded if the Manager determines that substantial justification exists because of the presence of other underwriting criteria. For purposes of the foregoing, in the case of construction and rehabilitation loans, the appraised value shall mean the projected completed value of the subject property upon completion of the improvements. The Company is permitted to borrow money when it has taken over the operation of a property in order to prevent defaults under existing loans, or there otherwise is a need for additional capital with respect to such a property.

(b) Each Loan must be supported by an appraisal of the property that secures the Loan, which shall be prepared by a competent, independent appraiser. The appraisal shall be maintained in the Company's records for at least five (5) years and shall be available for inspection and duplication by any Member. A

mortgagee's or owner's title insurance policy or commitment as to the priority of a mortgage or the condition of title shall also be obtained with respect to each property that secures a Loan made by the Company or in which the Company holds a participation interest; in addition, Company Loans may be supported by a pledge of all ownership interests of the borrower.

(c) The Company shall not invest in real estate contracts of sale unless such contracts of sale are in recordable form and are appropriately recorded in the chain of title.

(d) The Manager shall not have the authority to incur indebtedness which is secured by properties or assets of the Company, except as specifically authorized in this Agreement.

(e) The Company may not at any time incur any indebtedness in excess of 50% of Members' capital.

(f) The Company shall not reinvest Cash Flow (other than (i) any proceeds from the repayment or prepayment of a Loan or sale of Company property after foreclosure or other disposition of the Loan and (ii) proceeds from the sale of Units pursuant to Articles 4 or 9 hereof, all of which may be reinvested up to 36 months prior to final liquidation of the Company, provided that the Company is in compliance with Section 5.6 of this Agreement). At any time, any Member may elect to receive its pro rata share of any Loan principal repayments received by the Company after the seven year anniversary of the date that the Registration Statement filed on November 18, 2008 (File No. 333-155428) is declared effective by the Securities and Exchange Commission by providing written notice to the Company of such election, and that Member's Percentage Interest of any Loan principal repayments received by the Company after its receipt of such notice shall be distributed to such electing Member in redemption of Units held by that Member but only so long as there are no unfulfilled Redemption Requests from other Members under Article 8 hereof.

(g) The Company shall maintain reasonable reserves for Company properties, in such amounts as the Manager in its sole and absolute discretion determines from time to time to be adequate, appropriate or advisable in connection with the operations of the Company, subject to compliance with applicable regulations and guidelines. Normally, not less than 1.0% of the offering proceeds will be considered adequate.

(h) The funds of the Company shall not be commingled with the funds of any other Person; provided, however, that the foregoing shall not prohibit the Managers from establishing a master fiduciary or trust account for the benefit of affiliated Programs and other Persons for purposes of loan funding and loan servicing in accordance with applicable law, if Company funds are protected from claims of such other Programs and/or creditors. The foregoing prohibition shall not apply to investments described in Section 11.17.

(i) The Managers shall not be authorized to enter into or effect any Roll-Up unless such Roll-Up complies with the following terms and conditions:

(i) An appraisal of all assets of the Company shall be obtained from a Competent Independent Expert. If the appraisal will be included in a prospectus used to offer the securities of a Roll-Up Entity, the appraisal shall be filed with the Securities and Exchange Commission and the applicable states as an exhibit to the registration statement for the offering. The assets of the Company shall be appraised on a consistent basis. The appraisal shall be based on an evaluation of all relevant information and shall indicate the value of the Company's assets as of a date immediately prior to the announcement of the proposed Roll-Up. The appraisal shall assume an orderly liquidation of the Company's assets over a twelve (12) month period. The terms of the engagement of the Competent Independent Expert shall clearly state that the engagement is for the benefit of the Company and its Members. A summary of the independent appraisal, indicating all material assumptions underlying the appraisal, shall be included in a report to the Members in connection with the proposed Roll-Up.

(ii) In connection with the proposed Roll-Up, the Person sponsoring the Roll-Up shall provide to Dissenting Members the choice of: (A) accepting the securities of the Roll-Up Entity offered in the proposed Roll-Up; or (B) one of the following: (I) remaining as Members in the Company and preserving their interests therein on the same terms and conditions as existed previously, or (II) receiving cash in an amount equal to the Members' pro rata share of the appraised value of the net assets of the Company.

(iii) The Company may not participate in any proposed Roll-Up which would result in the Members having democracy rights in the Roll-Up Entity which are less than those provided for under Section VII.A. and B. of the NASAA Mortgage Guidelines. If the Roll-Up Entity is a corporation, the voting rights shall correspond to the voting rights provided for in the NASAA Mortgage Guidelines to the greatest extent possible.

(iv) The Company may not participate in any proposed Roll-Up which includes provisions which would operate to materially impede or frustrate the accumulation of shares by any purchaser of the securities of the Roll-Up Entity (except to the minimum extent necessary to preserve the tax status of the Roll-Up Entity). The Company may not participate in any proposed Roll-Up which would limit the ability of a Member to exercise the voting rights of his securities in the Roll-Up Entity on the basis of the membership or partnership interests or other indicia of ownership held by that Member.

(v) The Company may not participate in any proposed Roll-Up in which the Members' rights of access to the records of the Roll-Up Entity will be less than those provided for under Section VII.D. of the NASAA Mortgage Guidelines.

(j) The Company may not participate in any proposed Roll-Up in which any of the costs of the transaction would be borne by the Company if the proposed Roll-Up is not approved by a Majority of the Members.

(k) The Company shall not give a Manager an exclusive right or employment to sell or otherwise dispose of Loans or other assets of the Company.

(l) The Company shall not make or acquire Loans to Programs formed by or affiliated with the Company.

3.4 Requirements for Managers.

(a) Any Manager, or its chief operating officers, shall have at least two years of relevant real estate lending or other experience demonstrating the knowledge and experience to acquire and manage a diversified portfolio of mortgage loans on Real Property, and any of the foregoing or any Affiliate providing services to the Company shall have had not less than five years of relevant experience in the kind of service being rendered or otherwise must demonstrate sufficient knowledge and experience to perform the services proposed.

(b) The financial condition of any Manager liable for the debts of the Company must be commensurate with any financial obligations assumed in any public offering of limited liability interests in the Company and in the operation of the Company. At a minimum, the Managers shall collectively have an aggregate Net Worth of at least $1 million. In determining Net Worth for this purpose, evaluation will be made of contingent liabilities and the use of promissory notes, to determine the appropriateness of their inclusion in computation of Net Worth.

3.5 No Personal Liability. The Managers shall have no personal liability for the original invested capital of any Member or to repay the Company any portion or all of any negative balance in their Capital Accounts, except as otherwise provided in Article 4.

3.6 Compensation to Managers. The Managers shall be entitled to be compensated and reimbursed for expenses incurred in performing their management functions in accordance with the provisions of Article 11 thereof, and may receive compensation from parties other than the Company.

3.7 Extent of Managers' Fiduciary Duty. The Managers have fiduciary responsibility for the safekeeping and use of all funds and assets of the Company, whether or not in the Managers' possession or control, and the Managers will not employ, or permit another to employ the Company's funds or assets in any manner except for the exclusive benefit of the Company. The Company shall not permit a Member to contract away the fiduciary duty owed to any Member by the Managers under common law.

3.8 Allocation of Time to Company Business. The Managers and their officers and employees shall not be required to devote full time to the affairs of the Company, but shall devote whatever time, effort and skill they deem to be reasonably necessary for the conduct of the Company's business. The Managers and their Affiliates may engage in any other businesses or activities, including businesses related to or competitive with the Company. Each Member acknowledges and agrees that the Managers have existing commitments to other entities and that such commitments will continue during the term of the Company and that new commitments will be entered into by the Managers during the term of the Company. The Managers and their shareholders, officers, employees and Affiliates currently and may in the future participate in the management of other funds or investments and are involved, and in the future may be involved, in other business ventures, which may give rise to potential conflicts of interests, all of which are hereby waived by the Members. The Company and the Members will have no claim to any income or profit derived from or any interest in such other business ventures or other activities.

3.9 Assignment by a Manager. A Manager's Interest (as defined in Section 3.10) in income, losses and distributions of the Company shall be assignable at the discretion of a Manager, which, if made, may be converted, at a Manager's option, into a Membership Interest to the extent of the assignment.

3.10 Manager's Interest. The Managers shall be allocated a total of one percent (1%) of all items of Company income, gains, losses, deductions and credits, which shall be shared among them in such proportion as mutually agreed by the Managers in their sole discretion. The Company and each Member hereby acknowledge and agree that a Manager's right to receive distributions pursuant to Section 5.5 ("Manager's Interest") is intended to constitute a "profits interest" in the Company within the meaning of Revenue Procedure 93-27, 1993-2 C.B. 343, or any successor Internal Revenue Service or Treasury Regulation or other pronouncement applicable, and a "Carried Interest" within the meaning of the NASAA Mortgage Guidelines. The Managers shall have the right to make a timely election under Code Section 83(b) with respect to such Managers' Interest. The Members agree that, in the event the Safe Harbor Regulation is finalized, the Company is authorized and directed to elect the Safe Harbor Election and the Company and each Member (including any person to whom a Membership Interest in the Company is transferred in connection with the performance of services) agrees to comply with all requirements of the safe harbor with respect to all Membership Interests in the Company if transferred in connection with the performance of services (including the Managers' Interest) while the Safe Harbor Election remains effective. The Tax Matters Partner shall be authorized to (and shall) prepare, execute, and file the Safe Harbor Election. Any transferee of a Membership Interest in the Company shall agree to be bound by this Section 3.10.

3.11 Removal of Manager. A Manager may be removed upon the following conditions:

(a) By affirmative vote or written consent of the Majority of the Members (excluding any Units or Percentage Interest of the Manager being removed). Members may exercise such right by presenting to the Manager a notice, with due verification of such vote or consent, to the effect that the Manager is removed; the notice shall set forth the grounds for removal and the date on which removal is to become effective;

(b) Concurrently with such notice or within thirty (30) days thereafter by notice similarly given, a Majority of the Members may also designate a successor as Manager;

(c) Substitution of a new Manager, if any, shall be effective upon written acceptance of the duties and responsibilities of a Manager by the new Manager and subject to the provisions of Section 7.1. Upon effective substitution of a new Manager, this Agreement shall remain in full force and effect, except for the change in the Manager, and business of the Company shall be continued by the new Manager.

If an additional Manager is elected by the affirmative vote or consent of the Majority of the Members, without the concurrence of the Managers, or if all or any one of the Initial Managers is removed as a Manager by the affirmative vote or consent of the Majority of the Members, and a successor or additional Manager(s) is thereafter designated, and if such successor or additional Manager(s) begins using any other loan brokerage firm for the placement of Loans or the servicing of Loans, Redwood Mortgage Corp. will be immediately released from any further obligation under the Formation Loans (except for a proportionate share of the principal installment due at the end of that year, prorated according to the days elapsed.)

In the event that all of the Managers are removed, no other Managers are elected, the Company is liquidated and Redwood Mortgage Corp. is no longer receiving payments for services rendered, the debt on the Formation Loans shall be forgiven by the Company and Redwood Mortgage Corp. will be immediately released from any further obligation under the Formation Loans.

3.12 Withdrawal by a Manager. Without the affirmative vote or consent of the Majority of the Members, a Manager may not voluntarily withdraw as a manager of the Company unless such withdrawal would not affect the tax status of the Company and would not materially adversely affect the Members. Subject to the foregoing, a Manager may withdraw as manager of the Company upon not less than 90 days written notice of the same to all Members. The withdrawing Manager shall not be liable for any debts, obligations or other responsibilities of the Company or this Agreement arising after the effective date of the withdrawal. During the 90 day period described in this section, the Majority of the Members (excluding any Units or Percentage Interest of the withdrawing Manager), shall have the right, by affirmative vote or consent, to continue the business and, by the end of the 90 day period described in this section, elect and admit a new Manager who agrees to continue the existence of the Company.

3.13 Payment to Withdrawn or Removed Manager. Upon the retirement, removal or withdrawal of a Manager, the Company shall be required to pay the Manager in cash all amounts then accrued and owing to the Manager under this Agreement (including, without limitation, the Asset Management Fee pursuant to Section 11.5 through the date of such termination). In addition, the Company shall terminate the Manager's Interest of such Manager in Company income, losses, distributions, and capital by payment of an amount equal to the then-present fair value of such interest, as determined by agreement of the Manager and the Company or, if they cannot agree, by arbitration in accordance with the then current rules of the American Arbitration Association. The expense of arbitration shall be borne equally by the Manager and the Company. When the termination is involuntary, payments made to the Manager pursuant to this Section 3.13 shall be made pursuant to the terms of a promissory note executed by the Company bearing interest at 10% per annum and payable in sixty (60) equal monthly installments of principal and interest, subject to the solvency and liquidity requirements of the Company. When the termination is voluntary, payments made to the Manager pursuant to this Section 3.13 shall be made pursuant to the terms of a non-interest bearing, unsecured promissory note executed by the Company with principal payable, if at all, from distributions that the terminated Manager otherwise would have received under this Agreement had the Manager not been terminated, subject to the solvency and liquidity requirements of the Company.

3.14 Right of Third Parties to Rely on Managers. Any person dealing with the Company may rely (without duty of further inquiry) upon a certificate signed by the Managers as to:

(a) The identity of any Manager or Member;

(b) The existence or nonexistence of any fact or facts which constitute a condition precedent to acts by a Manager or which are in any further manner germane to the affairs of the Company;

(c) The persons who are authorized to execute and deliver any instrument or document of the Company or to withdraw funds from any bank account of the Company; or

(d) Any act or failure to act by the Company or any other matter whatsoever involving the Company or any Member or a Manager.

3.15 Sole and Absolute Discretion. Except as otherwise provided in this Agreement, all actions which any Manager may take and all determinations which any Manager may take and all determinations which any Manager may make pursuant to this Agreement may be taken and made at the sole and absolute discretion of such Manager.

3.16 Merger or Reorganization of the Managers. The following is not prohibited, will not cause a dissolution of the Company and will not require the consent or approval of the Members: (a) a merger or

reorganization of any Manager or the transfer of all or any of the ownership interests in any Manager; and (b) the assumption of any or all of the rights and duties of any Manager by a person that is an Affiliate under the control of any of the Managers.

3.17 Delegation of Authority; Transactions with Managers or Affiliates. A Manager may contract with other persons and entities, including its Affiliates, to perform any of the Manager's duties for or on behalf of the Company, but such delegation shall not relieve the Manager of its responsibility for such duties. A Manager or any of its Affiliates may, directly or indirectly, render services to or otherwise deal with the Company in connection with carrying out the business and affairs of the Company, including the provision of leasing, brokerage, management, consulting or any other services to the Company (the Manager or any Affiliate thereof that is so providing services to the Company hereunder is referred to herein as a "Manager Provider"). The approval of the Members shall not be required for any such transaction with a Manager Provider, provided that the compensation payable to such Manager Provider in connection with such transaction is in the amounts disclosed in the Prospectus or is not substantially more than the compensation generally payable to unrelated third parties for the performance of similar services.

3.18 Exculpation of Managers and Affiliates. The Managers and their Affiliates shall have no liability whatsoever to the Company or to any Member, so long as all of the following conditions are met:

(a) the Manager or Affiliate determined, in good faith, that the course of conduct which caused the loss or liability was in the best interest of the Company;

(b) the Manager or Affiliate was acting on behalf of or performing services for the Company;

(c) such liability or loss was not the result of the negligence or misconduct of the Manager or Affiliate being held harmless; and

(d) such indemnification or agreement to hold harmless is recoverable only out of the assets of the Company and not from the Members.

3.19 Indemnification of Managers and Affiliates.

(a) The Company, its receiver or its trustee shall indemnify, defend, save and hold harmless the Managers, their Affiliates, the respective officers, directors, shareholders, trustees, members, constituent partners, managers, employees, attorneys, accountants and agents of each of the foregoing (individually and collectively, the "Indemnified Party" or "Indemnified Parties") from and against any and all claims, losses, costs, damages, liabilities and expenses of any kind whatsoever, including actual attorneys' fees and court costs (which shall be paid as incurred) and liabilities under state and federal securities laws (to the fullest extent permitted by law) that may be made or imposed upon or incurred by any Indemnified Party by reason of any act performed (or omitted to be performed) for or on behalf of the Company or, or in furtherance of or in connection with the business of the Company, except for those acts performed or omitted to be performed by the party seeking indemnification hereunder which constitute fraud, misconduct or negligence. If any action, suit or proceeding shall be pending against the Company or any Indemnified Party relating to any such act performed (or omitted to be performed) for or on behalf of the Company by an Indemnified Party, such Indemnified Party shall have the right to employ, at the reasonable cost of the Company (subject to Section 3.19(d) below), separate counsel of such Indemnified Party's choice in such action, suit or proceeding.

(b) The Company's obligations to indemnify, defend and hold harmless under this Section 3.19 shall not obligate, or impose personal liability on, a Manager or Members or any of their directors, shareholders, members, constituent partners, managers, managing members, officers, employees, attorneys, accountants or agents, whether direct or indirect at whatever level and the sole source of such indemnity shall be the assets of the Company.

(c) Notwithstanding anything to the contrary set forth herein, the Managers (which shall include Affiliates only if such Affiliates are performing services on behalf of the Company), its agents or attorneys shall not be indemnified for any losses, liabilities or expenses arising from an alleged violation of federal or state securities laws unless the following conditions are met:

(i) there has been a successful adjudication on the merits of each count involving alleged securities law violation as to the particular Indemnified Party; or

(ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular Indemnified Party; or

(iii) a court of competent jurisdiction has approved a settlement of the claims against a particular Indemnified Party and has determined that indemnification of the settlement and related costs should be made; and

(iv) in the case of subsection (iii) of this Section 3.19(c), the court of law considering the request for indemnification has been advised of the position of the Securities and Exchange Commission and the position of any state securities regulatory authority in which securities of the Company were offered or sold as to indemnification for violations of securities laws; provided that the court need only be advised of and consider the positions of the securities regulatory authorities of those states (1) which are specifically set forth in the Prospectus; and (2) in which plaintiffs claim they were offered or sold Units.

(d) Cash advances from Company funds to an Indemnified Party for legal expenses and other costs incurred as a result of any legal action are permissible only if the following conditions are satisfied:

(i) such suit, action or proceeding relates to or arises out of any action or inaction on the part of the Indemnified Party in the performance of its duties or provision of its services on behalf of the Company;

(ii) such suit, action or proceeding is initiated by a third party who is not a Member, or the suit, action or proceeding is initiated by a Member and a court of competent jurisdiction specifically approves such advancement; and

(iii) the Indemnified Party undertakes to repay any funds advanced pursuant to this Section 3.19(d) in cases in which such Indemnified Party would not be entitled to indemnification under this Section 3.19.

If advances are permissible under this Section 3.19(d), the Indemnified Party shall have the right to bill the Company for, or otherwise request the Company to pay, at any time and from time to time after such Indemnified Party shall become obligated to make payment therefor, any and all amounts for which such Indemnified Party believes in good faith that such Indemnified Party is entitled to indemnification under this Section 3.19. The Company shall pay any and all such bills and honor any and all such requests for payment within sixty (60) days after such bill or request is received. In the event that a final determination is made that the Company is not so obligated for any amount paid by it to a particular Indemnified Party, such Indemnified Party will refund such amount within sixty (60) days of such final determination, and in the event that a final determination is made that the Company is so obligated for any amount not paid by the Company to a particular Indemnified Party, the Company will pay such amount to such Indemnified Party within sixty (60) days of such final determination.

(e) Notwithstanding anything to the contrary set forth above, the Company shall not indemnify a Manager, its Affiliates, agents or attorneys for any liability or loss suffered by any such party, nor shall any such party be held harmless for any loss or liability suffered by the Company, unless all of the following conditions are met:

(i) the Managers have determined, in good faith, that the course of conduct which caused the loss or liability was in the best interest of the Company;

(ii) the Indemnified Party was acting on behalf of or performing services for the Company;

(iii) such liability or loss was not the result of the negligence or misconduct by the Indemnified Party; and

(iv) such indemnification or agreement to hold harmless is recoverable only out of the assets of the Company and not from the Members.

(f) Nothing herein shall prohibit the Company from paying in whole or in part the premiums or other charge for any type of indemnity insurance by which the Managers or other agents or employees of the Company are indemnified or insured against liability or loss arising out of their actual or asserted misfeasance or nonfeasance in the performance of their duties or out of any actual or asserted wrongful act against the Company including, but not limited to judgments, fines, settlements and expenses incurred in the defense of actions, proceedings and appeals therefrom; provided that the Company may not incur the cost of that portion of liability insurance which insures any party for any liability as to which such party is prohibited from being indemnified under this Section 3.19.

ARTICLE 4

CAPITAL CONTRIBUTIONS; THE MEMBERS

4.1 Units. A Member's Membership Interest in the Company, including such Member's share of the Profits and Losses of, and right to receive distributions from, the Company, shall be represented by the "Unit" or "Units" held by such Member.

4.2 Capital Contribution by Managers; Managers' Purchase of Units. The Managers, collectively, shall contribute to the Company an amount in cash equal to 1/10 of 1% of the aggregate Capital Contributions of the Members. Such Capital Contribution of the Managers shall not entitle the Managers to any Units. The Managers may, in their discretion, make additional Capital Contributions to the capital of the Company in exchange for the purchase of Units on the same basis as the other Members. If any Manager purchases Units, then such Manager shall continue, in all respects, to be treated as a Manager but shall receive the income, losses and cash distributions with respect to any Units purchased by it on the same basis as other Members may receive with respect to their Units.

4.3 Capital Contribution by Initial Member. The Initial Member made a cash Capital Contribution to the Company of $10,000. Upon the admission of additional Members to the Company, the Company promptly refunded to the Initial Member its $10,000 Capital Contribution and upon receipt of such sum the Initial Member was withdrawn from the Company as its Initial Member.

4.4 Capital Contributions of New Members. The Managers are authorized and directed to raise capital for the Company as provided in the Prospectus by offering and selling Units to Members as follows:

(a) Each Unit shall be issued for a purchase price of one dollar ($1.00).

(b) Except as set forth below, the minimum purchase of Units per Member (including subscriptions from entities of which such Member is the sole beneficial owner) shall be (i) two thousand (2,000) Units if such purchase occurs pursuant to an Offering under the Registration Statement filed on November 11, 2008, as amended (File No. 333-155428), (ii) five thousand (5,000) Units if such purchase occurs pursuant to an Offering under any other Registration Statement, or (iii) one thousand (1,000) Units for existing members in any Offering (or, in each case, such greater minimum number of Units as may be required under applicable state or federal laws). Notwithstanding the foregoing, the provisions set forth above relating to the minimum number of Units which may be purchased shall not apply to purchases of Units pursuant to the Distribution Reinvestment Plan.

(c) The Managers may accept subscriptions for fractional Units in excess of the minimum subscription amount.

(d) The Managers may refuse to accept subscriptions for Units and contributions tendered therewith for any reason whatsoever.

(e) Each Unit sold to a subscriber shall be fully paid and nonassessable.

(f) Subject to Section 3.3(i), the Managers are further authorized to cause the Company to issue additional Units to Members pursuant to the terms of any plan of merger, plan of exchange or plan of conversion adopted by the Company.

4.5 Public Offering. Subject to compliance with applicable state securities laws and regulations, an Offering shall terminate as described in the related Prospectus unless fully subscribed at an earlier date or terminated on an earlier date by the Managers. Except as otherwise provided in this Agreement, the Managers shall have sole and complete discretion in determining the terms and conditions of the offer and sale of Units and are hereby authorized and directed to do all things which they deem to be necessary, convenient, appropriate and advisable in connection therewith, including, but not limited to, the preparation and filing of one or more Registration Statements with the Securities and Exchange Commission and the securities commissioners (or similar agencies or officers) of such jurisdictions as the Managers shall determine, and the execution or performance of agreements with selling agents and others concerning the marketing of the Units, all on such basis and upon such terms as the Managers shall determine.

4.6 Intentionally Omitted.

4.7 Escrow Account. No escrow account shall be established and all proceeds from the sale of Unit will be remitted directly to the Company.

4.8 Subscription Account. Subscriptions will be deposited into a subscription account at a federally insured commercial bank or other depository (the "Subscription Account") and invested in short-term certificates of deposit, a money market or other liquid asset account. No Asset Management Fees (as described in Section 11.5) shall be payable on or with respect to any funds held in the Subscription Account. During the period prior to admittance of investors as Members, proceeds from the sale of Units are irrevocable, and will be held by the Managers for the account of Members in the Subscription Account. Interest earned on subscription funds while in the Subscription Account will be returned to the subscriber.

4.9 Admission of Members. No action or consent by any Members shall be required for the admission of Members to the Company. Subscriptions shall be accepted or rejected by the Managers on behalf of the Company within thirty (30) days of their receipt by the Company, and if rejected, all funds shall be returned to subscribers within ten (10) business days after such rejection without interest. Investors shall be admitted as Members of the Company not later than the last day of the calendar month following the date their subscription was accepted by the Company. Investors' funds will be transferred from the Subscription Account into the Company on a first-in, first-out basis. Upon admission to the Company, subscription funds will be released to the Company and Units (which may include fractional Units) will be issued at the rate of $1 per Unit. The Company shall amend Schedule A to this Agreement from time to time (but, in any event, no less than once each calendar quarter) to reflect changes in the Members of the Company and their Membership Interests or Units.

No Person who subscribes for Units in the Offering shall be admitted as a Member unless and until such Person has executed and delivered to the Company the Subscription Agreement specified in the Prospectus, together with such other documents and instruments as the Managers may deem necessary or desirable to effect such admission, including, but not limited to, the execution, acknowledgment and delivery to the Managers of a power of attorney in form and substance as described in Section 2.11 hereof.

4.10 Names, Addresses, Date of Admissions, and Contributions of Members. The names, addresses, date of admissions, Capital Contributions and ownership of Units of the Members shall be set forth in

Schedule A attached hereto, as amended from time to time, and incorporated herein by reference. The Managers shall update Schedule A to reflect the then current ownership of Units without any further need to obtain the consent of any Member, and Schedule A, as revised from time to time by the Managers, shall be presumed correct absent manifest error.

4.11 Interest on Capital Contributions. No interest shall be paid on, or in respect of, any Capital Contribution to the Company by any Member, nor shall any Member have the right to demand or receive cash or other property in return for the Member's Capital Contribution.

4.12 Ownership by Member of Interest in Affiliates of Managers. No Member (other than a Manager, in the event that he or it is also a Member) shall at any time, either directly or indirectly, own any stock or other interest in any Affiliate of any Manager if such ownership, by itself or in conjunction with the stock or other interest owned by other Members would, in the opinion of counsel for the Company, jeopardize the classification of the Company as a partnership for federal income tax purposes or create a material risk that the Company would be treated as a publicly traded partnership as defined under Section 7704 of the Code. The Managers shall be entitled to make such reasonable inquiry of the Members and prospective Members as is required to establish compliance by the Members with the provisions of this Section 4.12.

4.13 Loans.

(a) Any Manager or Member or their respective Affiliates may, with the written consent of the Managers, lend or advance money to the Company. If the Managers or, with the written consent of the Managers, any Member shall make any loans to the Company or advance money on its behalf, the amount of any such loan or advance shall not be treated as a contribution to the capital of the Company, but shall be a debt due from the Company. The amount of any such loan or advance by a lending Manager or Member or an Affiliate of a Manager or a Member shall be repayable out of the Company's cash funds.

(b) On loans made available to the Company by a Manager or its Affiliate, the Manager or its Affiliate shall not receive interest (or similar charges or fees) in excess of the amount which would be charged by unrelated lending institutions on comparable loans for the same purpose, and in the same locality of the property if the loan is made in connection with a particular property. No prepayment charge or penalty shall be required by a Manager or its Affiliate on a loan to the Company secured by either a first or junior or all-inclusive Deed of Trust, mortgage or encumbrance on the property, except to the extent that such prepayment charge or penalty is attributable to the underlying encumbrance. None of Managers or Members or their respective Affiliates shall be obligated to make any loan or advance to the Company.

(c) The Managers shall not provide Financing to the Company except as permitted by Section 4.13(b), in which case there shall be independent advisers for each publicly registered party to the transaction.

4.14 No Participation in Management. Except as expressly provided herein, no Member (other than a Manager) shall take part in the conduct or control of the Company's business or have any right or authority to act for or bind the Company.

4.15 Voting and Other Rights of Members. The Members shall have the right to take any of the following actions upon the affirmative vote or consent of the Majority of the Members, without the concurrence of the Managers.

(a) Dissolve and terminate the Company prior to the expiration of the term of the Company.

(b) Amend this Agreement, subject to the limitations set forth in Section 12.4;

(c) Approve or disapprove a transaction entailing the sale of all or substantially all of the assets of the Company, except in connection with the orderly liquidation and winding up of the business of the Company upon its termination and dissolution;

(d) Remove a Manager or any successor Manager, as provided in Section 3.11; or

(e) Elect an additional Manager or a new Manager or Managers upon the removal of a Manager or any successor Manager, or upon the withdrawal or death of a Manager or any successor Manager, all in the manner and subject to the conditions described in Section 3.11 and Section 7.1.

Without the affirmative vote or consent of the Majority of the Members, the Managers shall not:

(a) sell all or substantially all of the Company's assets other than in the ordinary course of the Company's business;

(b) subject to Sections 3.3(i), 3.16 and 4.19(a), cause the merger or other reorganization of the Company;

(c) dissolve the Company, or

(d) appoint a new Manager, provided, however, that an additional Manager may be appointed without obtaining the vote or consent of the Members if the addition of such person is necessary to preserve the tax status of the Company, such person has no authority to manage or control the Company under this Agreement, there is no change in the identity of the persons who have authority to manage or control the Company, and the admission of such person as an additional Manager does not materially adversely affect the Members. With respect to any Units owned by the Managers, the Managers may not vote or consent on matters submitted to the Members regarding the removal of the Managers or regarding any transaction between the Company and the Managers. In determining the existence of the requisite percentage of Units necessary to approve a matter on which the Managers may not vote or consent, any Units owned by the Managers shall not be included.

4.16 Meetings. The Managers, or Members representing ten percent (10%) of the outstanding Units, may call a meeting of the Company for any matters for which Members may vote as set forth in this Agreement. If Members representing the requisite Units present to the Managers a written request stating the purpose of the meeting, the Managers shall fix a date for such meeting and shall, within ten (10) days after receipt of such request, provide written notice to all of the Members of the date of such meeting and the purpose for which it has been called. With respect to a meeting duly requested by Members, such meeting shall be held at a date not less than fifteen (15) and not more than sixty (60) days after the Company's receipt of the Members' written request for the meeting, and, unless otherwise specified in the notice for such meeting, the meeting shall be held at 2:00 p.m. on such date at the principal place of business of the Company as set forth in Section 2.3. At any meeting of the Company, Members may vote in person or by proxy. A majority of the Members, present in person or by proxy, shall constitute a quorum at any Company meeting. Any question relating to the Company which may be considered and acted upon by the Members hereunder may be considered and acted upon by vote at a Company meeting, and any consent required to be in writing shall be deemed given by a vote by written ballot. Except as expressly provided above, additional meeting and voting procedures shall be in conformity with Section 18-302 of the Act.

4.17 Limited Liability of Members. No Member shall be liable for any debts or obligations of the Company beyond the amount of the Capital Contributions made by such Member.

4.18 Representation of Company. Each of the Members hereby acknowledges and agrees that the attorneys representing the Company and the Managers and their Affiliates do not represent and shall not be deemed under the applicable codes of professional responsibility to have represented or be representing any or all of the Members in any respect at any time. Each of the Members further acknowledges and agrees that such attorneys shall have no obligation to furnish the Members with any information or documents obtained, received or created in connection with the representation of the Company, the Managers and/or their Affiliates.

4.19 Dissenting Members' Rights.

(a) This Section 4.19 (including subsections (a) through (c) hereof) shall apply to transactions other than Roll-Ups. With respect to Roll-Ups, Section 3.3(i) shall set forth the rights of Dissenting

Members in Roll-Ups. If the Company participates in any acquisition of the Company by another entity, any combination of the Company with another entity through a merger or consolidation, or any conversion of the Company into another form of business entity (such as a corporation) that requires the approval of the Members, the result of which would cause the other entity to issue securities to the Members, then each Member who does not approve of such reorganization (a "Dissenting Member" as defined in Section 1.26) may require the Company to purchase for cash, at its fair market value, the interest of the Dissenting Member in the Company in accordance with Section 4.19(c) of this Agreement. The Company, however, may itself convert, without the approval or consent of the Members, to another form of business entity (such as a corporation, trust or association) if the conversion will not result in a significant adverse change in (i) the voting rights of the Members, (ii) the termination date of the Company (currently, October 8, 2028, unless terminated earlier in accordance with this Agreement), (iii) the compensation payable to the Managers or their Affiliates, or (iv) the Company's investment objectives.

(b) The Managers will make the determination as to whether or not any such conversion will result in a significant adverse change in any of the provisions listed in the preceding paragraph based on various factors relevant at the time of the proposed conversion, including an analysis of the historic and projected operations of the Company; the tax consequences (from the standpoint of the Members) of the conversion of the Company to another form of business entity and of an investment in a limited liability company as compared to an investment in the type of business entity into which the Company would be converted; the historic and projected operating results of the Company's Loans, and the then current value and marketability of the Company's Loans. In general, the Managers would consider any material limitation on the voting rights of the Members or any substantial increase in the compensation payable to the Managers or their Affiliates to be a significant adverse change in the listed provisions.

(c) In the absence of fraud in the transaction, the remedy provided by this Section 4.19(c) to a Dissenting Member is the exclusive remedy for the recovery from the Company of the value of his Units or money damages with respect to such plan of merger, plan of exchange or plan of conversion. If the existing, surviving, or new limited liability company, limited partnership or other entity, as the case may be, complies with the requirements of this Section 4.19, any Dissenting Member who fails to comply with the requirements of this Section 4.19 shall not be entitled to bring suit for the recovery of the value of his Units or money damages with respect to the transaction. Units of Dissenting Members for which payment has been made shall not thereafter be considered outstanding for the purposes of any subsequent vote of Members. Within sixty (60) days after a Dissenting Member votes against any plan of merger, plan of exchange or plan of conversion, or, with respect to a plan of merger, plan of exchange or plan of conversion approved by written consent, within sixty (60) days after notice to the Members of the receipt by the Company of written consents sufficient to approve such merger, exchange or conversion, the Dissenting Member may demand in writing that payment for his Membership Interests be made in accordance with this 4.19(c), and the Managers shall (i) make a notation on the records of the Company that such demand has been made and (ii) within a reasonable period of time after the later of the receipt of a payment demand or the consummation of the merger, exchange or conversion, cause the Company to pay to the Dissenting Member the fair market value of such Dissenting Member's Units without interest. The fair value of a Dissenting Member's Units shall be an amount equal to the Dissenting Member's pro rata share of the appraised value of the net assets of the Company, as determined by a Competent Independent Expert.

If a Dissenting Member shall fail to make a payment demand within the period provided in Section 4.19(c) hereof, such Dissenting Member and all persons claiming under him shall be conclusively presumed to have approved and ratified the merger, conversion or exchange and shall be bound thereby, the right of such Member to be paid the alternative compensation for his Membership Interest in accordance with this Section 4.19 shall cease, and his status as a Member shall be restored without prejudice to any proceedings which may have been taken during the interim, and such Dissenting Member shall be entitled to receive any distributions made to Members in the interim.

ARTICLE 5

PROFITS AND LOSSES; CASH DISTRIBUTIONS

5.1 Profits and Losses. Except as otherwise provided in Section 5.2, Profits and Losses of the Company shall be allocated for each Fiscal Year of the Company (and at such other times as the Managers

determine) amongst the Members and the Managers in such a manner that, as of the end of each such taxable year, the sum of (i) the Capital Account of each Member and Manager, (ii) such Member's and Manager's share of Company Minimum Gain, and (iii) such Member's and Manager's share of Member Minimum Gain shall be equal to the respective amounts (positive or negative) which would be distributed to the Members and the Managers if the Company were to liquidate its assets for an amount equal to their fair market value and distribute the proceeds of such liquidation in accordance with Section 5.7.

5.2 Special Allocation Rules.

(a) *Qualified Income Offset*. Except as provided in Section 5.2(c), in the event any Member or a Manager unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), that create or increase an Adjusted Capital Account deficit in such Member or Manager's Capital Account, items of Company gross income and gain shall be specially allocated to such Member or Manager in an amount and manner sufficient to eliminate, to the extent required by the Treasury Department regulations, the Adjusted Capital Account deficit created by such adjustment, allocation or distribution as quickly as possible.

(b) *Gross Income Allocation*. Loss shall not be allocated to any Member or Manager to the extent such allocation would cause any Member or Manager to have an Adjusted Capital Account deficit at the end of a Fiscal Year. In the event any Member or Manager has an Adjusted Capital Account deficit at the end of any Fiscal Year, each such Member or Manager shall be specially allocated items of Company gross income and gain in an amount sufficient to eliminate such Adjusted Capital Account deficit as quickly as possible.

(c) *Company Minimum Gain Chargeback*. Notwithstanding any other provision of this Article 5, if there is a net decrease in Company Minimum Gain during any Company Fiscal Year, each Member or Manager shall be specially allocated items of Company gross income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Member's or Manager's share of the net decrease in Company Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g)(2). This Section 5.2(c) is intended to comply with the partnership minimum gain chargeback requirement in the Treasury Regulations and shall be interpreted consistently therewith. This provision shall not apply to the extent the Member's or Manager's share of net decrease in Company Minimum Gain is caused by a guaranty, refinancing, or other change in the debt instrument causing it to become partially or wholly recourse debt or Member Non-recourse Debt, and such Member or Manager bears the economic risk of loss (within the meaning of Treasury Regulations Section 1.752-2) for the newly guaranteed, refinanced or otherwise changed debt or to the extent the Member or Manager contributes cash to the capital of the Company that is used to repay the Non-recourse Debt, and the Member's or Manager's share of the net decrease in Company Minimum Gain results from the repayment.

(d) *Member Minimum Gain Chargeback*. Notwithstanding any other provision of this Article 5, except Section 5.2(c), if there is a net decrease in Member Minimum Gain during any Company Fiscal Year, any Member or Manager with a share of that Member Minimum Gain (as determined under Treasury Regulations Section 704-2(i)(5)) as of the beginning of such Fiscal Year shall be allocated items of Company gross income and gain for such Fiscal Year (and, if necessary, subsequent years) in an amount equal to such Member's or Manager's share of the net decrease in Member Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g)(2). This Section shall not apply to the extent the net decrease in Member Minimum Gain arises because the liability ceases to be Member Non-recourse Debt due to a conversion, refinancing or other change in a debt instrument that causes it to become partially or wholly a Non-recourse Debt. This Section is intended to comply with the partner minimum gain chargeback requirements in the Treasury Regulations and shall be interpreted consistently therewith and applied with the restrictions attributable thereto.

(e) *Non-Recourse Deductions*. Non-Recourse Deductions for any Fiscal Year or other period shall be allocated 99% to the Members in proportion to their Units and 1% to the Managers and each Member's and the Manager's share of Excess Non-recourse Liabilities shall be in the same proportion.

(f) *Member Non-Recourse Deductions*. Member Non-Recourse Deductions for any Fiscal Year shall be allocated to the Member or the Manager who bears the economic risk of loss as set forth in Treasury Regulations Section 1.752-2 with respect to the Member Non-Recourse Debt. If more than one Member or Manager

bears the economic risk of loss for a Member Non-Recourse Debt, any Member Non-Recourse Deductions attributable to that Member Non-Recourse Debt shall be allocated among the Members or the Managers according to the ratio in which they bear the economic risk of loss.

(g) *Code Section 754 Adjustments*. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Members and the Managers in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such section of the Treasury Regulations.

5.3 Contributed Property. Notwithstanding any other provision of this Operating Agreement, the Members shall cause Depreciation and/or cost recovery deductions and gain or loss attributable to Property contributed by a Member or the Manager or revalued by the Company to be allocated among the Members or the Managers for income tax purposes in accordance with Section 704(c) of the Code and the Treasury Regulations promulgated thereunder using the method selected by the Managers.

5.4 Allocation of Company Items. Except as otherwise provided herein, whenever a proportionate part of Profit or Loss is allocated to a Member, every item of income, gain, loss or deduction entering into the computation of such Profit or Loss, and every item of credit or tax preference related to such allocation and applicable to the period during which such Profit or Loss was realized shall be allocated to the Member in the same proportion. Any elections or other decisions relating to such allocations shall be made by the Managers in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 5.4 are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Person's Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision of this Agreement.

5.5 Operating Distributions.

(a) Cash Available for Distribution at the end of each calendar month shall be distributed ninety-nine percent (99%) to the Members and one percent (1%) to the Managers.

(b) Cash Available for Distribution that is distributable to the Members shall be allocated among the Members in proportion to their Percentage Interests (except as provided in Section 5.5(c) below) and in proportion to the number of days during the applicable month that they owned such Percentage Interests. Cash Available for Distribution that is distributable to the Managers shall be allocated among the Managers in such proportion and manner as mutually agreed upon by the Managers from time to time.

(c) Distributions allocable to Managers and Members (other than those participating in the Distribution Reinvestment Plan) shall be distributed to them in cash at the end of each calendar month; provided, however, that the Managers shall have the right to withhold from Cash Available for Distribution otherwise distributable to any Member with respect to any period the amount of Organization and Offering Expenses, if any, allocated to that Member for that period. The Managers' allocable share of Cash Available for Distribution shall be distributed not more frequently than cash distributions made to Members. Cash Available for Distribution allocable to Members who are participating in the Distribution Reinvestment Plan shall be used to purchase additional Units and credited to their respective Capital Accounts at the end of each calendar month.

(d) Assignees of a Membership Interest shall be deemed to be the owner of such Membership Interest as of the first day following the day the transfer of such Membership Interest is completed in accordance with Sections 7.2 and 7.3 and shall not participate in distributions for the period prior to which the transfer occurs.

(e) From the Company's inception through December 31, 2014, the Company made aggregate distributions to Members of Cash Available for Distribution in an amount that exceeded the Company's aggregate Profits during such period by $791,965. In lieu of debiting the Members' Capital Accounts for the amount of such excess, the Managers at their discretion may pay to the Company the amount of such excess on or before December 31, 2015 and shall not receive any credit to their Capital Account(s) by reason of such payment.

5.6 Tax Distributions. The Manager shall cause the Company to distribute cash equal to the difference between a Member's Assumed Tax Liability with respect to a fiscal year and the amount distributed to (or withheld on behalf of) such Member with respect to such fiscal year to enable the Member to timely satisfy estimated tax or other tax payment requirements (each, a "Tax Distribution"). Notwithstanding the foregoing, a Tax Distribution shall be made only if the resulting difference is a positive number and only for that portion of a Member's Assumed Tax Liability that has been created by the disposition or refinancing of a mortgage by or on behalf of the Company or a Program affiliated with the Company. Each Member's "Assumed Tax Liability" shall equal the expected aggregate federal and state tax liability of such Member derived from the Company for the applicable fiscal year, assuming the highest marginal income tax rates applicable to any Member and taking into account the character of the relevant income or loss derived by such Member from the Company and the deductibility, if any, of any state tax in computing any federal tax liability. In furtherance of the foregoing, to the extent distributions otherwise payable to a Member in a fiscal year shall equal or exceed the Assumed Tax Liability of such Member for such fiscal year, the Manager shall not be obligated to make a Tax Distribution to such Member with respect to such fiscal year. Any Tax Distribution made to a Member pursuant to this Section 5.6 shall be deemed an advance on any future distributions to which such Member is entitled pursuant to Section 5.5 and Section 5.7 and shall reduce the amount of such future distributions. For the avoidance of doubt, any Tax Distribution to which a Member participating in the Dividend Reinvestment Program would otherwise be entitled shall be reinvested in Units of the Company pursuant to the Dividend Reinvestment Program to the same extent that such Member has currently elected to have its regular distributions reinvested pursuant to the Dividend Reinvestment Program.

5.7 Cash Distributions Upon Termination. Upon dissolution and termination of the Company, Cash Available for Distribution shall thereafter be distributed to Members in accordance with the provisions of Section 10.3 below.

5.8 Tax Withholding.

(a) The Members acknowledge that distributions made by the Company may be subject to U.S. withholding taxes, which taxes may be reduced if a Member provides appropriate documentation to the Company evidencing that such Member is entitled to zero withholding tax or reduced withholding tax on distributions from the Company. In furtherance of the above, if requested by the Managers, each Member shall, if able to do so, deliver to the Managers: (i) an affidavit in form satisfactory to the Managers that the applicable Member (or its partners, as the case may be) is not subject to withholding under the provisions of any federal, state, local, foreign or other law; (ii) any certificate that the Managers may reasonably request with respect to any such laws (including, but not limited to, Internal Revenue Service Form W-9, an applicable Internal Revenue Service Form W-8, or any successor forms thereto); and/or (iii) any other form or instrument reasonably requested by the Managers relating to any Member's status under such law. If a Member fails or is unable to deliver to the Managers documentation described in this clause (a), the Managers may withhold amounts from such Member in accordance with this Section 5.8. Each Member shall reasonably cooperate with the Managers in connection with any tax audit of the Company.

(b) Notwithstanding any other provision herein to the contrary, the Managers are authorized to take any and all actions that are necessary or appropriate to ensure that the Company satisfies any and all withholding and tax payment obligations under any applicable law. Without limiting the generality of the foregoing, the Managers may withhold any amount that is required to be withheld from the amount of any cash (or other property) otherwise distributable to any Member pursuant to this Agreement; provided, however, that such amount shall be deemed to have been distributed to such Member for purposes of applying such relevant provision.

(c) Any withholdings referred to in this Section 5.8 shall be made at the maximum applicable statutory rate under the applicable tax law unless the Managers shall have received evidence, reasonably satisfactory to the Managers, to the effect that a lower rate is applicable or that no withholding is applicable.

ARTICLE 6

BOOKS AND RECORDS, REPORTS AND RETURNS

6.1 Books and Records. The Managers shall cause the Company to keep the following:

(a) Complete books and records of account in which shall be entered fully and accurately all transactions and other matters relating to the Company.

(b) A copy of the Certificate and all amendments thereto.

(c) Copies of the Company's federal, state and local income tax returns and reports, if any, for the six (6) most recent years.

(d) Copies of this Agreement, including all amendments thereto, and the financial statements of the Company for the three (3) most recent years.

All such books and records shall be maintained at the Company's principal place of business and shall be available for inspection and copying by, and at the sole expense of, any Member, or any Member's duly authorized representatives, during reasonable business hours.

6.2 Member List. The Managers shall maintain an alphabetical list of the full names, last known business or residence addresses and business telephone numbers of the Members of the Company along with the number of Units held by each of them (the "Member List") as a part of the books and records of the Company which shall be available for inspection by any Member or his designated representative at the principal office of the Company upon the request of the Member. The Member List shall be updated at least quarterly to reflect changes in the information contained therein. A copy of the Member List shall be mailed to any Member requesting the Member List within ten (10) days of the request. The copy of the Member List to be mailed to a Member shall be printed in alphabetical order, on white paper, and in readily readable type size (in no event smaller than 10-point type). A reasonable charge for copy work may be charged by the Company. The purposes for which a Member may request a copy of the Member List include, without limitation, matters relating to the Members' voting rights under this Agreement and the exercise of the Members' rights under federal proxy laws. If the Managers neglect or refuse to exhibit, produce or mail a copy of the Member List as requested, it shall be liable to the Member requesting the list for the costs, including attorneys' fees, incurred by that Member for compelling the production of the Member List and for actual damages suffered by the Member by reason of such refusal or neglect. It shall be a defense that the actual purpose and reason for a request for inspection of or a request for a copy of the Member List is to secure such list of Members or other information for the purpose of selling such list or copies thereof or for the purpose of using the same for a commercial purpose other than in the interest of the applicant as a Member relative to the affairs of the Company. The Managers may require any Member requesting the Member List to represent that the list is not requested for a commercial purpose unrelated to such Member's interest in the Company. The remedies provided hereunder to Members requesting copies of the Member List are in addition to, and shall not in any way limit, other remedies available to Members under federal law or under the laws of any state.

6.3 Tax Information. The Managers shall cause to be prepared and distributed to the Members not later than 75 days after the close of each Fiscal Year, Company information necessary for the preparation of the Members' federal and state income tax returns or other returns.

6.4 Annual Report. The Managers shall cause to be prepared at least annually, at Company expense, an annual report containing Audited Financial Statements accompanied by a report of an independent registered public accounting firm (which, for purposes of this Section 6.4 only, may contain a qualified, adverse or disclaimer opinion or explanatory paragraph), and which contains a reconciliation of amounts shown therein with amounts shown on the method of accounting used for tax reporting purposes. Such financial statements will include a balance sheet of the Company, and statements of income, changes in Members' capital and cash flow. The annual report for each Fiscal Year shall (i) include a report on the Company's activities for such Fiscal Year, (ii) identify the sources of distributions to Members, including (as applicable) from (A) cash flow from operations during the Fiscal Year; (B) cash flow from operations during a prior period which had been held as reserves; (C) proceeds from Capital Transactions; and (D) reserves from the gross proceeds of the Offering of Units; (iii) set forth the compensation paid

to the Managers and their Affiliates and a statement of the services performed in consideration therefor; and (iv) contain such other information as deemed reasonably necessary by the Managers to advise Members of the affairs of the Company. Copies of the financial statements and annual reports shall be furnished or made available to each Member within 120 days after the close of each Fiscal Year, in a form and manner consistent with the then current requirements of the SEC and applicable state securities agencies.

6.5 Quarterly Reports. If and for as long as the Company is required to file quarterly reports on Form 10-Q with the Securities and Exchange Commission, the information contained in each such report shall be furnished or made available (in a form and manner consistent with the then current requirements of the SEC and applicable state securities agencies) to Members after such report is filed with the Securities and Exchange Commission, but no later than sixty (60) days after the end of the relevant quarter for the quarterly report on Form 10-Q. If and when such reports are not required to be filed, each Member will be furnished (in a form and manner consistent with the then current requirements of the SEC and applicable state securities agencies), within sixty (60) days after the end of each of the first three quarters of each Fiscal Year an unaudited financial report for that quarter including a balance sheet, a statement of income and a cash flow statement. Such reports shall also include such other information as is deemed reasonably necessary by the Managers to advise the Members of the activities of the Company during the quarter covered by the report.

6.6 Filings and Tax Payments. The Managers, at Company expense, shall (i) prepare and timely file, or shall cause the Company to prepare and timely file, all tax and information returns that the Company is required to file with the appropriate federal and state tax authorities and (ii) pay, or shall cause the Company to pay, all taxes and fees required to be paid with such tax and information returns. The Managers, at Company expense, shall also cause to be prepared and timely filed, with appropriate federal and state regulatory and administrative bodies, all reports required to be filed with those entities under the then current applicable laws, rules and regulations. The reports shall be prepared on the accounting or reporting basis required by the regulatory bodies. Any Member shall be provided with a copy of any of the reports upon request without expense to him. The Managers, at Company expense, shall file, with the Administrators for the various states in which this Company is registered, as required by such states, a copy of each report referred to in this Article 6.

6.7 Fiscal Matters.

(a) **Fiscal Year**. The Company shall adopt a Fiscal Year beginning on the first day of January of each year and ending on the last day of December; provided, however, that the Managers in their sole discretion may, subject to any required approval by the Internal Revenue Service and the applicable state taxing authorities, at any time without the approval of the Members change the Company's Fiscal Year to a period to be determined by the Managers.

(b) **Method of Accounting**. The accrual method of accounting shall be used for both income tax purposes and financial reporting purposes; provided, however, the Managers reserve the right to change the method of accounting from time to time, provided that such change is disclosed in a report publicly filed by the Company with the Securities and Exchange Commission or is disclosed in a written notice sent to Members.

(c) **Adjustment of Tax Basis**. Upon the transfer of an interest in the Company, the Company may, at the sole discretion of the Managers, elect pursuant to Section 754 of the Internal Revenue Code of 1986, as amended, to adjust the basis of the Company property as allowed by Sections 734(b) and 743(b) thereof.

6.8 Tax Matters Partner. Redwood Mortgage Corp. shall be the initial "tax matters partner" (within the meaning of Section 6231 of the Code) of the Company and the "partnership representative" (within the meaning of Section 6223 of the Code, as amended by the Bipartisan Budget Act of 2015) ("TMP"), and as such, shall have all powers and authorities granted TMPs under the applicable provisions of the Code and the Treasury Regulations thereunder. Redwood Mortgage Corp. (or any successor TMP) may be replaced as TMP, from to time, upon the unanimous approval of the Managers. All costs and expenses incurred by the TMP in connection with an audit by the Internal Revenue Service or other government tax agency of a Company income tax return shall be borne by the Company.

ARTICLE 7

TRANSFER OF INTERESTS OF MANAGERS AND MEMBERS

7.1 Interest of Managers. A successor or additional Manager may be admitted to the Company as follows:

(a) With the consent of all Managers and the affirmative vote or consent of the Majority of the Members, any Manager may at any time designate one or more Persons to be successors to such Manager or to be additional Managers, in each case with such participation in the Manager's Interest as the Managers may agree upon, provided that the Membership Interests shall not affected thereby; provided, however, that the foregoing shall be subject to the provisions of Section 10.1(d) below, which shall be controlling in any situation to which such provisions are applicable.

(b) Upon any sale or transfer of a Manager's Interest, the successor Manager shall succeed to all the powers, rights, duties and obligations of the assigning Manager hereunder, and the assigning Manager shall thereupon be irrevocably released and discharged from any further liabilities or obligations of or to the Company or the Members accruing after the date of such transfer. The sale, assignment or transfer of all or any portion of the outstanding stock of a corporate Manager, or of any interest therein, or an assignment of a Manager's Interest for security purposes only, shall not be deemed to be a sale or transfer of such Manager's Interest subject to the provisions of this Section 7.1.

(c) In the event that the Members elect an additional Manager, without the concurrence of the existing Managers, pursuant to Section 4.15 or in the event that all or any one of the Initial Managers are removed by the affirmative vote or consent of the Majority of the Members and a successor or additional Manager(s) is designated pursuant to Section 3.11, prior to a Person's admission as a successor or additional Manager pursuant to this Section 7.1, such Person shall execute and deliver to the existing Managers or Initial Managers (as the case may be) a written acknowledgement and agreement:

(i) that Redwood Mortgage Corp., a Manager, has been repaying the Formation Loans, with the proceeds it receives from loan brokerage commissions on Loans, fees received from the early withdrawal penalties and fees for other services paid by the Company, and

(ii) that if such successor or additional Manager(s) begins using the services of another mortgage loan broker or loan servicing agent, then Redwood Mortgage Corp. shall immediately be released from all further obligations under the Formation Loans (except for a proportionate share of the principal installment due at the end of that year, prorated according to the days elapsed).

7.2 Transfer of Membership Interest. Except as specifically provided in this Article 7 or Article 8, none of the Members shall sell, transfer, encumber or otherwise dispose of, by operation of law or otherwise, all or any part of his or its Membership Interest. No assignment shall be valid or effective unless in compliance with the conditions contained in this Agreement, and any unauthorized transfer or assignment shall be void ab initio. No assignee of the whole or any portion of a Membership Interest shall have an Economic Interest or any other rights of a Member until such assignee becomes a substituted Member in accordance with Section 7.3.

7.3 Substituted Members. No assignee of the whole or any portion of a Membership Interest in the Company shall have the right to become a substituted Member in place of his assignor, unless the following conditions are first met.

(a) The assignor shall designate such intention in a written instrument of assignment, which shall be in a form and substance reasonably satisfactory to the Managers;

(b) The written consent of the Managers to such substitution shall be obtained, which consent shall not be unreasonably withheld, but which, in any event, shall not be given if the Managers determine that such sale or transfer (i) is to a minor or incompetent (unless a guardian, custodian or conservator has been appointed to handle the affairs of such person); (ii) may jeopardize the continued ability of the Company to qualify as a

"partnership" for federal income tax purposes; (iii) may violate any applicable laws, including, without limitation, applicable federal and state securities laws (including any investment suitability standards); or (iv) would jeopardize the Company's existence or qualification as a limited liability company under Delaware law and or under the applicable laws of any other jurisdiction in which the Company is then conducting business. In the case of a Member who is a Benefit Plan Investor, the consent of the Managers to any substitution for all or part of such Benefit Plan Investor's Units shall not be withheld unless the Managers believe in good faith that (i) the assignee is a minor or incompetent (unless a guardian, custodian or conservator has been appointed to handle the affairs of such person); (ii) such sale or transfer may jeopardize the continued ability of the Company to qualify as a "partnership" for federal income tax purposes or that such sale or transfer may violate any applicable federal or state securities laws (including any investment suitability standards), or (iii) one of the other conditions in Sections 7.3 or 7.4 hereof would not be met;

(c) The assignor and assignee named therein shall execute and acknowledge such other instruments as the Managers may deem necessary to effectuate such substitution, including, but not limited to, a power of attorney with provisions more fully described in Sections 2.11 and 2.12 above;

(d) The assignee shall accept, adopt and approve in writing all of the terms and provisions of this Agreement as the same may have been amended;

(e) Such assignee shall pay or, at the election of the Managers, obligate himself to pay all reasonable expenses connected with such substitution, including but not limited to reasonable attorneys' fees associated therewith; and

(f) The Company has received, if required by the Managers, a legal opinion satisfactory to the Managers that such transfer will not violate the registration provisions of the Securities Act, which opinion shall be furnished at the Member's expense.

7.4 Further Restrictions on Transfers. Notwithstanding any provision to the contrary contained herein, the following restrictions shall also apply to any and all proposed sales, assignments and transfer of Membership Interests, and any proposed sale, assignment or transfer in violation of same shall be void ab initio.

(a) No Member shall make any transfer or assignment of all or any part of his Membership Interest if said transfer or assignment, when considered with all other transfers during the same applicable twelve month period, would, in the opinion of counsel for the Company, result in the termination of the Company's status as a partnership for federal or state income tax purposes.

(b) No Member shall make any transfer or assignment of all or any of his Membership Interest if the Managers determine such transfer or assignment would result in the Company being classified as an association taxable as a corporation or a "publicly traded partnership" within the meaning of Section 7704(b) of the Code (determined without reference to Code Section 469(i)) or any regulations or rules promulgated thereunder.

(c) Instruments evidencing a Membership Interest (if any) shall bear and be subject to legend conditions in substantially the following forms:

IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES.

(d) Each Member that is a legal entity (other than a Benefit Plan Investor) acknowledges that its management shall have a fiduciary responsibility for the safekeeping and use of all funds and assets of any assignee to all or a portion of its interest as a Member, and that the management of each Member that is a legal entity (other than a Benefit Plan Investor) shall not employ, or permit another to employ such funds or assets that are attributable to any assignee of all or a portion of such Member's interest as a Member in any manner except for the exclusive benefit of the assignee. Each Member, other than a Benefit Plan Investor, agrees that it will not contract away the foregoing fiduciary duty.

7.5 Elimination or Modification of Restrictions. Notwithstanding any of the foregoing provisions of this Article 7, the Managers shall amend this Agreement to eliminate or modify any restriction on substitution or assignment at such time as the restriction is no longer necessary.

ARTICLE 8

REDEMPTION OF UNITS

8.1 Redemption of Units. No Member shall have the right to redeem its Units, withdraw from the Company or otherwise obtain the return of all or any portion of his Capital Account balance for a period of one year after such Member's initial purchase of Units, except in the event of the Member's death within the first year of his or her purchase of Units. Redemptions of Units after a minimum one year holding period and before the five year holding period as set forth below shall be permitted in accordance with this Article 8. The Managers shall have the right, in their sole discretion, to redeem the Units of any Member who holds less than 2,000 Units. No penalty will be assessed in connection with such redemption of less than 2,000 Units by the Managers. Additionally, as set forth below there shall be a limited right of withdrawal upon the death of a Member. A Member may redeem its Units upon the following terms:

(a) A Member wishing to have his Units redeemed must mail or deliver a written request (a "Redemption Request") to the Company (executed by the trustee or authorized agent in the case of Retirement Plans) in substantially the form of Exhibit A attached hereto indicating the number of Units that such Member wishes to be redeemed. A Member may request that fewer than all of such Member's Units be redeemed. In connection with a Redemption Request, a Member shall provide such information and documents as may be reasonably requested by the Managers.

(b) In the event that the Managers decide to honor a Redemption Request, they will cause the Company to redeem all the Units (or portion thereof) requested to be redeemed by the Member, subject to the conditions and limitations set forth herein.

(c) The Company shall attempt to redeem Units on a quarterly basis. Redemptions (or partial redemptions), if any, shall be paid at the end of the calendar quarter following the quarter in which the Redemption Request is received by the Company. Units redeemed by the Company pursuant to this Article 8 shall be promptly canceled.

(d) The purchase price for redeemed Units shall be equal to:

(i) For redemptions beginning after one year (but before two years) following the date of acquisition of the redeemed Units, 92% of the actual purchase price for the Units paid by the redeeming Member or 92% of the Member's Capital Account balance as of the date of each redemption payment, whichever is less;

(ii) For redemptions beginning after two years (but before three years) following the date of acquisition of the redeemed Units, 94% of the actual purchase price for the Units paid by the redeeming Member or 94% of the Member's Capital Account balance as of the date of each redemption payment, whichever is less;

(iii) For redemptions beginning after three years (but before four years) following the date of acquisition of the redeemed Units, 96% of the actual purchase price for the Units paid by the redeeming Member or 96% of the Member's Capital Account balance as of the date of each redemption payment, whichever is less;

(iv) For redemptions beginning after four years (but before five years) following the date of acquisition of the redeemed Units, 98% of the actual purchase price for the Units paid by the redeeming Member or 98% of the Member's Capital Account balance as of the date of each redemption payment, whichever is less;

(v) For redemptions beginning after five years following the date of acquisition of the redeemed Units, 100% of the actual purchase price for the redeemed Units or 100% of the Member's Capital Account balance as of the date of each redemption payment, whichever is less.

Notwithstanding the foregoing, with respect to any Redemption Request, the maximum number of Units which may be redeemed per quarter shall not exceed the greater of (i) 100,000 Units, or (ii) 25% of the Member's total outstanding Units. For Redemption Requests that require more than one quarter to fully redeem, redemption payments will be made at the end of each calendar quarter. Except as set forth below, the percentage discount amount that applies when the redemption payments begin will continue to apply throughout the entire redemption period and will apply to all Units covered by such Redemption Request regardless of when the final redemption payment is made. DRIP Units shall be subject to the same holding period and redemption values applicable to the original purchased Units with respect to which the Company distributed the Cash Available for Distribution that was used to purchase those DRIP Units. If redemption payments are delayed because the Company suspends all redemptions, then when such delayed payments recommence, the percentage discount amount applied to the remaining payments will be determined as of the recommencement date.

(e) A portion of the early withdrawal penalty payments shall be applied toward the next installments of principal under the Formation Loans owed to the Company by Redwood Mortgage Corp., thereby reducing the amount owed to the Company from Redwood Mortgage Corp. Such portion will be determined by the ratio between the amounts or initial amounts of the Formation Loans and the total amount of the Organization and Offering Expenses incurred by the Company in the Offering of Units, and the balance will be applied to increase other Members' capital.

(f) Notwithstanding the foregoing, the Company will not, (i) in any calendar year, redeem more than 5%, or (ii) 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 Managers may, in their 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: (1) first, to redemptions upon the death of a Member; and (2) 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).

(g) Unfulfilled Redemption Requests carried over from a prior quarter shall not receive priority over Redemption Requests received by the Managers in the current quarter.

(h) In the event that a Member has an unfulfilled Redemption Request, the Member may withdraw such Redemption Request at any time by sending a written notice of withdrawal to the Company. If the Company receives the notice of withdrawal on a date that is less than thirty (30) days prior to the next scheduled redemption payment, then that payment shall be made but all subsequent payments to the Member shall cease. If the Company receives the notice of withdrawal on a date that is more than thirty (30) days prior to the next scheduled redemption payment, then all redemption payments to such Member shall cease.

(i) After withdrawing a pending Redemption Request in accordance with subsection (h) above, the withdrawing Member may thereafter submit another Redemption Request to the Company at a later

date. The purchase price for the redeemed Units covered by such later Redemption Request shall be determined based on the date redemptions commence pursuant to the later Redemption Request, and accordingly, may have a lower penalty than what was applied to the initial Redemption Request.

(j) Payments to redeeming Members shall at all times be subject to the availability of sufficient cash flow generated in the ordinary course of the Company's business, and the Company shall not be required to liquidate outstanding Loans prior to their maturity dates for the purposes of meeting the Redemption Requests of Members. For this purpose, cash flow shall be considered to be available only after all current Company expenses have been paid (including compensation to the Managers and their Affiliates), adequate provision has been made for payment of the Company's current and future debt, and adequate provision has been made for the payment of all monthly cash distributions to Members who do not reinvest distributions pursuant to the Distribution Reinvestment Plan.

(k) The Managers shall have the right, in their sole discretion, at any time and from time to time, (i) to reject any Redemption Request or to suspend or terminate the acceptance of new Redemption Requests without prior notice, or (ii) to terminate, suspend and/or amend the Unit redemption program. Without limiting the generality of the foregoing, the Managers may choose to terminate or suspend the Unit redemption program in the event the Managers determine, in their sole discretion, that (i) the Company has insufficient available cash flow, in accordance with subsection (j) above or (ii) such termination or suspension would otherwise be in the best interests of the Company. In addition, the Managers may, at any time and without prior notice, reduce the number of Units purchased under the Unit redemption program if the Managers determine, in their sole discretion, that the funds otherwise available to fund the Unit redemption program are needed for other Company purposes. The Unit redemption program shall also terminate upon any dissolution of the Company, in which event all distributions shall thereafter be made only in accordance with Article 10 below. The foregoing limitations shall apply to all redemptions, including redemptions upon the death of a Member. In the event that the Company shall terminate, suspend or amend its Unit redemption program, the Company shall send to the Members written notice of such termination, suspension or amendment at least 30 days prior to the effective date of the termination, suspension or amendment; provided, however, the Company may suspend or terminate the acceptance of new Redemption Requests at any time without prior notice, and the Company may reduce the number of Units purchased under the Unit redemption program at any time without prior notice. In addition, the Managers may, in their sole discretion, waive any applicable holding periods or penalties in the event of the death of a Member or other exigent circumstances or if the Managers believe such waiver is in the best interests of the Company.

(l) The Company shall not be required to establish a reserve from which to fund redemptions of Units.

8.2 Redemptions Upon Death of a Member. Upon the death of a Member (including in the event of a Member's death during the first year of its ownership of Units), an executor, heir or other administrator of the Member's estate may, subject to certain conditions as set forth herein, redeem all or a portion of the deceased Member's Units without penalty. The total amount of Units available to be redeemed in any one quarter shall be limited to the greater of (i) 100,000 Units, or (ii) twenty-five percent (25%) of the deceased Member's outstanding Units. The executor, heir or other administrator of the Member's estate shall give a Redemption Request to the Managers within six (6) months of the Member's date of death or the Units will become subject to the standard redemption provisions set forth in Section 8.1 (a) through (i) above. If spouses are joint registered holders of Units, the request to redeem the Units may be made if either of the registered holders dies. Due to the complex nature of administering a decedent's estate, the Managers reserve the right and discretion to request any and all information they deem necessary and relevant in determining the date of death, the name of the beneficiaries and/or any other matters they deem relevant. The Managers retain the discretion to refuse or to delay the redemption of a deceased Member's investment unless or until the Managers have received all such information they deem relevant. The redemption of a Member's Units pursuant to this Section 8.2 is subject to the provisions of the last paragraph of subsection 8.1(d) above and subsections 8.1 (c), (f), (g), (h) and (i) above.

ARTICLE 9

DISTRIBUTION REINVESTMENT PLAN

9.1 Distribution Reinvestment Plan.

(a) A Member may elect to participate in the Company's Distribution Reinvestment Plan (as amended from time to time, the "Distribution Reinvestment Plan") and have its Cash Available for Distribution reinvested in Units of the Company upon the terms described in the Distribution Reinvestment Plan as adopted by the Managers and subject to the limitations and conditions specified therein.

(b) The Company may only offer the Members the option to participate in the Distribution Reinvestment Plan if the following conditions are met: (i) the Company is registered or exempted under any relevant state blue sky laws; (ii) the Company's legal counsel has submitted an opinion that the pooling of the funds for reinvestment is not in itself a security; (iii) the Members are free to elect to revoke reinvestment within a reasonable time and such right is fully disclosed in the Offering documents; (iv) prior to each reinvestment, the Members receive a current updated disclosure document that contains at minimum the minimum investment amount, the type or source of the proceeds that may be invested and the tax consequences of reinvestment to the Members; (v) the Company's legal counsel has submitted an opinion that different consideration paid on reinvestment is not in violation of applicable state law; and (vi) the broker-dealer or the Company assumes responsibility for blue sky compliance and performance of due diligence responsibilities and has contacted the Members to ascertain whether the Members continue to meet the applicable state suitability standards for participation in each reinvestment.

9.2 Purchase of Additional Units. Under the Distribution Reinvestment Plan, participating Members effectively use amounts otherwise distributable to them to purchase DRIP Units at a price per Unit such that the Capital Accounts of the Members immediately before and after the subject distribution and deemed reinvestment are equal. The Managers will credit DRIP Units purchased under the Distribution Reinvestment Plan to the participating Members as of the pertinent distribution date. If a Member revokes a previous election to participate in the Distribution Reinvestment Plan, the Company shall make distributions in cash to the Member instead of reinvesting the distributions in additional DRIP Units from and after the effectiveness of the notice.

9.3 Statement of Account. Within sixty (60) days after the end of each calendar quarter, the administrator will furnish or make available to each participating Member a statement of account describing as to such Member, the distributions received during the quarter, the number of DRIP Units purchased during the quarter, the purchase price for such DRIP Units, and the total DRIP Units purchased on behalf of such Member pursuant to the Distribution Reinvestment Plan.

9.4 Continued Suitability Requirements. Each Member who is a participant in the Distribution Reinvestment Plan must continue to meet the investor suitability standards described in the Subscription Agreement and the Prospectus (subject to minimum requirements of applicable securities laws) to continue to participate in reinvestments. It is the responsibility of each Member to notify the Managers promptly if he no longer meets the suitability standards set forth in the Prospectus for a purchase of Units in the Offering. The Members acknowledge that the Company is relying on this notice in issuing DRIP Units, and each Member shall indemnify the Company if he fails to so notify the Company and the Company suffers any damages, losses or expenses, or any action or proceeding is brought against the Company due to the issuance of DRIP Units to the Member.

9.5 Changes or Termination of the Distribution Reinvestment Plan. The terms and conditions of the Distribution Reinvestment Plan may be amended, supplemented, suspended or terminated for any reason by the Managers at any time by mailing notice thereof at least thirty (30) days before the effective date of the action to each participating Member at his last address of record.

ARTICLE 10

DISSOLUTION OF THE COMPANY; MERGER OF THE COMPANY

10.1 Events Causing Dissolution. The Company shall dissolve upon occurrence of the earlier of the following events:

(a) Expiration of the term of the Company as stated in Section 2.9 of this Agreement.

(b) The affirmative vote or consent of the Majority of the Members.

(c) The sale of all or substantially all of the Company's assets; provided, for purposes of this Agreement the term "substantially all of the Company's assets" shall mean assets comprising not less than seventy percent (70%) of the aggregate fair market value of the Company's total assets as of the time of sale.

(d) The retirement, death, insanity, dissolution or bankruptcy of a Manager unless, within ninety (90) days after any such event (i) the remaining Managers, if any, elect to continue the business of the Company, or (ii) if there are no remaining Managers, a Majority of the Members agree to continue the business of the Company and to the appointment of a successor Manager who executes a written acceptance of the duties and responsibilities of a Manager hereunder.

(e) The removal of a Manager, unless within ninety (90) days after the effective date of such removal (i) the remaining Managers, if any, elect to continue the business of the Company, or (ii) if there are no remaining Managers, a successor Manager is approved by the affirmative vote or consent of the Majority of the Members as provided in Section 3.11 above, which successor executes a written acceptance as provided therein and elects to continue the business of the Company.

(f) The withdrawal of a Manager pursuant to the provisions of Section 3.12, unless pursuant to the provisions of Section 3.12, the Majority of the Members elect to continue the business of the Company.

(g) Any other event causing the dissolution of the Company under the laws of the State of Delaware.

10.2 Winding Up and Termination. Upon the occurrence of an event of dissolution, the Company shall immediately be dissolved, but shall continue until its affairs have been wound up according to the provisions of the Act. Upon dissolution of the Company, unless the business of the Company is continued as provided above, the Managers will wind up the Company's affairs as follows:

(a) No new Loans shall be made or purchased and the Unit redemption program described in Article 8 above shall immediately terminate and no further Unit redemption payments shall be made;

(b) Except as may be agreed upon by a Majority of the Members in connection with a merger or consolidation described in Section 10.6, the Managers shall liquidate the assets of the Company as promptly as is consistent with recovering the fair market value thereof, either by sale to third parties or by servicing the Company's outstanding Loans in accordance with their terms; provided, however, the Managers shall liquidate all Company assets for the best price reasonably obtainable in order to completely wind up the Company's affairs within five (5) years after the date of dissolution;

(c) Except as may be agreed upon by a Majority of the Members in connection with a merger or consolidation described in Section 10.6, all sums of cash held by the Company as of the date of dissolution, together with all sums of cash received by the Company during the winding up process from any source whatsoever, shall be distributed in accordance with Section 10.3 below.

10.3 Order of Distribution of Assets. In the event of dissolution as provided in Section 10.1 above, the cash of the Company shall be distributed as follows:

(a) All of the Company's debts and liabilities to persons other than Members and Managers shall be paid and discharged;

(b) All of the Company's debts and liabilities to Members and Managers shall be paid and discharged;

(c) The balance of the cash of the Company shall be distributed to the Members and Managers in accordance with their respective positive Capital Account balances, after taking into account allocations of Profits and Losses for the Company's Fiscal Year during which the liquidation occurs including the tax effect of the liquidation itself.

10.4 Deficit Capital Account Balances. If any Manager's Capital Accounts have a deficit balance (after giving effect to all contributions, distributions, and allocations for all taxable years, including the year during which such liquidation occurs), such Manager shall contribute to the capital of the Company the amount necessary to restore such deficit balance to zero in compliance with Treasury Regulation Section 1.704-1(b)(2)(ii)(b)(3). Notwithstanding anything to the contrary in this Agreement, no Member shall have an obligation to restore any deficit balance in such Member's Capital Account.

10.5 No Recourse to Manager. Upon dissolution, each Member shall look solely to the assets of the Company for the return of his Capital Contribution, and if the Company assets remaining after the payment or discharge of the debts and liabilities of the Company are insufficient to return the Capital Contribution of each Member, such Member shall have no recourse against the Managers or any other Member. The winding-up of the affairs of the Company and the distribution of its assets shall be conducted exclusively by the Managers. The Managers are hereby authorized to do any and all acts and things authorized by law for these purposes. In the event of insolvency, dissolution, bankruptcy or resignation of all of the Managers or removal of the Managers by the Members, the winding up of the affairs of the Company and the distribution of its assets shall be conducted by such person or entity as may be selected by the affirmative vote or consent of the Majority of the Members, which person or entity is hereby authorized to do any and all acts and things authorized by law for such purposes.

10.6 Merger or Consolidation of the Company. The Company may be merged or consolidated with one or more limited liability companies, limited partnerships or other entities (including with Affiliates of the Company), provided that, except for conversions covered by Section 4.19(a), the affirmative vote or consent of the Majority of the Members is obtained pursuant to Section 4.15. Any such merger or consolidation may be effected by way of a sale of the assets of, or Units in, the Company or purchase of the assets of, or Units in, another limited liability company, limited partnership or other entity, or by any other method approved pursuant to Section 4.15. In any such merger or consolidation, the Company may be either a disappearing or surviving entity. Any such merger or consolidation is subject to the requirements and provisions of Section 3.3(i).

ARTICLE 11

TRANSACTIONS BETWEEN THE COMPANY, THE MANAGERS AND AFFILIATES

11.1 Loan Brokerage Commissions. The Company will enter into Loan transactions where the Company or borrower has engaged and agreed to compensate a Manager or an Affiliate of a Manager to act as a broker in arranging Loans, the cost of which compensation shall be borne by the borrower. The exact amounts of loan brokerage commissions shall be negotiated with prospective borrowers on a case by case basis. It is estimated that such commissions will be approximately two percent (2%) to five percent (5%) of the principal amount of each Loan made during that year. The total loan brokerage commissions paid to the Managers and their Affiliates during any calendar year (except during the first year of operations) shall not exceed 4% of the Company's total assets at the beginning of that year.

11.2 Loan Servicing Fees. A Manager or an Affiliate of a Manager may act as servicing agent with respect to all Loans, and in consideration for such collection efforts he/it shall be entitled to receive a servicing fee, payable monthly, which when added to all other fees paid in connection with the servicing of a particular Loan, shall not exceed the lesser of 0.25% of the total unpaid principal balance of each Loan serviced or a competitive loan servicing fee customarily charged in the industry for loan servicing activities with respect to similar loans. The Managers or an Affiliate may lower such fee for any period of time and thereafter raise it up to the limit set forth above. The servicing fee shall be payable to the servicing agent regardless of whether specific Loan payments are collected.

11.3 Loan Administrative Fees. A Manager or an Affiliate of a Manager may receive a loan administrative fee in an amount of up to 1% of the principal amount of each new Loan originated or acquired on the Company's behalf for services rendered in connection with the selection and underwriting of potential Loans. Such fees shall be payable by the Company upon the closing of each Loan.

11.4 Processing and Escrow Fees. A Manager or an Affiliate of a Manager may receive processing and escrow fees for services in connection with notary, document preparation, credit investigation, and escrow fees in an amount equal to the fees customarily charged 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.

11.5 Asset Management Fee. The Managers shall receive a monthly fee for managing the Company's Loan portfolio and general business operations in an amount up to 0.75% annually of the Base Amount, payable on the first day of each calendar month until the Company is finally wound up and terminated. The Managers, in their discretion, may lower such fee for any period of time and thereafter raise it up to the limit set forth above. No Asset Management Fee shall be payable on amounts held in the Subscription Account or otherwise on Capital Contributions temporarily held while awaiting investment. No Asset Management Fee shall be paid from reserves of the Company.

11.6 Reconveyance Fees. The Managers may receive a fee from a borrower for reconveyance of a property upon full payment of a Loan in an amount as is generally prevailing in the geographical area where the property is located.

11.7 Assumption Fees. A Manager or an Affiliate of the Managers may receive a fee payable by a borrower for assuming a Loan in an amount equal to a percentage of the Loan or a set fee.

11.8 Extension Fee. A Manager or an Affiliate of the Managers may receive a fee payable by a borrower for extending the Loan period in an amount equal to a percentage of the loan.

11.9 Prepayment and Late Fees. Any prepayment and late fees collected in connection with Loans shall be paid to the Company.

11.10 No Rebates and Reciprocal Arrangements.

(a) The Managers and their Affiliates may not receive from the Company rebates or give-ups nor participate in any reciprocal business arrangement that would enable the Managers or any of their Affiliates to do so.

(b) None of the Managers nor any of their Affiliates shall, directly or indirectly, pay or award any commissions or other compensation to any Person engaged by a potential investor for investment advice as an inducement to such advisor to recommend the purchase of Units in the Company; provided, however, that this clause shall not prohibit the normal Sales Commissions payable to a registered broker-dealer or other properly licensed Person for selling Units.

11.11 Other Fees. The Managers and their Affiliates may not receive any fees or other compensation from the Company except as specifically provided for in this Agreement or as described in the Prospectus. The Managers and their Affiliates may not receive real estate brokerage commissions, Property Management Fees or insurance services fees.

11.12 Formation Loans to Redwood Mortgage Corp. For each Offering, the Company may lend to Redwood Mortgage Corp., a Formation Loan in a sum not to exceed 7% of the total gross amount of proceeds from the sale of Units in such Offering. Each Formation Loan shall be unsecured and shall be evidenced by a non-interest bearing promissory note executed by Redwood Mortgage Corp. in favor of the Company. Prior to the termination of an Offering, the principal balance of the Formation Loan related to such Offering will increase as additional sales of Units are made each year. Redwood Mortgage Corp. will make annual installments of one-tenth of the principal balance of each Formation Loan as of December 31 of the prior year; such payment will be due and payable by December 31 of the following year. Upon completion of an Offering, the balance of the Formation Loan related to such Offering shall be repaid in ten (10) equal annual installments of principal, without interest, commencing on December 31 of the year following the year in which such Offering terminates, or in equal annual installments for the number of years until the expiration of the term of this Agreement, if such remaining term is less than ten (10) years. Redwood Mortgage Corp. at its option may prepay all or any part of the Formation Loans.

11.13 Sale of Loans to Managers or Affiliates. The Company may not sell a Loan to any of the Managers or their Affiliates unless all of the following criteria are met: (i) the Company does not have sufficient offering proceeds available to retain the Loan (or contract rights related thereto); (ii) the Prospectus discloses that the Managers or their Affiliates will purchase all Loans (or contract rights) that the Company does not have sufficient proceeds to retain; (iii) the Managers or their Affiliates pay the Company an amount in cash equal to the cost of the Loan (or contract rights) to the Company (including all cash payments and carrying costs related thereto); (iv) the Managers or their Affiliates assume all of the Company's obligations and liabilities incurred in connection with holding the Loan (or contract rights) by the Company; (v) the sale occurs not later than 90 days following the termination date of the Offering; and (vi) the methodology to be used by the Company in determining which Loans it will sell in the event that the Offering proceeds are insufficient to retain all Loans is fully disclosed in the Prospectus.

11.14 Purchase of Loans from Managers or Affiliates. The Company may not acquire a Loan in which any of the Managers or their Affiliates have an interest unless: (i) the Managers or their Affiliates acquired the Loan in its name and temporarily held title thereto for the purpose of facilitating the acquisition of the Loan, provided that such Loan is purchased by the Company for a price no greater than the cost of such Loan to the Managers or their Affiliates, except compensation allowed by the NASAA Mortgage Guidelines; or (ii) the purchase is made from a Program formed by the Managers or their Affiliates pursuant to the rights of first refusal required by Section 11.17 below (in such case the Purchase Price should be no more than fair market value as determined by the appraisal of a Competent Independent Expert.). A Manager or its Affiliates shall not sell a Loan to the Company pursuant to clause (i) of this Section 11.14 if the cost of the Loan exceeds the funds reasonably anticipated to be available to the Company to purchase the Loan.

11.15 Participation in Loans. The Company may participate in Loans with other Programs organized by the Managers, whereby the Company acquires a fractional undivided interest in a Loan. The Company may also participate in Loans with nonaffiliated lenders, individuals or pension funds. Notwithstanding anything to the contrary in this Agreement, the Company may acquire from or sell to publicly registered Programs affiliated with the Company, participation interests in Loans.

11.16 Dealings with Related Programs. The Company shall not acquire a Loan from, or sell a Loan to a Program in which a Manager has an interest, except as otherwise allowed by this Article 11.

11.17 Investments in or with other Programs.

(a) The Company may invest in general partnerships or joint ventures with other Affiliates of the Company if all of the following conditions are met: (i) the Programs have substantially identical investment objectives; (ii) there are no duplicate fees; (iii) the compensation to the managers or general partners is substantially identical in each Program; (iv) each Program must have a right of first refusal to buy if the other Programs wish to sell assets held in the joint venture; (v) the investment of each Program is on substantially the same terms and conditions; and (vi) the Prospectus discloses the potential risk of impasse on joint venture decisions because, although the Program may have the right to buy the assets from the partnership or joint venture, it may not have the resources to do so.

(b) Other than as specifically permitted in subsection (a) above or in Section 11.15, the Company shall not be permitted to invest in general partnerships or joint ventures with Affiliates.

(c) The Company may invest in general partnership interests of limited partnerships only if the Company alone or together with any publicly registered Affiliate of the Company meeting the requirements of subsection (a) above acquires a "controlling interest" (as that term is defined in Section V.G.1. of the NASAA Mortgage Guidelines), no duplicate fees are permitted and no additional compensation beyond that permitted by this Agreement shall be paid to the Managers.

(d) The Company shall not invest in interests of other Programs (i.e. "lower-tier Programs").

11.18 Commissions on Reinvestment or Distribution. The Company shall not pay, directly or indirectly, a commission or fee to a Manager or its Affiliate in connection with any distribution of the proceeds of a Capital Transaction or the reinvestment thereof in additional Units pursuant to the Distribution Reinvestment Plan.

11.19 Sales Commissions.

(a) The Units shall be offered to the public on a best efforts basis through participating broker-dealers. The participating broker-dealers may receive such commissions, reallowances, fees and other compensation as are set forth in the Prospectus, except that no such fees or reallowances shall be paid with respect to sales of Units under the Distribution Reinvestment Plan. The Offering shall be made in compliance with FINRA Rule 2310, which governs the amount of compensation that direct participation programs may pay for the services provided by FINRA members. In the event the Company receives any unsolicited orders directly from an investor who did not utilize the services of a participating broker-dealer, Redwood Mortgage Corp. through the applicable Formation Loan may pay to the Company an amount equal to the amount of the Sales Commissions otherwise attributable to a sale of a Unit through a participating broker-dealer. The Company will in turn credit such amounts received from Redwood Mortgage Corp. to the account of the investor who placed the unsolicited order. All unsolicited orders will be handled only by the Managers. Sales Commissions will not be paid by the Company out of the proceeds of the Offering. All Sales Commissions will be paid by Redwood Mortgage Corp., which will also act as the mortgage loan broker for all Loans as set forth in Section 11.1 above.

(b) The Managers may accept orders received directly from an investor utilizing the services of a Registered Investment Advisor and may pay "client fees" to the Registered Investment Advisor in the manner and subject to the conditions and limitations set forth in the Prospectus.

11.20 Reimbursement and Allocation of Organization and Offering Expenses. The Managers shall be reimbursed for, or the Company may pay directly, Organization and Offering 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**"), and the Managers shall pay any Organization and Offering Expenses in excess of such amount. 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 Organization and Offering Expenses borne by the Company shall be 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 Organization and Offering Expenses actually paid or reimbursed by the Company since inception are less than the Maximum O&O, the Company shall first reimburse the Managers for any Organization and Offering Expenses previously borne by them so long as it does not result in the Company bearing more than the Maximum O&O, 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 quarterly allocations of Organization and Offering Expenses, as determined in the good faith judgment of the Managers. Any Organization and Offering Expenses with respect to a Member's Units that remain unallocated upon redemption of such Units shall be reimbursed to the Company by the Managers.

11.21 Reimbursement. The Company shall reimburse the Managers or their Affiliates for the actual cost to the Managers or their Affiliates (or pay directly), the cost of goods and materials used for or by the Company and obtained from entities unaffiliated with the Managers or their Affiliates. The Company shall also pay or reimburse the Managers or their Affiliates for the cost of administrative services necessary to the prudent operation of the Company, provided that such reimbursement will be at the lower of (A) the actual cost to the Managers or their Affiliates of providing such services, or (B) 90% of the amount the Company would be required to pay to non-affiliated Persons rendering comparable administrative services in the same geographical location. No reimbursement shall be permitted for services for which the Managers are entitled to compensation by way of a separate fee. The cost of administrative services as used in this Section 11.21 shall mean the pro rata cost of personnel, including an allocation of overhead directly attributable to such personnel, based on the amount of time such personnel spent on such services, or other method of allocation acceptable to the Company's independent

certified public accountant. The annual report to Members shall include a breakdown of the costs reimbursed to the Managers. Within the scope of the annual audit of the Managers' financial statements, the independent certified public accountant must verify the allocation of such costs to the Company. The method of verification shall at a minimum provide: (i) a review of the time records of individual employees, the cost of whose services were reimbursed; and (ii) a review of the specific nature of the work performed by each such employee. The methods of verification shall be in accordance with generally accepted auditing standards and shall, accordingly, include such tests of the accounting records and such other auditing procedures which the Managers' independent certified public accountant considers appropriate under the circumstances. The additional cost of such verification will be itemized by said accountants on a Program-by-Program basis and may be reimbursed to the Managers by the Company in accordance with this Section 11.21 only to the extent that such reimbursement when added to the cost for services rendered does not exceed the allowable rate for such services as determined above.

11.22 Non-reimbursable Expenses. The Managers will pay and will not be reimbursed by the Company for any general or administrative overhead incurred by the Managers in connection with the administration of the Company which is not directly attributable to services authorized by Sections 11.20, 11.21 or 11.23.

11.23 Operating Expenses. Subject to Sections 11.20, 11.21 or 11.22, all expenses of the Company shall be billed directly to and paid by the Company which may include, but are not limited to: (i) all salaries, compensation, travel expenses and fringe benefits of personnel employed by the Company and involved in the business of the Company including persons who may also be employees of the Managers or Affiliates of the Managers, but excluding such items incurred or allocated to any control persons of either the Managers or their Affiliates, (ii) all costs of borrowed money, taxes and assessments on Company properties foreclosed upon and other taxes applicable to the Company, (iii) legal, audit, accounting, and brokerage fees, (iv) printing, engraving and other expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and recording of documents evidencing ownership of an interest in the Company or in connection with the business of the Company, (v) fees and expenses paid to leasing agents, consultants, real estate brokers, insurance brokers, and other agents, (vi) costs and expenses of foreclosures, insurance premiums, real estate brokerage and leasing commissions and of maintenance of such property (provided that the total compensation paid to all Persons for the sale of a property held by the Company as the result of foreclosure shall be limited to a Competitive Real Estate Commission, not to exceed 6% of the contract price for the sale of the property), (vii) the cost of insurance as required in connection with the business of the Company, (viii) expenses of organizing, revising, amending, modifying or terminating the Company, (ix) expenses in connection with distributions made by the Company, and communications, bookkeeping and clerical work necessary in maintaining relations with the Members and outside parties, including the cost of printing and mailing to such persons certificates for Units and reports of meetings of the Company, and of preparation of proxy statements and solicitations of proxies in connection therewith, (x) expenses in connection with preparing and mailing reports required to be furnished to the Members for investor, tax reporting or other purposes, or other reports to the Members which the Managers deem to be in the best interests of the Company, (xi) costs of any accounting, statistical or bookkeeping equipment and services necessary for the maintenance of the books and records of the Company including, but not limited to, computer services and time, (xii) the cost of preparation and dissemination of the information relating to potential sale, refinancing or other disposition of Company property, (xiii) costs incurred in connection with any litigation in which the Company is involved, as well as in the examination, investigation or other proceedings conducted by any regulatory agency with jurisdiction over the Company including legal and accounting fees incurred in connection therewith, (xiv) costs of any computer services used for or by the Company and (xv) expenses of professionals employed by the Company in connection with any of the foregoing, including attorneys, accountants, and appraisers.

For the purposes of Section 11.23(i), a control person is any person, whatever their title, who performs functions for the Managers similar to those of: (1) chairman or member of the board of directors; (2) executive management, such as the president, vice-president or senior vice-president, corporate secretary, or treasurer; (3) senior management, such as the vice-president of an operating division who reports directly to executive management; or (4) those holding a 5% or greater equity interest in the Managers or their Affiliates or a Person having the power to direct or cause the direction of the Managers or their Affiliates, whether through the ownership of voting securities, by contract or otherwise.

11.24 Deferral of Fees and Expense Reimbursement. The Managers may defer payment of any fee or expense reimbursement provided for herein. The amount so deferred shall be treated as a non-interest bearing debt of the Company and shall be paid from any source of funds available to the Company, including Cash Available for Distribution prior to the distributions to Members provided for in Article 5.

11.25 Payment Upon Termination. Upon the occurrence of a terminating event specified in Article 10, the Company shall pay the Manager, within thirty (30) days of the terminating event, in cash all amounts then accrued and owing to the Manager under this Agreement.

11.26 Sale of Foreclosed Properties. The Company shall not sell a foreclosed property to a Manager or its Affiliate or to a Program in which a Manager has an interest, unless and to the extent such a sale is permitted by both (i) the NASAA Mortgage Guidelines, as such may be amended from time to time, or any successor mortgage program guidelines adopted by the North American Securities Administrators Association, Inc. and implemented for use as mortgage program guidelines in lieu of the NASAA Mortgage Guidelines, as such may be amended from time to time, and (ii) Arizona Administrative Code ("AAC") R-14-4-116 or any successor provision to AAC R-14-4-116; provided further that in the event such sales of foreclosed properties are allowed pursuant to both of the foregoing provisions (i) and (ii), the Company shall amend this Section 11.26 to set forth the requirements and limitations mandated by the rules set forth in (i) and (ii) for such sales of foreclosed properties.

11.27 Investment in Mortgages.

(a) The Managers shall be required to commit a substantial portion of the Company's Capital Contributions toward Investment in Mortgages. The remaining Capital Contributions may be used to pay Front-End Fees. The total amount of Front-End Fees, whenever paid and from whatever source, shall be limited to an amount equal to the initial amount of Capital Contributions not applied to Investment in Mortgages.

(b) The Company shall invest not less than 84% of the Capital Contributions as the Investment in Mortgages. The remaining Capital Contributions may be used to pay Front-End Fees. The total amount of Front-End Fees, whenever paid, shall be limited to the initial amount of Capital Contributions not applied to Investment in Mortgages. Of this Investment in Mortgages, not more than 3.0% of the Capital Contributions may be included as a working capital reserve.

ARTICLE 12

MISCELLANEOUS

12.1 Covenant to Sign Documents. Without limiting the power granted by Sections 2.11 and 2.12, each Member covenants, for himself and his successors and assigns, to execute, with acknowledgment or verification, if required, any and all certificates, documents and other writings which may be necessary or expedient to form the Company and to achieve its purposes, including, without limitation, the Certificate and all amendments thereto, and all such filings, records or publications necessary or appropriate laws of any jurisdiction in which the Company shall conduct its business.

12.2 Notices. Except as otherwise expressly provided for in this Agreement, all notices which any Member may desire or may be required to give any other Members shall be in writing and shall be deemed duly given when delivered personally or when deposited in the United States mail, first-class postage pre-paid. Notices to Members shall be addressed to the Members at the last address shown on the Company records. Notices to the Managers or to the Company shall be delivered to the Company's principal place of business, as set forth in Section 2.3 above or as hereafter charged as provided herein. Notice to any Manager shall constitute notice to all Managers.

12.3 Right to Engage in Competing Business. Nothing contained herein shall preclude any Manager or Member from purchasing or lending money upon the security of any other property or rights therein, or in any manner investing in, participating in, developing or managing any other venture of any kind, without notice to the other Managers or Members, without participation by the other Managers or Members, and without liability to them or any of them. Each Member waives any right he may have against the Managers for capitalizing on information received as a consequence of the Managers' management of the affairs of this Company.

12.4 Amendment. This Agreement is subject to amendment by the affirmative vote or consent of the Majority of the Members in accordance with Section 4.15 provided, however, that no such amendment shall be permitted if the effect of such amendment would be to increase the duties or liabilities of any Manager or Member or diminish the rights or benefits to which any Manager or Member is entitled under this Agreement, without the affirmative vote or consent of a majority of the Percentage Interests held by the Members who would be adversely affected thereby (or the consent of a Manager if it will be adversely affected thereby). This Agreement shall in no event be amended to change the limited liability of the Members without the affirmative vote or consent of all of the Members. Any amendment to this Agreement modifying the compensation or distributions to which the Managers are entitled or which affects the duties of the Managers shall require the consent of the Managers. In addition, and notwithstanding anything to the contrary contained in this Agreement, the Managers shall have the right to amend this Agreement, without the vote or consent of any of the Members, when:

(a) There is a change in the name of the Company or the amount of the contribution of any Member;

(b) A Person is substituted as a Member;

(c) An additional Member is admitted;

(d) A Person is admitted as a successor or additional Manager in accordance with the terms of this Agreement;

(e) There is a change in the time as stated in the Agreement for the dissolution of the Company, or the redemption of Units by the Company;

(f) To cure any ambiguity, to correct or supplement any provision which may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under this Agreement which will not be inconsistent with the provisions of this Agreement;

(g) To delete or add any provision of this Agreement required to be so deleted or added by the Staff of the Securities and Exchange Commission or by a State “Blue Sky” Administrator or similar official, which addition or deletion is deemed by the Administrator or official to be for the benefit or protection of the Members;

(h) To elect for the Company to be governed by any successor Delaware statute governing limited liability companies;

(i) To modify provisions of this Agreement to cause this Agreement to comply with Treasury Regulation Section 1.704-1 (b); and

(j) To amend the unit redemption provisions of this Agreement.

The Managers shall notify the Members within a reasonable time of the adoption of any such amendment, provided that such notice shall be deemed to have been given if the adopted amendment is disclosed in a report that the Company publicly files with the Securities and Exchange Commission.

12.5 Entire Agreement. This Agreement constitutes the entire Agreement between the parties and supersedes any and all prior agreements and representations, either oral or in writing, between the parties hereto with respect to the subject matter contained herein.

12.6 Waiver. No waiver by any party hereto of any breach of, or default under, this Agreement by any other party shall be construed or deemed a waiver of any other breach of or default under this Agreement, and shall not preclude any party from exercising or asserting any rights under this Agreement with respect to any other.

12.7 Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

12.8 Application of Delaware Law. This Agreement and the application or interpretation thereof shall be governed, construed, and enforced exclusively by its terms and by the law of the State of Delaware.

12.9 Captions. Section titles or captions contained in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit, extend or describe the scope of this Agreement.

12.10 Number and Gender. Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders.

12.11 Counterparts. This Agreement may be executed in counterparts, any or all of which may be signed by a Manager on behalf of the Members as their attorney-in-fact.

12.12 Waiver of Action for Partition. Each of the parties hereto irrevocably waives during the term of the Company any right that it may have to maintain any action for partition with respect to any property of the Company.

12.13 Assignability. Each and all of the covenants, terms, provisions and arguments herein contained shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto, subject to the requirements of Article 7.

12.14 No Mandatory Arbitration of Disputes. Except as set forth in Section 3.13, nothing in this Agreement or the Subscription Agreement shall be deemed to require the mandatory arbitration of disputes between a Member and the Company or any Manager. Nothing in this Section 12.14 is intended to apply to preexisting contracts between broker-dealers and Members.

IN WITNESS WHEREOF, *the parties hereto have hereunto set their hand the day and year first above written.*

MANAGER:

REDWOOD MORTGAGE CORP.
a California corporation

By: /s/ Michael R. Burwell
Michael R. Burwell, President

Exhibit A

REDWOOD MORTGAGE INVESTORS IX - REQUEST FOR REDEMPTION

Any member of Redwood Mortgage Investors IX, LLC wishing to redeem units must complete and return this form.

Please check one of the following:

☐ FULL REDEMPTION. I hereby request to redeem ALL of my units. I understand that my redemption may be subject to an early redemption penalty* depending on how long I have held my units.

☐ PARTIAL REDEMPTION. (*Please insert percent or number of units below*). I hereby request to redeem of my units. I understand that my redemption may be subject to an early redemption penalty* depending on how long I have held my units.

Please send the redemption payment (*check one of the following*):

☐ VIA PAPER CHECK mailed to my address of record

☐ VIA ELECTRONIC FUNDS TRANSFER (ACH) An original voided check must be attached
(Not available for custodial accounts)

☐ VIA PAPER CHECK TO THE ALTERNATE PAYEE REFERENCED BELOW

Account number _____

Name of Bank or Financial Institution _____

Mailing Address _____

_____ _____

Member Signature Co-Owner Signature *(if applicable)*

Investor Number _____ Date _____

If your investment is in a custodial account, this form requires a custodial signature/Medallion Signature Guarantee.

Custodian Medallion Signature Guarantee

_____

Custodial Signature

Date _____

For Non-custodial Investments Please send this completed, signed form to:
Redwood Mortgage Investors
1825 S. Grant Street, Suite 250
San Mateo, CA 94402

For Custodial Investments Please send this completed, signed form to your custodian for signature.

Exhibit 3.2

STATE OF DELAWARE
LIMITED LIABILITY COMPANY
CERTIFICATE OF FORMATION

The undersigned, an authorized natural person, for the purposes of forming a limited liability company under the provisions and subject to the requirements of the State of Delaware (particularly Chapter 18, title 6 of the Delaware Code and the acts amendatory thereof and supplementary thereto, and known, identified and referred to as the "Delaware Limited Liability Company Act"), hereby by certifies that:

FIRST: The name of the limited liability company (the "**Company**") is Redwood Mortgage Investors IX, LLC.

SECOND: The address of the Company's registered office in the State of Delaware is 3500 South DuPont Highway, Dover, Delaware 19901. The name of its Registered agent at such address is Incorporating Services, Ltd.

THIRD: The formation of the Company shall be effective upon the filing of this Certificate of Formation.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation as of this 8th day of October, 2008.

By: /s/ Stephen Schrader

Name: Stephen Schrader

Title: Authorized Person

Exhibit 4.1

FORM OF SUBSCRIPTION AGREEMENT AND POWER OF ATTORNEY

REDWOOD MORTGAGE INVESTORS IX, LLC
A DELAWARE LIMITED LIABILITY COMPANY

The undersigned hereby applies to purchase units in REDWOOD MORTGAGE INVESTORS IX, LLC (the "company") in accordance with the terms and conditions of the limited liability company operating agreement attached as Appendix A to the prospectus dated.

1. Representations and Warranties. The undersigned represents and warrants to the company and its managers as follows:

(a) I have received the prospectus dated April 29, 2015, and I accept and agree to be bound by the terms and conditions of the organizational documents of the company.

(b) I am aware that this subscription may be rejected in whole or in part by the managers in their sole and absolute discretion; that my investment, if accepted, is subject to certain risks described in part in "RISK FACTORS" set forth in the prospectus; and that there will be no public market for units, and accordingly, it may not be possible for me to readily liquidate my investment in the company.

(c) I understand that units may not be sold or otherwise disposed of without the prior written consent of the managers, which consent may be granted or withheld in their sole discretion, that any transfer is subject to numerous other restrictions described in the prospectus and in the limited liability company operating agreement, and that if I am a resident of California or if the transfer occurs in California, any such transfer is also subject to the prior written consent of the California Commissioner of Business Oversight. I have liquid assets sufficient to assure myself that such purchase will cause me no undue financial difficulties and that I can provide for my current and anticipated future needs and possible personal contingencies, or if I am the trustee of a retirement trust, that the limited liquidity of the units will not cause difficulty in meeting the trust's obligations to make distributions to plan participants in a timely manner.

(d) I am of the age of majority (as established in the state in which I am domiciled) if I am an individual, and in any event, I have full power, capacity, and authority to enter into a contractual relationship with the company. If acting in a representative or fiduciary capacity for a corporation, partnership or trust, or as a custodian or agent for any person or entity, I have full power or authority to enter into this subscription agreement in such capacity and on behalf of such corporation, partnership, trust, person or entity.

(e) I am buying the units solely for my own account, or for the account of a member or members of my immediate family or in a fiduciary capacity for the account of another person or entity and not as an agent for another.

(f) I acknowledge and agree that counsel representing the company, the managers and their affiliates does not represent me and shall not be deemed under the applicable codes of professional responsibility to have represented or to be representing me or any of the members in any respect.

(g) If I am buying the units in a fiduciary capacity or as a custodian for the account of another person or entity, I have been directed by that person or entity to purchase the unit(s), and such person or entity is aware of my purchase of units on their behalf, and consents thereto and is aware of the merits and risks involved in the investment in the company.

BY MAKING THESE REPRESENTATIONS, THE INVESTOR HAS NOT WAIVED ANY RIGHT OF ACTION AVAILABLE UNDER APPLICABLE FEDERAL OR STATE SECURITIES LAWS INCLUDING BUT NOT LIMITED TO THE SECURITIES ACT OF 1933.

2. Power of Attorney. The undersigned hereby irrevocably constitutes and appoints the managers, and each of them, either one acting alone, as his true and lawful attorney-in-fact, with full power and authority for him, and in his name, place and stead, to execute, acknowledge, publish and file:

(a) The limited liability operating agreement and any amendments thereto or cancellations thereof required under the laws of the State of Delaware;

(b) Any other instruments, and documents as may be required by, or may be appropriate under, the laws of any state or other jurisdiction in which the company is doing or intends to do business; and

(c) Any documents which may be required to effect the continuation of the company, the admission of an additional or substituted member, or the dissolution and termination of the company.

The power of attorney granted above is a special power of attorney coupled with an interest, is irrevocable, and shall survive the death or incapacity of the undersigned or, if the undersigned is a corporation, partnership, trust or association, the dissolution or termination thereof. The power of attorney shall also survive the delivery of an assignment of units by a member; provided, that where the assignee thereof has been approved by the managers for admission to the company as a substituted member, such power of attorney shall survive the delivery of such assignment for the sole purpose of enabling the managers to execute, acknowledge, file and record any instrument necessary to effect such substitution.

3. Acceptance. This subscription agreement will be accepted or rejected by the managers within thirty (30) days of its receipt by the company. The managers also reserve the right to revoke its acceptance within such thirty (30) day period. Upon acceptance, this subscription will become irrevocable and non-cancelable and subscription funds are non-refundable for any reason. The undersigned is obligated to purchase the number of units specified herein, for the purchase price of $1 per unit. The managers will return a countersigned copy of this subscription agreement to accepted members, which copy (together with my canceled check) will be evidence of my purchase of units.

4. Payment of Subscription Price. The full purchase price for units is $1 per unit, payable in cash concurrently with delivery of this subscription agreement. I understand that my subscription funds will be deposited into a subscription account upon receipt, but that I will not be admitted as a member of the company until this subscription agreement has been accepted by the managers. If my subscription is accepted, I will be admitted as a member of the company not later than the last day of the calendar month following the date my subscription was accepted. In the interim, my subscription funds will earn interest at money market account rates. Such interest will be returned to me after I am admitted to the company.

5. THE UNDERSIGNED AGREES TO INDEMNIFY AND HOLD REDWOOD MORTGAGE INVESTORS IX, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AND ITS MANAGERS AND OTHER AGENTS AND EMPLOYEES HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, LIABILITIES, AND DAMAGES, INCLUDING, WITHOUT LIMITATION, ALL ATTORNEYS' FEES WHICH SHALL BE PAID AS INCURRED) WHICH ANY OF THEM MAY INCUR, IN ANY MANNER OR TO ANY PERSON, BY REASON OF THE FALSITY, INCOMPLETENESS OR MISREPRESENTATION OF ANY INFORMATION FURNISHED BY THE UNDERSIGNED HEREIN OR IN ANY DOCUMENT SUBMITTED HEREWITH.

6. Signature. The undersigned represents that: (a) I have read the foregoing and that all the information provided by me is accurate and complete; and (b) I will notify the manager(s) immediately of any material adverse change in any of the information set forth herein which occurs prior to the acceptance of my subscription.

Type of Ownership: (check one)

[ ] **INDIVIDUAL**

[ ] **TRUST** (Trustee signature required)
(Title page, Successor Trustee page and signature pages of the Trust Agreement must be enclosed)

* [ ] **JOINT TENANTS WITH RIGHTS OF SURVIVORSHIP**

* [ ] **COMMUNITY PROPERTY**

* [ ] **TENANTS IN COMMON**

[ ] **TOD – Transfer On Death**
(must be titled as an Individual or as Joint Tenants only – special form required)

* [ ] **IRA** (Investor and Custodian must sign)

* [ ] **ROTH IRA** (Investor and Custodian must sign)

* [ ] **SEP/IRA** (Investor and Custodian must sign)

[ ] **PENSION PLAN** (Trustee signature required)

[ ] **PROFIT SHARING PLAN** (Trustee signature required)

[ ] **401(k)** (Trustee signature required)

[ ] **OTHER** (Please describe)

_____

*** Two or more signatures required**

1. INVESTOR NAME AND ADDRESS Complete this section for all accounts. If asset is in a qualified plan Item 2 must also be completed. All checks and correspondence will go to this address unless another address is listed in Items 2 or 5 below.
[ ] Mr. [ ] Mrs. [ ] Ms. [ ] Dr.

_____
Name as it will appear on the account (How title should be held)

_____
(Additional Name(s) if held in joint tenancy, community property, tenants-in-common)

_____
Street Address

_____
City State Zip Code

_____ _____
Home Phone Number Social Security #/Taxpayer ID#

_____ **A Social Security Number or Tax ID is required for all accounts.**
Alternate Phone Number

2. CUSTODIAN REGISTRATION

Name of Custodian: _____
Please print here the exact name of Custodian

_____
Address

_____
City State Zip Code

_____ _____
Taxpayer ID# Client Account Number

_____
(X) CUSTODIAN SIGNATURE

3. INVESTMENT

Minimum initial investment 5,000 units ($5,000); minimum additional investment for existing member 1,000 units ($1,000). Partial unit purchases are acceptable.

Number of units to be purchased _____

Amount of payment enclosed _____

Please make check payable to Redwood Mortgage Investors IX, LLC

Check one: [ ] Initial Investment [ ] Additional Investment

A completed Subscription Agreement is required for each initial and additional investment

4. DISTRIBUTIONS Please check one of the following. Please note that all custodial account distributions not reinvested pursuant to t Distribution Reinvestment Plan will be directed to the custodian listed in Item 2.

Check One: [ ] I elect to participate in the Distribution Reinvestment Plan (DRP) with respect to all of my Units.

[ ] I elect to have distributions paid with respect to all of my Units.

[ ] I elect to participate in the DRP with respect to _____ of my Units and to have distributic paid to me with respect to _____ of my Units.

5. ALTERNATE ADDRESS FOR DISTRIBUTIONS

If cash distributions are to be sent to an address other than that listed in Item 1 or 2, please enter the information here. All other communications will be mailed to the investor's registered address of record under Item 1. In no event will the company or its affiliates be responsible for any adverse consequences of direct deposits.

_____ _____
Name Client Account #

_____
Address

_____
City State Zip Code

DIRECT DEPOSIT (Electronic Funds Transfer)

Check one: Checking [ ] Savings [ ]

(Must attach original voided check for checking account deposits, deposit slip for savings account deposits)

6. SIGNATURES Please read and initial each of the representations below:

	Investor	Joint Investor
(a) I have received the Prospectus for the company, and I accept and agree to be bound by the terms and conditions of the Prospectus	_____	_____
(b) I have a net worth (exclusive of home, furnishings, auto) of $70,000 and an annual gross income of at least $70,000 or a net worth of $250,000 (exclusive of home, furnishings, auto) or I meet the higher suitability requirements imposed by my state of residence as set forth in the prospectus (including any supplements thereto) under "Investor Suitability Standards."	_____	_____
(c) I am purchasing the units for my own account, and I acknowledge that there is no public market for the units.	_____	_____
(d) I acknowledge my acceptance as a member is subject to the discretion of the manager(s) as agreed to under Section 1(b). The acceptance process includes, but is not limited to, reviewing the Subscription Agreement for completeness and signatures, conducting an Anti-Money Laundering check as required by the USA Patriot Act and payment of the full purchase price of the shares.	_____	_____
(e) I have been informed by the participating broker-dealer firm specified herein, if any, of all pertinent facts relating to the lack of liquidity or marketability of this investment.	_____	_____

You do not waive any right you may have under the Securities Act of 1933, the Securities Exchange Act of 1934 or any state securities law by executing the Subscription Agreement. A sale of units may not be completed until after you have been in receipt of the final Prospectus for at least five (5) business days. If your Subscription Agreement is accepted, we will return to you a countersigned copy of the Subscription Agreement, which will constitute confirmation of your purchase of units.

IN WITNESS WHEREOF, the undersigned has executed below this _____ day of _____, 20____, at _____ (City)

Investor's primary residence is in _____ (State)

(X) _____
(Investor Signature and Title)

(X) _____
(Investor Signature and Title)

7. REGISTERED REPRESENTATIVE/ FINANCIAL ADVISOR INFORMATION

The registered representative or advisor, by signing below, certifies that he or she has reasonable grounds to believe, on the basis of information obtained from the investor concerning his or her investment objectives, other investments, financial situation and needs and any other information known by the selling broker-dealer, if any, that investment in the units is suitable for the investor and that suitability records are being maintained; and that he or she has informed the investor of all pertinent facts relating to the liquidity and marketability of the units.

Original Signatures Required

Registered Representative/Advisor

Name _____

Street Address _____

City, State, Zip Code _____

Phone Number _____

Email _____

X _____

Registered Representative/Advisor Signature

8. **BROKER-DEALER INFORMATION**

The undersigned broker-dealer hereby certifies that (i) a copy of the prospectus, as amended and/or supplemented to date, has been delivered to the above investor the requisite number of days prior to the date the Subscription Agreement was delivered to the company; and (ii) that the appropriate suitability determination as set forth in the prospectus has been made and that the appropriate records are being maintained.

Broker-Dealer Name _____

Street Address _____

City, State, Zip Code _____

X _____

Broker-Dealer Authorized Signature
(required on all applications by broker-dealer affiliated representatives)

Registered Investment Advisor (RIA) and Non-Commission Sales

[ ] Please check the box if this investment is made through an RIA charging no commission on this sale or otherwise is made with no commission paid to the RIA or participating broker-dealer.

This option is not available through all broker-dealers. Please contact Redwood Mortgage Investors for more information.

(If an owner or principal or any member of the RIA firm is a FINRA licensed registered representative affiliated with a broker-dealer, the transaction should be conducted through that broker-dealer for administrative purposes, not through the RIA.)

Complete this page only if this is an RIA/non-commission sale

REGISTERED INVESTMENT ADVISOR INFORMATION

Are you a Registered Investment Advisor ("RIA") under applicable state or federal law? [ ] YES [ ] NO

Broker-Dealer Affiliated? [ ] YES [ ] NO Broker-Dealer Name _____

The advisor certifies (i) that if the advisor is affiliated with a FINRA firm, that all fees received by him in connection with this transaction will be run through the books and records of the FINRA member firm in compliance with NASD Notice to Members 96-33, NASD Rule 3040 and FINRA Rule 3270; (ii) that if the investor has elected to pay client fees from earnings, the advisor hereby represents and warrants that he is a registered investment advisor under applicable federal and/or state securities laws; (iii) that, if applicable, the advisor understands and acknowledges that neither the company or the managers shall have any liability to him with respect to any client fees paid from members' earnings under the authorization agreement and that the managers and the company in no way guarantee that there will be sufficient cash for distribution to members and, thus in the case of a signed authorization agreement, sufficient cash for the member to pay the client fees from earnings; and (iv) that, in any dispute between the advisor and the member regarding payment of client fees, the company and the managers will respect the wishes of the member and that the managers and the company will have no liability to the advisor as a result thereof.

Please check applicable box.

[ ] **Yes, client fees paid.** If client fees are to be paid, the AUTHORIZATION TO MAKE PAYMENTS OF CLIENT FEES (below) must be completed and signed by the investor and the advisor.

[ ] **No client fees paid from earnings or distributions**

REDWOOD MORTGAGE INVESTORS IX, LLC
AUTHORIZATION TO MAKE PAYMENTS OF CLIENT FEES
FOR MEMBERS WHO UTILIZE THE SERVICES OF REGISTERED INVESTMENT ADVISORS

By signing this authorization the undersigned hereby authorizes and directs the company to pay to the person or entity set forth below as the payee an estimated annual amount equal to ____% (not more than 2% annually) of the undersigned's capital account ("client fees"). All client fees payable will be calculated on a monthly basis based upon the capital account balance of the member at the end of the month, and such client fees shall be paid to the advisor on a monthly basis. The capital accounts of the members who elect to pay client fees through the company will be less than the capital accounts of members who do not pay client fees or who do not pay client fees through the company.

The undersigned acknowledges and agrees that neither the company nor the manager(s) shall have any liability for disbursements made pursuant to this authorization. The undersigned acknowledges that all periodic cash distributions by the company are non-cumulative. Further, the undersigned acknowledges that the manager(s) is/are in no way guaranteeing that there will be sufficient cash flow for periodic cash distributions or that such distributions will be sufficient to make the payments authorized by this agreement. In the event of insufficient earnings, the company and the manager(s) shall have no liability to the undersigned or the payee. The undersigned further acknowledges and agrees that the company is authorized to comply with this request unless and until this authorization is expressly revoked in writing.

PAYEE (ADVISOR) [1]	INVESTOR
_____	_____
Name of Payee - Please Print	Name of Investor - Please Print
_____	_____
Authorized Signature of Payee	Signature of Investor
_____	_____
Firm Name	Signature of Joint Investor (if applicable)

[1] *If the advisor is affiliated with a FINRA broker-dealer firm, all fees received by him or her in connection with this transaction will be run through the books and records of the FINRA member in compliance with NASD Notice to Members 96-33, NASD Rule 3040 and FINRA Rule 3270.*

(Office Use Only)

9. **ACCEPTANCE**
This subscription will not be an effective agreement until it or a facsimile is signed by a manager of Redwood Mortgage Investors IX, LLC, a Delaware Limited Liability Company

This subscription accepted

REDWOOD MORTGAGE INVESTORS IX, LLC,
A Delaware Limited Liability Company
1825 S. Grant Street, Suite 250
San Mateo, CA 94402
(650) 365-5341

By: _____

Investor #: _____ Date Entered: _____

Check Amount: $_____ Check Date: _____

Check Number: _____

SPECIAL NOTICE FOR CALIFORNIA RESIDENTS ONLY
COMMISSIONER'S RULE 260.141.11

260.141.11 Restriction on Transfer

(a) The issuer of any security upon which a restriction on transfer has been imposed pursuant to Section 260.141.10 or 260.534 shall cause a copy of this section to be delivered to each issuee or transferee of such security at the time the certificate evidencing the security is delivered to the issuee or transferee.

(b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of these rules), except:

(1) to the issuer;

(2) pursuant to the order or process of any court;

(3) to any person described in Subdivision (i) of Section 25102 of the Code or Section 260.105.14 of these rules;

(4) to the transferor's ancestors, descendants or spouse, or any custodian or trustee for the account of the transferor or the transferor's ancestors, descendants, or spouse; or to a transferee by a trustee or custodian for the account of the transferee or the transferee's ancestors, descendants or spouse;

(5) to holders of securities of the same class of the same issuer;

(6) by way of gift or donation inter vivos or on death;

(7) by or through a broker-dealer licensed under the Code (either acting as such or as a finder) to a resident of a foreign state, territory or country who is neither domiciled in this state to the knowledge of the broker-dealer, nor actually present in this state if the sale of such securities is not in violation of any securities law of the foreign state, territory or country concerned;

(8) to a broker-dealer licensed under the Code in a principal transaction, or as an underwriter or member of an underwriting syndicate or selling group;

(9) if the interest sold or transferred is a pledge or other lien given by the purchaser to the seller upon a sale of the security for which the Commissioner's written consent is obtained or under this rule not required;

(10) by way of a sale qualified under Sections 25111, 25112, 25113, or 25121 of the Code, of the securities to be transferred, provided that no order under Section 25140 or subdivision (a) of Section 24143 is in effect with respect to such qualification;

(11) by a corporation to a wholly owned subsidiary of such corporation, or by a wholly owned subsidiary of a corporation to such corporation;

(12) by way of an exchange qualified under Section 25111, 25112 or 25113 of the Code, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;

(13) between residents of foreign states, territories or countries who are neither domiciled nor actually present in this state;

(14) to the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state; or

(15) by the State Controller pursuant to the Unclaimed Property Law or by the administrator of the unclaimed property law of another state if, in either such case, such person (i) discloses to potential purchasers at the sale that transfer of the securities is restricted under this rule, (ii) delivers to each purchaser a copy of this rule, and (iii) advises the Commissioner of the name of each purchaser;

(16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities;

(17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by subdivision (f) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.

(c) The certificates representing all such securities subject to such a restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their fact a legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:

"IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES."

Instructions for completing Subscription Agreement
Redwood Mortgage Investors IX, LLC

Please follow these instructions and complete each section carefully, as failure to do may result in rejection of your Subscription Agreement.

Type of Ownership (page 2)

Check the appropriate box to indicate what type of investment you are making. Note under each classification any additional signatures or documents that may be required. If the investment type you are making is not listed, enter it in the section titled OTHER.

Item 1. Investor Name and Address

Enter the full name of the investor. For trust accounts and non-custodial qualified plans enter the name of the trustee(s) on the first line and the trust or plan name on the second line. On custodial accounts this section must be completed for the benefit plan investor; custodial information is entered in Item 2.

Enter the investor's mailing address, phone and Social Security Number or Tax ID Number. If the investment is made in more than one name, only one Tax ID Number will be used and should be that of the first person listed.

Item 2. Custodian Registration

Custodian should complete this section, entering all pertinent information and signing accordingly.

Item 3. Investment

Enter the number of units purchased and the dollar amount of the investment.

Mark whether the investment is an initial or additional investment.

Item 4. Distributions

Check the appropriate box to indicate whether the investor elects to participate in the Distribution Reinvestment Plan of the company or to have earnings distributed monthly.

Each investor who elects to have distributions reinvested agrees to notify the company and the broker-dealer named in the Subscription Agreement in writing if at any time he or she fails to meet the applicable suitability standards or he or she is unable to make any other representations and warranties as set forth in the prospectus or Subscription Agreement.

Item 5. Special Address for Distributions

If distributions are to be sent to an address other than that provided in Item 1 or 2, provide the name, address and account number.

If distributions are to be made to a checking or savings account via electronic funds transfer, check the appropriate box and attach an original voided check for checking accounts or an original deposit slip for savings accounts.

Your request for EFT deposit may be rejected if it is not accompanied by the proper bank document as indicated above.

Item 6. Signatures

You are required to execute your own Subscription Agreement and our manager(s) will not accept any Subscription Agreement that has been executed by someone other than you unless, in the case of fiduciary accounts, the person has been given your legal power of attorney to sign on your behalf, and you meet all of the conditions in the Prospectus and the Subscription Agreement.

The investor initials each representation separately. If investment is held jointly or severally all investors must initial the representations.

Enter the date, city and state the Subscription Agreement was signed. If investment is held jointly or severally all investors must sign the Subscription Agreement. **Only original signatures will be accepted.**

Item 7. Registered Representative/Financial Advisor Information

The registered representative or financial advisor must complete and sign this section.

Registered Investment Advisors should also complete and sign this section.

Item 8. Broker-Dealer Information

All pertinent broker-dealer information must be included.

Subscription Agreements for commission sales must be signed by **both** the registered representative and the broker-dealer. Please note that if the registered representative is authorized to sign on behalf of the broker-dealer they must sign section 7 and 8.

The Subscription Agreement may be rejected if it is not fully completed and signed.

Only an original, completed and signed Subscription Agreement will be accepted. Photocopied or otherwise duplicated Subscription Agreements cannot be accepted.

Registered Investment Advisor and Non-Commission Sales

For sales made by RIAs or other non-commission sales, check the box at the end of Item 8 indicating as such. RIAs must also complete page 6 of the Subscription Agreement.

If the RIA is taking client fees paid from member earnings he or she must complete the AUTHORIZATION TO MAKE PAYMENTS OF CLIENT FEES and both the RIA and the investor must sign the authorization.

Item 9. Acceptance

Item 9 is for Redwood Mortgage Investors office use only

Forward the completed and signed original Subscription Agreement along with your payment to the following address. Wiring instructions are available. Please contact Investor Services for current wiring instructions.

Mailing Address
Redwood Mortgage Investors IX, LLC
1825 S. Grant Street, Suite 250
San Mateo, CA 94402

If you have any questions or require additional assistance in completing the Subscription Agreement, please contact Investor Services at (800) 659-6593, option 5.

Exhibit 10.1

FORM OF DISTRIBUTION REINVESTMENT PLAN

Redwood Mortgage Investors IX, LLC, a Delaware limited liability company (the "Company"), has adopted this distribution reinvestment plan (the "Plan"), administered by the Company, a manager of the Company or an unaffiliated third party (the "Administrator"), as agent for members who elect to participate in the Plan ("Participants"), on the terms and conditions set forth below. The Administrator shall be chosen by the Company. The initial Administrator shall be Redwood Mortgage Corp., a California corporation and a manager of the Company.

1. *Election to Participate*. Any purchaser of units of limited liability company interest of the Company (the "Units"), may become a Participant by making a written election to participate on such purchaser's subscription agreement at the time of subscription for Units. Any member who has not previously elected to participate in the Plan may so elect at any time by completing and executing an enrollment form obtained from the Administrator or any other appropriate documentation as may be acceptable to the Administrator. Participants in the Plan may designate the amount of their cash distributions with respect to all Units owned by them to be reinvested pursuant to the Plan.

2. *Distribution Reinvestment Plan*. The Administrator will receive the designated amount of cash distributions paid by the Company with respect to Units of Participants (collectively, the "Distributions"). Participation will commence with the next Distribution payable after receipt of the Participant's election pursuant to Section 1 hereof, provided it is received at least ten (10) days prior to the last day of the period to which such Distribution relates. Subject to the preceding sentence, regardless of the date of such election, a holder of Units will become a Participant in the Plan effective on the first day of the period following such election, and the election will apply to the designated amount of Distributions attributable to such period and to all periods thereafter.

3. *General Terms of Plan Investments*. The Administrator will apply all Distributions subject to this Plan, as follows:

   (a) The Administrator will invest Distributions in Units at a price of $1.00 per Unit until the earlier to occur of: (i) the issuance of all Units reserved for issuance pursuant to the Plan; (ii) the termination of the Company's offering of the Units reserved for issuance under the Plan pursuant to the Company's prospectus to which this form is an appendix, as thereafter amended or supplemented, and any subsequent offering of Plan Units pursuant to an effective registration statement; or (iii) the termination of this Plan pursuant to Paragraph 9 below.

   (b) No selling commissions, marketing support fee, wholesaling fee or marketing reallowance shall be paid with respect to Units purchased pursuant to the Plan.

   (c) For each Participant, the Administrator will maintain an account which shall reflect for each period in which Distributions are paid (a "Distribution Period") the Distributions received by the Administrator on behalf of such Participant. A Participant's account shall be reduced as purchases of Units are made on behalf of such Participant.

   (d) Distributions shall be invested in Units by the Administrator promptly following the payment date with respect to such Distributions to the extent Units are available for purchase under the Plan. If sufficient Units are not available, any such funds that have not been invested in Units within 30 days after receipt by the Administrator and, in any event, by the end of the fiscal quarter in which they are received, will be distributed to Participants. Any interest earned on such accounts will be paid to the Company and will become property of the Company.

(e) Participants may acquire fractional Units, computed to four decimal places, so that 100% of the Distributions will be used to acquire Units. The ownership of the Units shall be reflected on the books of the Company or its transfer agent.

(f) In making purchases for Participants' accounts, the Administrator may commingle Distributions attributable to Units owned by Participants and any additional payments received from Participants.

4. *Absence of Liability*. Neither the Company nor the Administrator shall have any responsibility or liability as to the value of the Units, any change in the value of the Units acquired for the Participant's account, or the rate of return earned on, or the value of, the interest-bearing accounts in which Distributions are invested. Neither the Company nor the Administrator shall be liable for any act done in good faith, or for any good faith omission to act, including, without limitation, any claims of liability with respect to the date on which Units are purchased for a Participant.

5. *Suitability*.

(a) Each Participant shall notify the Administrator in the event that, at any time during the Participant's participation in the Plan, there is any material change in the Participant's financial condition or inaccuracy of any representation under the subscription agreement for the Participant's initial purchase of Units.

(b) For purposes of this Paragraph 5, a material change shall include any anticipated or actual decrease in net worth or annual gross income or any other change in circumstances that would cause the Participant to fail to meet the suitability standards set forth in the prospectus for the Participant's initial purchase of Units.

6. *Reports to Participants*. Within sixty (60) days after the end of each calendar quarter, the Administrator will mail to each Participant a statement of account describing, as to such Participant, the Distributions received, the number of Units purchased and the per Unit purchase price for such Units pursuant to the Plan during the prior year. Each statement also shall advise the Participant that, in accordance with Section 5 hereof, the Participant is required to notify the Administrator in the event there is any material change in the Participant's financial condition or if any representation made by the Participant under the subscription agreement for the Participant's initial purchase of Units becomes inaccurate. Tax information regarding a Participant's participation in the Plan will be sent to each Participant by the Company or the Administrator at least annually.

7. *Taxes*. Taxable Participants may incur a tax liability for Distributions even though they have elected not to receive their Distributions in cash but rather to have their Distributions held in their account under the Plan.

8. *Termination*.

(a) A Participant may terminate or modify participation in the Plan at any time by written notice to the Administrator. In the case of a death of a Participant, an executor, heir or other administrator of such Participant's estate may terminate or modify participation in the Plan with respect to the Units of such Participant by written notice to the Administrator. To be effective for any Distribution, such notices must be received by the Administrator at least ten (10) days prior to the last day of the Distribution Period to which such Distribution relates.

(b) A Participant's transfer of Units will terminate participation in the Plan with respect to such transferred Units as of the first day of the Distribution Period in which such transfer is effective, unless the transferee of such Units in connection with such transfer demonstrates to the Administrator that such transferee meets the requirements for participation hereunder and affirmatively elects participation by delivering an executed authorization form or other instrument required by the Administrator.

9. *Amendment or Termination by Company*.

(a) The terms and conditions of this Plan may be amended by the Company at any time, including but not limited to an amendment to the Plan to substitute a new Administrator to act as agent for the Participants, by mailing an appropriate notice at least ten (10) days prior to the effective date thereof to each Participant.

(b) The Administrator may terminate a Participant's individual participation in the Plan, and the Company may terminate the Plan itself, at any time by ten (10) days prior written notice to a Participant, or to all Participants, as the case may be.

(c) After termination of the Plan or termination of a Participant's participation in the Plan, the Administrator will send to each Participant a check for the amount of any Distributions in the Participant's account that have not been invested in Units. Any future Distributions with respect to such former Participant's Units made after the effective date of the termination of the Participant's participation in the Plan will be sent directly to the former Participant or to such other party as the Participant has designated pursuant to an authorization form or other documentation satisfactory to the Administrator.

10. *State Regulatory Restrictions*. The Administrator is authorized to deny participation in the Plan to residents of any state or foreign jurisdiction that imposes restrictions on participation in the Plan that conflict with the general terms and provisions of this Plan.

11. *Notice*. Any notice or other communication required or permitted to be given by any provision of this Plan shall be in writing and, if to the Administrator, addressed to Investor Services Department, 1825 S. Grant Street, Suite 250, San Mateo, CA 94402, or such other address as may be specified by the Administrator by written notice to all Participants. Notices to a Participant may be given by letter addressed to the Participant at the Participant's last address of record with the Administrator. Each Participant shall notify the Administrator promptly in writing of any change of address.

12. *Governing Law*. THIS PLAN AND THE PARTICIPANT'S ELECTION TO PARTICIPATE IN THE PLAN SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

Exhibit 10.2

LOAN SERVICING AGREEMENT
AND AUTHORIZATION TO COLLECT

This Agreement is entered into as of the date set forth below by and between Redwood Mortgage Corp., a California corporation ("Broker") and the undersigned beneficiary ("Beneficiary") for the purpose of establishing the terms, conditions and authority for the servicing of a loan evidenced by a promissory note (the "Note") and deed of trust (the "Deed of Trust"), described as follows:

Borrower: _____

Loan Amount: _____ **Term:** _____ **Interest Rate:** _____**%**

Late Charge: _____ **Prepayment Bonus:** **Yes** _____ **No** **X**

Deed of Trust Recorded: Series # _____ **County** _____ **, CA**

Beneficiary's Investment: _____ **Percentage of Ownership:** _____**%**

It is understood that the Beneficiary's interest in said Note may be a fractional undivided ownership interest, and that other lenders ("partial beneficiaries") also may own fractional undivided interests in said Note. Beneficiary and the other partial beneficiaries (collectively "Beneficiaries") are not engaged in a partnership or joint venture, but their relationship is specifically agreed to be that of tenants in common. This Agreement shall be executed in counterpart by all Beneficiaries, each of which shall be deemed an original and all of which together shall constitute one agreement, and the terms hereof shall be uniformly binding upon and enforceable by Beneficiary and all other partial beneficiaries, against Broker and as between themselves. If Broker has previously originated and funded the Note and Deed of Trust in Broker's own name or the interest in the Note and Deed of Trust covered herby were previously held by another investor, Broker agrees to cause the Note to be duly endorsed or assigned to Beneficiary and to cause an assignment of the Deed of Trust to be recorded in favor of Beneficiary in the official records of the county where the security property is located within ten (10) business days after Broker receives any funds from Beneficiary or after close of escrow.

Beneficiary hereby appoints Broker to service the Note on his behalf from and after the close of escrow, to hold the original Note and the original Deed of Trust as Beneficiary's agent, and to deliver copies of all other documents as provided in Beneficiary's escrow instructions executed in connection with this loan transaction to Beneficiary at the address indicated below. Such servicing activities shall include all activities reasonably and customarily required to collect, disburse and account for payment of principal, interest, late charges and prepayment bonuses under the Note and to enforce all the terms and provisions of the Note and Deed of Trust including, without limitation, the commencement of foreclosure proceedings. Broker accepts such appointment and agrees to use diligence in the performance of its duties hereunder.

Broker further agrees as follows: (1) All loan payments received by Broker hereunder shall be deposited immediately into Broker's trust account, which trust account shall be maintained in accordance with the provisions of law and regulations applicable to trust accounts of licensed real estate Brokers and in accordance with the provisions of subsection 10238(k) of the California Real Estate Law; (2) Such loan payments shall not be commingled with the other assets of Broker or any affiliate, or used for any transaction other than the transaction for which such funds are received by Broker; (3) All loan payments received on the Note (less service fees as described below and other costs, charges, and anticipated foreclosure expenses) shall be transmitted to Beneficiary and the other partial beneficiaries pro rata according to their respective percentage ownership interests in the Note within 25 days after receipt thereof by Broker; (4) Broker shall provide Beneficiary with a monthly and annual accounting of Beneficiary's interest in the Note in conformance with Section 10233(b) of the California Real Estate Law; (5) Broker shall use diligence and care to assure that proper casualty insurance is maintained on the real property covered by the Deed of Trust or Deeds of Trust securing the Note; (6) Broker shall issue demands for payment and otherwise enforce the terms of the Note in accordance with its established policies; (7) Broker shall file a request for Notices of Default on prior encumbrances unless Broker will receive such notices pursuant to California Civil Code Section 2924(b), and Broker will promptly notify Beneficiary of any such defaults or on the Note covered hereby; and (8) To the extent required by subsection 10238(k)(3) of the California Real Estate Law, Broker will arrange for the inspection of Broker's trust account by an independent certified public accountant and forward the report of such accountant to the California Commissioner of Real Estate if and to the extent, in the manner, required by law.

In the event of any default by the obligor or obligors under the Note, Broker shall perform all acts and execute all documents necessary to exercise the power of sale contained in the Deed of Trust or Deeds of Trust securing same, including without limitation the following: Substitute trustees, select a foreclosure agent, give demands, accept reinstatements, commence litigation to enforce the collection of the Note, obtain relief from any court-ordered stay of foreclosure proceedings, defend any litigation which may seek to restrain said foreclosure, receive a trustee's deed for the benefit of Beneficiaries, as tenants-in-common, and otherwise to do all things

reasonably necessary or appropriate to enforce Beneficiary's rights under the Note and Deed of Trust or Deeds of Trust. Beneficiary hereby authorizes Broker to initiate, maintain and/or defend any such legal actions or proceedings in the name of Beneficiary, and to employ attorneys therefor at Beneficiary's expense. Broker agrees to notify Beneficiary in writing within fifteen (15) days after the occurrence of any of the following events: (1) the recording of a notice of default on behalf of Beneficiary; (2) the recording of a notice of trustee's sale on behalf of Beneficiary together with a copy of such notice; (3) the receipt of any payment constituting an amount equal to or greater than five monthly installment payments together with a request for partial or full reconveyance of the real property covered by the Deed of Trust, with any necessary or appropriate transfer or delivery instructions; (4) receipt by Broker on behalf of Beneficiary of any request for reconveyance of the Deed of Trust together with a copy of such request; or (5) delinquency of any installment or other obligation under the Note for more than 30 days.

Beneficiary agrees that Broker shall not be liable for any costs, expenses or damages that may arise from or in connection with any acts or omissions of Broker or its agents or employees hereunder, so long as any such act or omission shall have been undertaken in good faith, notwithstanding any active or passive negligence (whether sole or contributory) of Broker or its agents or employees, and Beneficiary shall hold Broker harmless therefrom.

In consideration for the services to be rendered hereunder, Broker shall be entitled to receive an annual service fee equal to one quarter of one percent (0.25%), or such lesser amount as may be agreed to by Broker and Beneficiary from time to time, of the outstanding principal balance of the Note, payable in equal monthly installments, or in other periodic payments if payments by obligor are made other than monthly. Broker is hereby authorized to deduct and retain all such service fees from the collected monthly loan payments or be paid by beneficiary monthly.

In the event of default in payment of any sum due under the Note, Broker shall be authorized to advance such payments to Beneficiary, but shall have no obligation whatsoever to do so. In the event the source for any payment to Beneficiary is not the obligor under the Note, then Broker shall inform Beneficiary of the actual source of such payment. Broker shall also be authorized to advance monthly payments or other sums to any senior lien holder, to pay insurance and taxes and to pay any other expenses reasonably incurred in connection with the enforcement of the Note and the protection of the security of the Deed of Trust securing same, but shall have no obligation whatsoever to do so. In the event of such advance by Broker, Broker shall, not later than 10 days after making any such payment, notify Beneficiary in writing of the date and amount of payment, the name of the payee, the source of funds and the reason for the payment.

In the event of a default under the Note or Deed of Trust, or any foreclosure action, legal action, sale or any other event in which payments are advanced to Beneficiary or any other person or expenses are incurred to protect the rights of Beneficiary under the Note and Deed of Trust, then Beneficiary agrees to pay (or reimburse Broker for) his pro rata share of such advances and expenses upon demand therefor by Broker, according to his respective ownership interest in the Note. In the event Beneficiary fails to pay such sums upon demand, then the following provisions shall apply: (1) interest shall accrue on such sums at the same rate as is provided in the Note, and (2) Broker and the other partial beneficiaries shall have the option, but not the obligation, to advance such sums for the benefit of Beneficiary. All sums thereafter collected by Broker hereunder shall be applied in the following priority; (1) first, to the reinstatement of any senior liens or encumbrances; (2) Second, to reimburse Broker for any advances made by Broker hereunder; (3) Third, to reimburse all Beneficiaries for any advances made to enforce the Note or protect the security of the Deed of Trust or Deeds of Trust securing same, in the same order as such advances were made; (4) Fourth, to the payment of interest under the Note; (5) Fifth, to the payment of accrued but unpaid principal under the Note (such principal and interest to be allocated among all Beneficiaries; and (6) Thereafter, any remaining sums shall be allocated to all Beneficiaries in accordance with their respective undivided interests in the Note.

In the event Beneficiary assigns his interest in the Note to any person, such assignment shall be evidenced by execution and delivery to Broker of an assignment or endorsement of the Note and a recordable assignment of the Deed of Trust, and the assignee shall be required to execute a counterpart of this Agreement.

Beneficiaries holding more than 50% of the unpaid dollar amount of the Note may determine and direct the actions by Broker on behalf of all partial Beneficiaries in the event of default or with respect to other matters requiring the direction or approval of the Beneficiaries under this Agreement.

Beneficiary is hereby notified of his, her or its right to receive a copy of the appraisal or Broker's evaluation of the real property covered by the Deed of Trust that was prepared in connection with the origination of the Note and Deed of Trust.

Upon any default under the Note or Deed of Trust Beneficiary shall have the right to (1) direct the Trustee under the Deed of Trust to exercise the power of sale contained therein, or (2) to bring an action of judicial foreclosure, in which event all other partial Beneficiaries shall be joined therein. Beneficiary understands and acknowledges that, if the power of sale under the Deed of Trust securing the Note is exercised, all Beneficiaries may acquire fee title to the security property as tenants-in-common. In such event, reasonable cooperation between all Beneficiaries will be essential for the protection of this investment, and Beneficiary therefore agrees to execute in favor of Broker a special power of attorney authorizing Broker on behalf of Beneficiary to list and market, the security property and to negotiate the sale of such property, execute sales contracts as agent for Beneficiary and consummate such sale in Beneficiary's name, place and stead and on Beneficiary's behalf, all on such terms and conditions as Broker may deem proper and reasonable; provided, that any sale that will generate net sales proceeds to Beneficiary, after payment of all selling expenses, in an amount less than the outstanding principal balance of the Note as of the date of the foreclosure sale, shall be subject to approval by more than 50% of the partial Beneficiaries under the Note and Deed of Trust.

Beneficiary hereby authorizes Broker, as Beneficiary's agent, to receive and act upon any Notice of Rescission delivered by any borrower under the Truth in Lending Simplification and Reform Act (the "Act") with respect to the Note or any refinancing thereof. In the event that Beneficiary is a creditor as defined in the Act, Beneficiary hereby agrees that Broker shall comply with all requirements of the Act and regulations issued thereunder , and to give all written disclosures required thereby.

In the event at the time of maturity of this Note, the borrower is in the process of refinancing the loan with the assistance of Broker, the Beneficiary agrees to extend the term of this loan for an additional period not to exceed (90) days or such other period of time to which the Broker and Beneficiary agree. All other terms and conditions of the original Promissory Note shall continue in full force and effect during said extension period.

This Agreement may be terminated by the parties as follows: (1) by Broker, at any time, upon 30 days written notice to Beneficiary; provided, however, if there are multiple Beneficiaries and the Note and Deed of Trust were sold by Broker pursuant to the exemption contained in Section 10238 of the California Real Estate Law, then Broker shall not have the right to terminate this Agreement without the approval of Beneficiaries holding more than 50% of the outstanding ownership interests in the Note; or (2) by Beneficiary and/or other partial Beneficiaries holding more than 50% of the outstanding ownership interests in the Note, upon 30 days written notice to Broker. Beneficiary understands that this Agreement may not be terminated by Beneficiary alone without the written consent of such majority interest of all owners of the Note, and further that other partial Beneficiaries have the right to terminate this Agreement as to all Beneficiaries including the undersigned Beneficiary, without Beneficiary's consent, if such other partial BENEFICIARIES constitute more than 50% of the interests of all owners of the Note. In such event, Beneficiary agrees to accept the substitution of any servicing agent chosen by such majority interest so long as the compensation to be paid shall not exceed the amounts set forth herein.

By signing below, Beneficiary hereby acknowledges receipt of a copy of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the respective dates set forth below.

Broker: **REDWOOD MORTGAGE CORP., a California corporation**

By: _____
Michael R. Burwell, President

Date: _____

Beneficiary: **REDWOOD MORTGAGE INVESTORS IX, LLC a Delaware limited liability company**

By: **Redwood Mortgage Corp., a California corporation**
Its: **Manager**

_____
Michael R. Burwell, President

Date: _____

Exhibit 10.3

PROMISSORY NOTE

Loan No.: , 20
San Mateo, California

FOR VALUABLE CONSIDERATION, , (herein "Maker"), hereby promises to pay to REDWOOD MORTGAGE INVESTORS IX, LLC, a Delaware limited liability company, or order (herein "Payee"), at the address set forth below, or at such other address as the holder hereof may from time to time designate, the sum of ($), with interest on the unpaid balance of the principal sum disbursed by Payee to or for the account of Maker at the interest rate specified below.

1. Interest and Payments

(a) **Fixed Rate Interest**. Maker agrees that fixed interest earned by and payable to Payee hereunder ("Interest") shall be equal to percent (%) per year of the principal sum disbursed by Payee. Interest shall be calculated for actual days elapsed on the basis of a 360-day year, which results in higher interest payments than if a 365-day were used.

(b) **Payments**. Interest shall be payable by Maker from the date of disbursement of funds by Payee, with the Interest for the period through , 20 , due and payable upon execution and delivery of this Note. Beginning on , 20 , and on the first day of each consecutive month thereafter until the Maturity Date (as defined below), Maker shall make monthly payments of $ consisting of principal and Interest. All payments received shall be credited first to costs, then to Interest, and last to principal due hereunder.

2. Maturity Date. The outstanding principal balance of this Note and all accrued but unpaid Interest shall be due and payable in full on ("Maturity Date").

3. Prepayment. The right is reserved by Maker to prepay the outstanding principal amount in whole or in part together with accrued Interest thereon. All prepayments shall be applied to the most remote principal installments then unpaid under this Note.

4. Late Charge. If Payee fails to receive any payments of Interest or principal within ten (10) days after the date the same is due and payable, a late charge to compensate Payee for damages Payee will suffer as a result shall be immediately due and payable. Maker recognizes that a default by Maker in making the payments agreed to be paid when due will result in Payee's incurring additional expenses in servicing the loan, including, but not limited to, sending out notices of delinquency, computing interest, and segregating the delinquent sums from not delinquent sums on all accounting, loan and data processing records, in loss to Payee of the use of the money due, and in frustration to Payee in meeting its other financial commitments. Maker agrees that if for any reason Maker fails to pay any amounts due under this Note so that Payee fails to receive such payments within ten (10) days after the same are due and payable, Payee shall be entitled to damages for the detriment caused thereby, but that it is extremely difficult and impractical to ascertain the extent of such damages. Maker therefore agrees that a sum equal to $.06 for each $1.00 of each payment that becomes delinquent ten (10) days after its due date, is a reasonable estimate of the fair average compensation for the loss and damages Payee will suffer, that such amount shall be presumed to be the amount of damages sustained by Payee in such case, and that Maker agrees to pay Payee this sum on demand.

5. Default. If there exists any Event of Default, as defined below, under the terms of this Note or under the terms of the Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing ("Deed of Trust") dated on or about the date of this Note executed by Maker to PLM Lender Services, Inc., a California corporation, as Trustee, for the use and benefit of Payee covering and relating to the interest of Maker in the property particularly described in Exhibit A to the Deed of Trust ("Property") or any other document executed in connection with this Note (herein called "Loan Documents"), Payee or the holder hereof is expressly authorized without notice or demand of any kind to make all sums of Interest and principal and any other sums owing under this Note immediately due and payable and to apply all payments made on this Note or any of the Loan Documents to the payment of any such part of any Event of Default as it may elect.

An Event of Default shall be either: (1) a default in the payment of the whole or in any part of the several installments of this Note when due, or (2) any of the Events of Default contained in any of the Loan Documents. At any time after an Event of Default the entire unpaid balance of principal, together with Interest accrued thereon, shall, at the option of the legal holder hereof and without notice (except as specified in any Loan Documents) and without demand or presentment, become due and payable at the place of payment. Anything contained herein or in any of the Loan Documents to the contrary notwithstanding, the principal balance together with accrued Interest thereon so accelerated and declared due as aforesaid shall continue to bear Interest and shall include compensation for late payments on any and all overdue installments as described above.

If an Event of Default has occurred, the failure of Payee or the holder hereof to promptly exercise its rights to declare the indebtedness remaining unpaid hereunder to be immediately due and payable shall not constitute a waiver of such rights while such Event of Default continues nor a waiver of such right in connection with any future Event of Default.

Maker hereby waives presentment for payment, protest and demand, and notice of protest, demand, dishonor, nonpayment and nonperformance including notice of dishonor with respect to any check or draft used in payment of any sum due hereunder.

6. Legal Limits. All agreements between Maker and Payee are hereby expressly limited so that in no event whatsoever, whether by reason of deferment in accordance with this Note or under any agreement or by virtue of the advancement of the loan proceeds, acceleration or maturity of the loan, or otherwise, shall the amount paid or agreed to be paid to the Payee for the loan, use, forbearance or detention of the money to be loaned hereunder or to compensate Payee for damages to be suffered by reason of a late payment hereof, exceed the maximum permissible under applicable law. If, from any circumstances whatsoever, fulfillment of any provision hereof, or of any provision in any of the Loan Documents at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, ipso facto the obligations to be fulfilled shall be reduced to the limit of such validity. This provision shall never be superseded or waived and shall control every other provision of all agreements between Maker and Payee.

7. Attorneys' Fees. If an action is instituted on this Note, or if any other judicial or non-judicial action is instituted by the holder hereof or by any other person, and an attorney is employed by the holder hereof to appear in any such action or proceeding or to reclaim, sequester, protect, preserve or enforce the holder's interest in the real property security or any other security for this Note, including, but not limited to, proceedings to foreclose the loan evidenced hereby, proceedings under the United States Bankruptcy Code, or in eminent domain, or under the probate code, or in connection with any state or federal tax lien, or to enforce an assignment of rents, or for the appointment of a receiver, the Maker and every endorser and guarantor hereof and every person who assumes the obligations evidenced by this Note and the Loan Documents, jointly and severally promise to pay reasonable attorney's fees for services performed by the holder's attorneys, and all costs and expenses incurred incident to such employment. If Maker is the prevailing party in any action by Maker pursuant to this Note, Payee shall pay such attorneys fees as the court may direct.

8. Interest After Expiration or Acceleration. If the entire balance of principal and accrued Interest is not paid in full on the Maturity Date or upon acceleration of this Note as provided in paragraphs 5 above or 10 below, without waiving or modifying in any way any of the rights, remedies or recourse Payee may have under this Note or under any of the Loan Documents by virtue of this default, the entire unpaid balance of principal and accrued Interest shall bear interest from the Maturity Date or the

date of acceleration until paid in full at the higher of: (a) eighteen percent (18%) per annum; or (b) a fluctuating rate per annum at all times equal to the Discount Rate of the Federal Reserve Bank of San Francisco ("Discount Rate") plus percent (%) ("Maturity Interest Rate"). If at any time the Discount Rate (or any previously substituted alternative index) is no longer available, is unverifiable, or is no longer calculated in substantially the same manner as before, then Payee may, in its sole and absolute discretion, select and substitute an alternative index over which Payee has no control. In addition, the holder hereof shall have any and all other rights and remedies available at law or in equity or under the Deed of Trust.

9. Security. This Note is secured by and is entitled to the benefits of the Deed of Trust. The provisions of the Deed of Trust are incorporated herein by reference as if set forth in full, and this Note is subject to all of the covenants and conditions therein contained.

10. Acceleration. Without limiting the obligations of Maker or the rights and remedies of Payee or the holder hereof under the terms and covenants of this Note and the Deed of Trust, Maker agrees that Payee shall have the right, at its sole option, to declare any indebtedness and obligations hereunder or under the Deed of Trust, irrespective of the Maturity Date specified herein, due and payable in full if: (1) Maker or any one or more of the tenants-in-common, joint tenants, or other persons comprising Maker sells, enters into a contract of sale, conveys, alienates or encumbers the Property or any portion thereof or any fractional undivided interest therein, or suffers Maker's title or any interest therein to be divested or encumbered, whether voluntarily or involuntarily, or leases with an option to sell, or changes or permits to be changed the character or use of the Property, or drills or extracts or enters into a lease for the drilling for or extracting of oil, gas or other hydrocarbon substances or any mineral of any kind or character on the Property; (2) The interest of any general partner of Maker (or the interest of any general partner in a partnership that is a partner) is assigned or transferred; (3) If Maker is a corporation or partnership, more than twenty-five percent (25%) of the corporate stock of Maker (or of any corporate partner or other corporation comprising Maker) is sold, transferred or assigned; (4) There is a change in beneficial ownership with respect to more than twenty-five percent (25%) of Maker (if Maker is a limited liability company, trust or other legal entity) or of any partner or tenant-in-common of Maker which is a limited liability company, trust or other legal entity; or (5) a default has occurred hereunder or under any Loan Document and is continuing. In such case, Payee or other holder of this Note may exercise any and all of the rights and remedies and recourses set forth in the Deed of Trust and as granted by law. Maker and any successor who acquires any record interest in the Property agrees to notify Payee promptly in writing of any transaction or event described in this section.

11. Governing Law and Severability. This Note is made pursuant to, and shall be construed and governed by, the laws of the State of California. If any paragraph, clause or provision of this Note or any of the Loan Documents is construed or interpreted by a court of competent jurisdiction to be void, invalid or unenforceable, such decision shall affect only those paragraphs, clauses or provisions so construed or interpreted and shall not affect the remaining paragraphs, clauses and provisions of this Note or the other Loan Documents.

12. Time of Essence. Time is of the essence of this Note.

13. Payment Without Offset. Principal and Interest shall be paid without deduction or offset in immediately available funds in lawful money of the United States of America. Payments shall be deemed received only upon actual receipt by Payee and upon Payee's application of such payments as provided herein.

14. Notices. All notices under this Note shall be in writing and shall be effective upon personal delivery to the authorized representatives of either party or upon being sent by certified or first class mail, postage prepaid, addressed to the following respective parties as follows:

MAKER: _____
_____
_____
Attn: _____

PAYEE: Redwood Mortgage Investors IX, LLC
c/o Redwood Mortgage Corp.
1825 South Grant Street, Suite 250
San Mateo, CA 94402
Attn: Michael Burwell

15. Collection. Any remittances by check or draft may be handled for collection in accordance with the practices of the collecting party and any receipt issued therefor shall be void unless the amount due is actually received by Payee.

16. Assignment. Payee or other holder of this Note may assign all of its rights, title and interest in this Note to any person, firm, corporation or other entity without the consent of Maker.

17. Relationship. The relationship of the parties hereto is that of borrower and lender and it is expressly understood and agreed that nothing contained herein or in any of the Loan Documents shall be interpreted or construed to make the parties partners, joint venturers or participants in any other legal relationship except for borrower and lender.

18. Remedies. No right, power or remedy given Payee by the terms of this Note, or in the Loan Documents is intended to be exclusive of any right, power or remedy, and each and every such right, power or remedy shall be cumulative and in addition to every other right, power or remedy given to Payee by the terms of any of the Loan Documents or by any statute against Maker or any other person. Every right, power and remedy of Payee shall continue in full force and effect until such right, power or remedy is specifically waived by an instrument in writing, executed by Payee.

19. Joint and Several Liability. If Maker is composed of more than one person, then each person comprising Maker shall be jointly and severally liable for the obligations, covenants and agreements created by or arising out of this Note.

20. Headings. The subject headings of the paragraphs of this Note are included for purposes of convenience only, and shall not affect the construction or interpretation of any of its provisions.

Maker: _____

_____

Exhibit 10.4

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Redwood Mortgage Corp.
1825 South Grant Street, Suite 250
San Mateo, CA 94402
Attn: Michael Burwell

LOAN NO.:

**DEED OF TRUST, ASSIGNMENT
OF LEASES AND RENTS, SECURITY
AGREEMENT AND FIXTURE FILING**

THIS DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "Deed of Trust") is made as of , by , the owner(s) of the property described below, whose address is , (herein "Trustor"), to PLM LENDER SERVICES, INC., a California corporation, whose address is 46 N. Second Street, Campbell, California 95008, (herein "Trustee"), in favor of REDWOOD MORTGAGE INVESTORS IX, LLC, a Delaware limited liability company, whose address is c/o Redwood Mortgage Corp., 1825 South Grant Street, Suite 250, San Mateo, CA 94402 (herein "Beneficiary").

Trustor, in consideration of the indebtedness described by this Deed of Trust, irrevocably grants, conveys, transfers and assigns to Trustee, its successors and assigns, in trust, with power of sale and right of entry and possession, all of Trustor's present and future estate, right, title and interest in and to the following (which shall hereafter be referred to as the "Mortgaged Property"):

(a) Land. That certain real property located in the City of , County of , State of California, more particularly described in Exhibit A attached hereto and incorporated herein by this reference (the "Land");

(b) Improvements. All buildings and other improvements now or hereafter located on the Land, including, but not limited to, the Fixtures (as defined below) (collectively, the "Improvements");

(c) Fixtures. All fixtures (goods that are or become so related to the Land or Improvements that an interest in them arises under real estate law) now or hereafter located on, attached to, installed in or used in connection with the Land and Improvements;

(d) Intellectual Property Rights, Other Personal Property. All intangible property and rights relating to the Land or the operation thereof, or used in connection therewith, including, without limitation, tradenames and trademarks; all machinery, equipment, building materials, appliances and goods of every nature whatsoever (herein collectively called "equipment" and other "personal property") now or hereafter located in, or on, attached or affixed to, or used or intended to be used in connection with, the Land and the Improvements, including, but without limitation, all heating, lighting, laundry, incinerating, gas, electric and power equipment, engines, pipes, pumps, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire prevention, fire extinguishing, refrigerating, ventilating and communications apparatus, air cooling and air conditioning apparatus, elevators and escalators and related machinery and equipment, pool and pool operation and maintenance equipment and apparatus, shades, awnings, blinds, curtains, drapes, attached floor coverings, including rugs and carpeting, television, radio and music cable antennae and systems, screens, storm doors and windows, stoves, refrigerators, dishwashers and other installed appliances, attached cabinets, partitions, ducts and compressors, furnishings and furniture, and trees, plants and other items of landscaping (except that the foregoing equipment and other personal property covered hereby shall not include machinery, apparatus, equipment, fittings and articles of personal property used in the business of Trustor (commonly referred to as "trade fixtures") whether the same are annexed to said real property or not, unless the same are also used in the operation of any building or other improvement located thereon or unless the same cannot be removed without materially damaging said real property or any such building or other improvement), all of which, including replacements and additions thereto, shall, to the fullest extent permitted by law and for the purposes of this Deed of Trust, be deemed to be part and parcel of, and appropriated to the use of, said real property and, whether affixed or annexed thereto or not, be deemed conclusively to be real property and conveyed by this Deed of Trust, and all proceeds and products of any and all thereof;

(e) Contracts, Permits, Plans, Easements. All now or hereafter existing plans and specifications prepared for construction of Improvements on the Land and all studies, data and drawings related thereto, and also all contracts and agreements of Trustor relating to the plans and specifications or to the studies, data and drawings, or to the construction of Improvements on the Land (the "Plans and Specifications"); all contracts, permits, certificates, plans, studies, data, drawings, licenses, approvals, entitlements and authorizations, however, characterized, issued or in any way furnished for the acquisition, construction, operation and use of the Land or the Improvements, including building permits, environmental certificates, licenses, certificates of operation, warranties and guaranties; all easements, rights and appurtenances thereto or used in connection with the above-described Land or Improvements;

(f) Interest in Leases. All existing and future Leases (as defined in Section 1.03 (b) (1) below) relating to the Land and Improvements or any interest in them;

(g) Proceeds. All rents, royalties, issues, profits, revenues, income, remittances, payments and other benefits arising or derived from the use or enjoyment of all or any portion of the Land or Improvements, or derived from any Lease, sublease, license, or agreement relating to the use or enjoyment of the Land or Improvements (subject to the rights given below to Trustor to collect and apply such rents, royalties, issues, profits, revenues, income, remittances, payments and other benefits);

(h) Additional Proceeds. All Trustor's other existing or future estates, easements, licenses, interests, rights, titles, homestead or other claims or demands, both in law and in equity in the Mortgaged Property including, without limitation, (1) all damages or awards made to Trustor related to the Mortgaged Property, including without limitation, for the partial or complete taking by eminent domain, or by any proceeding or purchase in lieu of eminent domain, of the Mortgaged Property, and (2) all proceeds of any insurance covering the Mortgaged Property. Trustor agrees to execute and deliver, from time to time, such further instruments and documents as may be required by Beneficiary to confirm the lien of this Deed of Trust on any of the foregoing.

FOR THE PURPOSE OF SECURING, in such order of priority as Beneficiary may elect:

(a) The repayment of the indebtedness evidenced by Trustor's promissory note of even date herewith payable to the order of Beneficiary in the original principal sum of ($), with interest thereon, as provided therein, and all prepayment charges, late charges and loan fees required thereunder, and all extensions, renewals, modifications, amendments and replacements thereof (herein "Note");

(b) The payment of all other sums which may be advanced by or otherwise be due to Trustee or Beneficiary under any provision of this Deed of Trust or under any other instrument or document referred to in subsection (c) below, with interest thereon at the rate provided herein or therein;

(c) The performance of each and every of the covenants and agreements of Trustor contained in (1) this Deed of Trust and the Note, and in any note evidencing a Future Advance (as hereinafter defined), (2) in the Environmental Agreement and Indemnity executed by Trustor concurrently herewith, and in any and all pledge agreements, supplemental agreements, assignments and all instruments of indebtedness or security now or hereafter executed by Trustor in connection with any indebtedness referred to in subsection (a) above or subsection (d) below or for the purpose of supplementing or amending this Deed of Trust or any instrument secured hereby (all of the foregoing in Clause (2), as the same may be amended, modified or supplemented from time to time, being referred to hereinafter as "Related Agreements"); and

(d) The repayment of any other loans or advances, with interest thereon, hereafter made to Trustor (or any successor in interest to Trustor as the owner of the Mortgaged Property or any part thereof) by Beneficiary when the promissory note evidencing the loan or advance specifically states that said note is secured by this Deed of Trust, together with all extensions, renewals, modifications, amendments and replacements thereof (herein "Future Advance").

ARTICLE I
COVENANTS OF TRUSTOR

To protect the security of this Deed of Trust, Trustor covenants and agrees as follows:

1.01 Performance of Obligations Secured.

Trustor shall promptly pay when due the principal of and interest on the indebtedness evidenced by the Note, the principal of and interest on any Future Advances, and any prepayment, late charges and loan fees provided for in the Note or in any note evidencing a Future Advance or provided for herein, and shall further perform fully and in a timely manner all other obligations of Trustor contained herein or in the Note or in any note evidencing a Future Advance or in any of the Related Agreements. All sums payable by Trustor hereunder shall be paid without demand, counterclaim, offset, deduction or defense and Trustor waives all rights now or hereinafter conferred by statute or otherwise to any such demand, counterclaim, offset, deduction or defense.

1.02 Insurance.

Trustor shall keep the Mortgaged Property insured with an all-risk policy insuring against loss or damage by fire and earthquake with extended coverage and against any other risks or hazards which, in the opinion of Beneficiary, should be insured against, in an amount not less than 100% of the full insurable value thereof on a replacement cost basis, with an inflation guard endorsement, with a company or companies and in such form and with such endorsements as may be approved or required by Beneficiary, including, if applicable, boiler explosion coverage and sprinkler leakage coverage. All losses under said insurance, and any other insurance obtained by Trustor with respect to the Mortgaged Property whether or not required by Beneficiary, shall be payable to Beneficiary and shall be applied in the manner provided in Section 1.03 hereof. Trustor shall also carry comprehensive general public liability insurance and twelve (12) months' rent loss insurance in such form and amounts and with such companies as are satisfactory to Beneficiary. Trustor shall also carry insurance against flood if required by the Federal Flood Disaster Protection Act of 1973 and regulations issued thereunder. All hazard, flood and rent loss insurance policies shall be endorsed with a standard noncontributory mortgagee clause in favor of and in form acceptable to Beneficiary, and may be canceled or modified only upon not less than thirty (30) days' prior written notice to Beneficiary. All of the above-mentioned insurance policies or certificates of such insurance satisfactory to Beneficiary, together with receipts for the payment of premiums thereon, shall be delivered to and held by Beneficiary, which delivery shall constitute assignment to Beneficiary of all return premiums to be held as additional security hereunder. All renewal and replacement policies shall be delivered to Beneficiary at least thirty (30) days before the expiration of the expiring policies. Beneficiary shall not by the fact of approving, disapproving, accepting, preventing, obtaining or failing to obtain any insurance, incur any liability for or with respect to the amount of insurance carried, the form or legal sufficiency of insurance contracts, solvency of insurance companies, or payment or defense of lawsuits, and Trustor hereby expressly assumes full responsibility therefor and all liability, if any, with respect thereto.

1.03 Condemnation and Insurance Proceeds.

(a) The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of or damage or injury to the Mortgaged Property, or any part thereof, or for conveyance in lieu of condemnation, are hereby assigned to and shall be paid to Beneficiary. In addition, all causes of action, whether accrued before or after the date of this Deed of Trust, of all types for damages or injury to the Mortgaged Property or any part thereof, or in connection with any transaction financed by funds loaned to Trustor by Beneficiary and secured hereby, or in connection with or affecting the Mortgaged Property or any part thereof, including, without limitation, causes of action arising in tort or contract and causes of action for fraud or concealment of a material fact, are hereby assigned to Beneficiary as additional security, and the proceeds thereof shall be paid to Beneficiary. Beneficiary may at its option appear in and prosecute in its own name any action or proceeding to enforce any such cause of action and may make any compromise or settlement thereof. Trustor, immediately upon obtaining knowledge of any casualty damage to the Mortgaged Property or damage in any other manner in excess of $25,000.00 or knowledge of the institution of any proceedings relating to condemnation or other taking of or damage or injury to the Mortgaged Property or any portion thereof, will immediately notify Beneficiary in writing. Beneficiary, in its sole discretion, may participate in any such proceedings and may join Trustor in adjusting any loss covered by insurance.

(b) All compensation, awards, proceeds, damages, claims, insurance recoveries, rights of action and payments which Trustor may receive or to which Trustor may become entitled with respect to the Mortgaged Property in the event of any damage or injury to or a partial condemnation or other partial taking of the Mortgaged Property shall be paid over to Beneficiary and shall be applied first toward reimbursement of all costs and expenses of Beneficiary in connection with recovery of the same, and then shall be applied, as follows:

(1) Beneficiary shall consent to the application of such payments to the restoration of the Mortgaged Property so damaged if and only if Trustor fulfills all of the following conditions (a breach of any one of which shall constitute an Event of Default under this Deed of Trust and shall entitle Beneficiary to exercise all rights and remedies Beneficiary may have in such event): (a) that no default or Event of Default is then outstanding under this Deed of Trust, the Note, or any Related Agreement; (b) that Trustor is not in default under any of the terms, covenants and conditions of any of the Leases (hereinafter defined); (c) that the Leases shall continue in full force and effect; (d) that Trustor has in force rental continuation and business interruption insurance covering the Mortgaged Property for the longer of twelve (12) months or the time Beneficiary reasonably estimates will be necessary to complete such restoration and rebuilding; (e) Beneficiary is satisfied that during the period from the time of damage or taking until restoration and rebuilding of the Mortgaged Property is completed (the "Gap Period") Trustor's net income from (1) all leases, subleases, licenses and other occupancy agreements affecting the Mortgaged Property (the "Leases") which may continue without abatement of rent during such Gap Period, plus (2) all Leases in effect during the Gap Period without abatement of rent which Trustor may obtain in substitution for any of the same which did not continue during such Gap Period, plus (3) the proceeds of rental continuation and business interruption insurance, is sufficient to satisfy Trustor's obligations under this Deed of Trust as they come due;
(f) Beneficiary is satisfied that the insurance or award proceeds shall be sufficient to fully restore and rebuild the Mortgaged Property free and clear of all liens except the lien of this Deed of Trust, or, in the event that such proceeds are in Beneficiary's sole judgment insufficient to restore and rebuild the Mortgaged Property, then Trustor shall deposit promptly with Beneficiary funds

which, together with the insurance or award proceeds, shall be sufficient in Beneficiary's sole judgment to restore and rebuild the Mortgaged Property; (g) construction and completion of restoration and rebuilding of the Mortgaged Property shall be completed in accordance with plans and specifications and drawings submitted to and approved by Beneficiary, which plans, specifications and drawings shall not be substantially modified, changed or revised without the Beneficiary's prior written consent; (h) Beneficiary shall also have approved all prime and subcontractors, and the general contract or contracts the Trustor proposes to enter into with respect to the restoration and rebuilding; and (i) any and all monies which are made available for restoration and rebuilding hereunder shall be disbursed through Beneficiary, the Trustee or a title insurance and trust company satisfactory to Beneficiary, in accord with standard construction lending practice, including, if requested by Beneficiary, monthly lien waivers and title insurance datedowns, and the provision of payment and performance bonds by Trustor, or in any other manner approved by Beneficiary in Beneficiary's sole discretion; or

(2) If less than all of conditions (a) through (i) in subsection (1) above are satisfied, then such payments shall be applied in the sole and absolute discretion of Beneficiary (a) to the payment or prepayment with any applicable prepayment premium of any indebtedness secured hereby in such order as Beneficiary may determine, or (b) to the reimbursement of Trustor's expenses incurred in the rebuilding and restoration of the Mortgaged Property. In the event Beneficiary elects under this subsection (2) to make any monies available to restore the Mortgaged Property, then all of conditions (a) through (i) in subsection (1) above shall apply, except such conditions which Beneficiary, in its sole discretion, may waive.

(c) If any material part of the Mortgaged Property is damaged or destroyed and the loss is not adequately covered by insurance proceeds collected or in the process of collection, Trustor shall deposit, within ten (10) days of the Beneficiary's request therefor, the amount of the loss not so covered.

(d) All compensation, awards, proceeds, damages, claims, insurance recoveries, rights of action and payments which Trustor may receive or to which Trustor may become entitled with respect to the Mortgaged Property in the event of a total condemnation or other total taking of the Mortgaged Property shall be paid over to Beneficiary and shall be applied first toward reimbursement of all costs and expenses of Beneficiary in connection with recovery of the same, and then shall be applied to the payment or prepayment with any applicable prepayment premium of any indebtedness secured hereby in such order as Beneficiary may determine, until the indebtedness secured hereby has been paid and satisfied in full. Any surplus remaining after payment and satisfaction of the indebtedness secured hereby shall be paid to Trustor as its interest may then appear.

(e) Any application of such amounts or any portion thereof to any indebtedness secured hereby shall not be construed to cure or waive any default or notice of default hereunder or invalidate any act done pursuant to any such default or notice.

(f) If any part of any automobile parking areas included within the Mortgaged Property is taken by condemnation or before such areas are otherwise reduced, Trustor shall provide parking facilities in kind, size and location to comply with all Leases, and before making any contract for such substitute parking facilities, Trustor shall furnish to Beneficiary satisfactory assurance of completion thereof, free of liens and in conformity with all governmental zoning, land use and environmental regulations.

1.04 Taxes, Liens and Other Items.

Trustor shall pay at least ten days before delinquency, all taxes, bonds, assessments, special assessments, common area charges, fees, liens, charges, fines, penalties, impositions and any and all other items which are attributable to or affect the Mortgaged Property and which may attain a priority over this Deed of Trust by making payment prior to delinquency directly to the payee thereof, unless Trustor shall be required to make payment to Beneficiary on account of such items pursuant to Section 1.05 hereof. Prior to the delinquency of any such taxes or other items, Trustor shall furnish Beneficiary with receipts indicating such taxes and other items have been paid. Trustor shall promptly discharge any lien which has attained or may attain priority over this Deed of Trust. In the event of the passage after the date of this Deed of Trust of any law deducting from the value of real property for the purposes of taxation any lien thereon, or changing in any way the laws for the taxation of deeds of trust or debts secured by deeds of trust for state, federal or any other purposes, or the manner of the collection of any such taxes, so as to affect this Deed of Trust, the Beneficiary and holder of the debt which it secures shall have the right to declare the principal sum and the interest due on a date to be specified by not less than thirty (30) days written notice to be given to Trustor by Beneficiary; provided, however, that such election shall be ineffective if Trustor is permitted by law to pay the whole of such tax in addition to all other payments required hereunder and if, prior to such specified date, does pay such taxes and agrees to pay any such tax when hereafter levied or assessed against the Mortgaged Property, and such agreement shall constitute a modification of this Deed of Trust.

1.05 Funds for Taxes and Insurance.

If an Event of Default has occurred under this Deed of Trust or under any of the Related Agreements, regardless of whether the same has been cured, then thereafter at any time Beneficiary may, at its option to be exercised upon thirty (30) days' written notice to Trustor, require the deposit with Beneficiary or its designee by Trustor, at the time of each payment of an installment of interest or principal under the Note, of an additional amount sufficient to discharge the obligations of Trustor under Sections 1.02 and 1.04 hereof as and when they become due. The determination of the amount payable and of the fractional part thereof to be deposited with Beneficiary shall be made by Beneficiary in its sole discretion. These amounts shall be held by Beneficiary or its designee not in trust and not as agent of Trustor and shall not bear interest, and shall be applied to the payment of the obligations in such order or priority as Beneficiary shall determine. If at any time within thirty (30) days prior to the due date of any of the aforementioned obligations the amounts then on deposit therefor shall be insufficient for the payment of such obligation in full, Trustor shall within ten (10) days after demand deposit the amount of the deficiency with Beneficiary. If the amounts deposited are in excess of the actual obligations for which they were deposited, Beneficiary may refund any such excess, or, at its option, may hold the same in a reserve account, not in trust and not bearing interest, and reduce proportionately the required monthly deposits for the ensuing year. Nothing herein contained shall be deemed to affect any right or remedy of Beneficiary under any other provision of this Deed of Trust or under any statute or rule of law to pay any such amount and to add the amount so paid to the indebtedness hereby secured.

All amounts so deposited shall be held by Beneficiary or its designee as additional security for the sums secured by this Deed of Trust and upon the occurrence of an Event of Default hereunder Beneficiary may, in its sole and absolute discretion and without regard to the adequacy of its security hereunder, apply such amounts or any portion thereof to any part of the indebtedness secured hereby. Any such application of said amounts or any portion thereof to any indebtedness secured hereby shall not be construed to cure or waive any default or notice of default hereunder.

If Beneficiary requires deposits to be made pursuant to this Section 1.05, Trustor shall deliver to Beneficiary all tax bills, bond and assessment statements, statements of insurance premiums, and statements for any other obligations referred to above as soon as such documents are received by Trustor.

If Beneficiary sells or assigns this Deed of Trust, Beneficiary shall have the right to transfer all amounts deposited under this Section 1.05 to the purchaser or assignee, and Beneficiary shall thereupon be released and have no further liability hereunder for the application of such deposits, and Trustor shall look solely to such purchaser or assignee for such application and for all responsibility relating to such deposits.

1.06 Assignment of Rents and Profits.

(a) All of Trustor's interest in any Leases or other occupancy agreements pertaining to the Mortgaged Property now existing or hereafter entered into, and all of the rents, royalties, issues, profits, revenue, income and other benefits of the Mortgaged Property arising from the use or enjoyment of all or any portion thereof or from any Lease or agreement pertaining to occupancy of any portion of the Mortgaged Property now existing or hereafter entered into whether now due, past due, or to become due, including all prepaid rents and security deposits, and including without limitation all present or future rights of Trustor in and to all operating revenues derived from the operation of the Mortgaged Property (the "Rents and Profits"), are hereby absolutely, presently and unconditionally assigned, transferred and conveyed to Beneficiary to be applied by Beneficiary in payment of the principal and interest and all other sums payable on the Note, and of all other sums payable under this Deed of Trust subject to the rights of residential tenants under California Civil Code Section 1950.5(d). Prior to the occurrence of any Event of Default (hereinafter defined), Trustor shall have a license to collect and receive all Rents and Profits, which license shall be terminable at the sole option of Beneficiary, without regard to the adequacy of its security hereunder and without notice to or demand upon Trustor, upon the occurrence of any Event of Default. It is understood and agreed that neither the foregoing assignment of Rents and Profits to Beneficiary nor the exercise by Beneficiary of any of its rights or remedies under Article IV hereof shall be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Mortgaged Property or the use, occupancy, enjoyment or operation of all or any portion thereof, unless and until Beneficiary, in person or by agent, assumes actual possession thereof. Nor shall appointment of a receiver for the Mortgaged Property by any court at the request of Beneficiary or by agreement with Trustor, or the entering into possession of the Mortgaged Property or any part thereof by such receiver, be deemed to make Beneficiary a mortgagee-in-possession or otherwise responsible or liable in any manner with respect to the Mortgaged Property or the use, occupancy, enjoyment or operation of all or any portion thereof. Upon the occurrence of any Event of Default, this shall constitute a direction to and full authority

to each lessee under any Lease and each guarantor of any Lease to pay all Rents and Profits to Beneficiary without proof of the default relied upon. Trustor hereby irrevocably authorizes each lessee and guarantor to rely upon and comply with any notice or demand by Beneficiary for the payment to Beneficiary of any Rents and Profits due or to become due.

(b) Trustor shall apply the Rents and Profits to the payment of all necessary and reasonable operating costs and expenses of the Mortgaged Property, debt service on the indebtedness secured hereby, and a reasonable reserve for future expenses, repairs and replacements for the Mortgaged Property, before using the Rents and Profits for Trustor's personal use or any other purpose not for the direct benefit of the Mortgaged Property.

(c) Trustor warrants as to each Lease now covering all or any part of the Mortgaged Property: (1) that each Lease is in full force and effect; (2) that no default exists on the part of the lessees or Trustor under Leases constituting more than 5%, in the aggregate, of all units in the Mortgaged Property; (3) that no rent has been collected more than one month in advance; (4) that no Lease or any interest therein has been previously assigned or pledged; (5) that no lessee under any Lease has any defense, setoff or counterclaim against Trustor; (6) that all rent due to date under each Lease has been collected and no concession has been granted to any lessee in the form of a waiver, release, reduction, discount or other alteration of rent due or to become due; and (7) that the interest of the lessee under each Lease is as lessee only, with no options to purchase or rights of first refusal. All the foregoing warranties shall be deemed to be reaffirmed and to continue until performance in full of the obligations under this Deed of Trust.

(d) Trustor shall at all times perform the obligations of lessor under all such Leases. Trustor shall not execute any further assignment of any of the Rents and Profits or any interest therein or suffer or permit any such assignment to occur by operation of law. Trustor shall at any time or from time to time, upon request of Beneficiary, transfer and assign to Beneficiary in such form as may be satisfactory to Beneficiary, Trustor's interest in any Lease, subject to and upon the condition, however, that prior to the occurrence of any Event of Default hereunder Trustor shall have a license to collect and receive all Rents and Profits under such Lease upon accrual, but not prior thereto, as set forth in subsection (a) above. Whenever requested by Beneficiary, Trustor shall furnish to Beneficiary a certificate of Trustor setting forth the names of all lessees under any Leases, the terms of their respective Leases, the space occupied, the rents payable thereunder, and the dates through which any and all rents have been paid.

(e) Without the prior written consent of Beneficiary, Trustor shall not (1) accept prepayments of rent exceeding one month under any Leases of any part of the Mortgaged Property; (2) take any action under or with respect to any such Leases which would decrease the monetary obligations of the lessee thereunder or otherwise materially decrease the obligations of the lessee or the rights or remedies of the lessor, including, without limitation, any reduction in rent or granting of an option to renew for a term greater than one year; (3) modify or amend any such Leases or, except where the lessee is in default, cancel or terminate the same or accept a surrender of the leased premises, provided, however, that Trustor may renew, modify or amend Leases in the ordinary course of business so long as such actions do not decrease the monetary obligations of the lessee thereunder, or otherwise decrease the obligations of the lessee or the rights and remedies of the lessor; (4) consent to the assignment or subletting of the whole or any portion of the lessee's interest under any Lease which has a term of more than five years; (5) create or permit any lien or encumbrance which, upon foreclosure, would be superior to any such Leases; or (6) in any other manner impair Beneficiary's rights and interest with respect to the Rents and Profits.

(f) Each Lease, or any part thereof, shall make provision for the attornment of the lessee thereunder to any person succeeding to the interest of Trustor as the result of any foreclosure or transfer in lieu of foreclosure hereunder, said provision to be in form and substance approved by Beneficiary. If any Lease provides for the abatement of rent during repair of the demised premises by reason of fire or other casualty, Trustor shall furnish rental insurance to Beneficiary, the policies to be in amount and form and written by such companies as shall be satisfactory to Beneficiary. Each Lease shall remain in full force and effect despite any merger of the interest of Trustor and any lessee thereunder.

(g) Beneficiary shall be deemed to be the creditor of each lessee in respect of any assignments for the benefit of creditors and any bankruptcy, arrangement, reorganization, insolvency, dissolution, receivership or other debtor-relief proceedings affecting such lessee (without obligation on the part of Beneficiary, however, to file timely claims in such proceedings or otherwise pursue creditor's rights therein). Beneficiary shall have the right to assign Trustor's right, title and interest in any Leases to any subsequent holder of this Deed of Trust or any participating interest therein or to any person acquiring title to all or any part of the Mortgaged Property through foreclosure or otherwise. Any subsequent assignee shall have all the rights and powers herein provided to Beneficiary. Beneficiary shall have the authority, as Trustor's attorney-in-fact, such authority being coupled with an interest and irrevocable, to sign the name of Trustor and to bind Trustor on all papers and documents relating to the operation, leasing and maintenance of the Mortgaged Property.

1.07 Security Agreement.

This Deed of Trust is intended to be a security agreement pursuant to the California Uniform Commercial Code for (a) any and all items of personal property specified above as part of the Mortgaged Property which, under applicable law, may be subject to a security interest pursuant to the California Uniform Commercial Code and which are not herein effectively made part of the real property, and (b) any and all items of property specified above as part of the Mortgaged Property which, under applicable law, constitute fixtures and may be subject to a security interest under Section 9334 of the California Uniform Commercial Code; and Trustor hereby grants Beneficiary a security interest in said property, all of which is referred to herein as "Personal Property," and in all additions thereto, substitutions therefor and proceeds thereof, for the purpose of securing all indebtedness and other obligations of Trustor now or hereafter secured by this Deed of Trust, which shall be a paramount and superior lien on all such Personal Property at all times. Trustor agrees to execute and deliver financing and continuation statements covering the Personal Property from time to time and in such form as Beneficiary may require to perfect and continue the perfection of Beneficiary's lien or security interest with respect to said property. Trustor shall pay all costs of filing such statements and renewals and releases thereof and shall pay all reasonable costs and expenses of any record searches for financing statements Beneficiary may reasonably require. Upon the occurrence of any default of Trustor hereunder, Beneficiary shall have the rights and remedies of a secured party under California Uniform Commercial Code, including, Section 9604 thereof, as well as all other rights and remedies available at law or in equity, and, at Beneficiary's option, Beneficiary may also invoke the remedies provided in Article IV of this Deed of Trust as to such property.

1.08 Acceleration.

(a) Trustor acknowledges that in making the loan evidenced by the Note and this Deed of Trust (the "Loan"), Beneficiary has relied upon: (1) Trustor's credit rating; (2) Trustor's financial stability; and (3) Trustor's experience in owning and operating real property comparable to the Mortgaged Property. Without limiting the obligations of Trustor or the rights and remedies of Beneficiary, Beneficiary shall have the right, at its option, to declare any indebtedness and obligations under the Note and this Deed of Trust, irrespective of the maturity date specified therein, due and payable in full if: (1) Trustor or any one or more of the tenants-in-common, joint tenants, or other persons comprising Trustor sells, enters into a contract of sale, conveys, alienates or encumbers the Mortgaged Property or any portion thereof or any fractional undivided interest therein, or suffers Trustor's title or any interest therein to be divested or encumbered, whether voluntarily or involuntarily, or leases with an option to sell, or changes or permits to be changed the character or use of the Mortgaged Property, or drills or extracts or enters into a lease for the drilling for or extracting of oil, gas or other hydrocarbon substances or any mineral of any kind or character on the Mortgaged Property; (2) The interest of any general partner of Trustor (or the interest of any general partner in a partnership that is a partner) is assigned or transferred; (3) If Trustor is a corporation or a partnership, more than twenty-five percent (25%) of the corporate stock of Trustor (or of any corporate partner or other corporation comprising Trustor) is sold, transferred or assigned; (4) There is a change in beneficial ownership with respect to more than twenty-five percent (25%) of Trustor (if Trustor is a partnership, limited liability company, trust or other legal entity) or of any partner or tenant-in-common of Trustor which is a partnership, limited liability company, trust or other legal entity; (5) a default has occurred hereunder or under any document executed in connection with this Deed of Trust and is continuing. In such case, Beneficiary or other holder of the Note may exercise any and all of the rights and remedies and recourses set forth in Article IV herein, and as granted by law.

(b) In order to allow Beneficiary to determine whether enforcement of the foregoing provisions is desirable, Trustor agrees to notify Beneficiary promptly in writing of any transaction or event described in Clauses 1.08(a) above. In addition to other damages and costs resulting from the breach by Trustor of its obligations under this subsection (b), Trustor acknowledges that failure to give such notice may damage Beneficiary in an amount equal to not less than the difference between the interest payable on the indebtedness specified herein, and the interest and loan fees which Beneficiary could obtain on said sum on the date that the event of acceleration occurred and was enforceable by Beneficiary under applicable law. Trustor shall pay to Beneficiary all damages Beneficiary sustains by reason of the breach of the covenant of notice set forth in this subsection (b) and the amount thereof shall be added to the principal of the Note and shall bear interest and shall be secured by this Deed of Trust.

(c) Notwithstanding subsection 1.08(a) above, Trustor may from time to time replace items of personal property and fixtures constituting a part of the Mortgaged Property, provided that: (1) the replacements for such items of personal property or fixtures are of equivalent value and quality; and (2) Trustor has good and clear title to such replacement property free and clear of any and all liens, encumbrances, security interests, ownership interests, claims of title (contingent or otherwise), or charges of any kind, or the rights of any conditional sellers, vendors or any other third parties in or to such replacement property have been expressly subordinated at no cost to Beneficiary to the lien of this Deed of Trust in a manner satisfactory to Beneficiary;

and (3) at the option of Beneficiary, Trustor provides at no cost to Beneficiary a satisfactory opinion of counsel to the effect that this Deed of Trust constitutes a valid and subsisting **first lien** on and security interest in such replacement property and is not subject to being subordinated or the priority thereof affected under any applicable law, including, but not limited, to the provisions of Section 9-313 of the California Uniform Commercial Code.

1.09 Preservation and Maintenance of Mortgaged Property.

Trustor shall keep the Mortgaged Property and every part thereof in good condition and repair, and shall not permit or commit any waste, impairment, or deterioration of the Mortgaged Property, or commit, suffer or permit any act upon or use of the Mortgaged Property in violation of law or applicable order of any governmental authority, whether now existing or hereafter enacted and whether foreseen or unforeseen, or in violation of any covenants, conditions or restrictions affecting the Mortgaged Property, or bring or keep any article upon any of the Mortgaged Property or cause or permit any condition to exist thereon which would be prohibited by or could invalidate any insurance coverage maintained, or required hereunder to be maintained, by Trustor on or with respect to any part of the Mortgaged Property, and Trustor further shall do all other acts which from the character or use of the Mortgaged Property may be reasonably necessary to protect the Mortgaged Property. Trustor shall underpin and support, when necessary, any building, structure or other improvement situated on the Mortgaged Property and shall not remove or demolish any building on the Mortgaged Property. Trustor shall complete or restore and repair promptly and in a good workmanlike manner any building, structure or improvement which may be constructed, damaged or destroyed thereon and pay when due all claims for labor performed and materials furnished therefor, whether or not insurance or other proceeds are available to cover in whole or in part the costs of any such completion, restoration or repair; provided, however, that Trustor shall not demolish, remove, expand or extend any building, structure or improvement on the Mortgaged Property, nor construct, restore, add to or alter any such building, structure or improvement, nor consent to or permit any of the foregoing to be done, without in each case obtaining the prior written consent of Beneficiary thereto.

If this Deed of Trust is on a condominium or a cooperative apartment or planned development project, Trustor shall perform all of Trustor's obligations under any applicable declaration of condominium or master deed, or any declaration of covenants, conditions and restrictions pertaining to any such project, or any by-laws or regulations of the project or owners' association or constituent documents.

Trustor shall not drill or extract or enter into any lease for the drilling for or extraction of oil, gas or other hydrocarbon substances or any mineral of any kind or character on or from the Mortgaged Property or any part thereof without first obtaining Beneficiary's written consent.

Unless required by applicable law or unless Beneficiary has otherwise first agreed in writing, Trustor shall not make or allow to be made any changes in the nature of the occupancy or use of the Mortgaged Property or any part thereof for which the Mortgaged Property or such part was intended at the time this Deed of Trust was delivered.

1.10 Financial Statements; Offset Certificates.

(a) Trustor, without expense to Beneficiary, shall, upon receipt of written request from Beneficiary, furnish to Beneficiary (1) an annual statement of the operation of the Mortgaged Property prepared and certified by Trustor, showing in reasonable detail satisfactory to Beneficiary total rents or other proceeds received and total expenses together with an annual balance sheet and profits and loss statement, within one hundred twenty (120) days after the close of each fiscal year of Trustor, beginning with the fiscal year first ending after the date of delivery of this Deed of Trust, (2) within 30 days after the end of each calendar quarter (March 31, June 30, September 30, December 31) interim statements of the operation of the Mortgaged Property showing in reasonable detail satisfactory to Beneficiary total rents and income received and total expenses, for the previous quarter, certified by Trustor, and (3) copies of Trustor's annual state and federal income tax filing within thirty (30) days of filing. Trustor shall keep accurate books and records, and allow Beneficiary, its representatives and agents, upon demand, at any time during normal business hours, access to such books and records, including any supporting or related vouchers or papers, shall allow Beneficiary to make extracts or copies of any thereof, and shall furnish to Beneficiary and its agents convenient facilities for the audit of any such statements, books and records.

(b) Trustor, within three (3) days upon request in person or within five (5) days upon request by mail, shall furnish a written statement duly acknowledged of all amounts due on any indebtedness secured hereby, whether for principal or interest on the Note or otherwise, and stating whether any offsets or defenses exist against the indebtedness secured by this Deed of Trust and covering such other matters with respect to any such indebtedness as Beneficiary may reasonably require.

1.11 Trustee's Costs and Expenses; Governmental Charges.

Trustor shall pay all costs, fees and expenses of Trustee, its agents and counsel in connection with the performance of its duties under this Deed of Trust, including, without limitation, the cost of any trustee's sale guaranty or other title insurance coverage ordered in connection with any sale or foreclosure proceedings hereunder, and shall pay all taxes (except federal and state income taxes) or other governmental charges or impositions imposed by any governmental authority on Trustee or Beneficiary by reason of its interest in the Note, or any note evidencing a Future Advance, or this Deed of Trust.

1.12 Protection of Security; Costs and Expenses.

Trustor agrees that, at any time and from time to time, it will execute and deliver all such further documents and do all such other acts and things as Beneficiary may reasonably request in writing in order to protect the security and priority of the lien created hereby. Trustor further agrees that it will execute such additional documents or amendments to this Deed of Trust, the Note or the Related Agreements as Beneficiary may reasonably request to insure that such documents reflect the party's agreement with regard to the business terms agreed upon by the parties hereto. Trustor shall appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of the Beneficiary or Trustee, and shall pay all costs and expenses, including, without limitation, cost of evidence of title and reasonable attorneys' fees, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed of Trust or to enforce or establish any other

rights or remedies of Beneficiary hereunder. If Trustor fails to perform any of the covenants or agreements contained in this Deed of Trust, or if any action or proceeding is commenced which affects Beneficiary's interest in the Mortgaged Property or any part thereof, including, but not limited to, eminent domain, code enforcement, or proceedings of any nature whatsoever under any federal or state law, whether now existing or hereafter enacted or amended, relating to bankruptcy, insolvency, arrangement, reorganization or other form of debtor relief, or to a decedent, then Beneficiary or Trustee may, but without obligation to do so and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereunder, make such appearances, commence, defend or appear in any such action or proceeding affecting the Mortgaged Property, pay, contest or compromise any encumbrance, charge or lien which affects the Mortgaged Property, disburse such sums and take such action as Beneficiary or Trustee deems necessary or appropriate to protect Beneficiary's interest, including, but not limited to, disbursement of reasonable attorneys' fees, entry upon the Mortgaged Property to make repairs or take other action to protect the security hereof, and payment, purchase, contest or compromise of any encumbrance, charge or lien which in the judgment of either Beneficiary or Trustee appears to be prior or superior hereto. Trustor further agrees to pay all reasonable expenses of Beneficiary (including fees and disbursements of counsel) incident to the protection of the rights of Beneficiary hereunder, or to enforcement or collection of payment of the Note or any Future Advances, whether by judicial or nonjudicial proceedings, or in connection with any bankruptcy, insolvency, arrangement, reorganization or other debtor relief proceeding of Trustor, or otherwise. Any amounts disbursed by Beneficiary or Trustee pursuant to this Section 1.12 shall be additional indebtedness of Trustor secured by this Deed of Trust and each of the Related Agreements as of the date of disbursement and shall bear interest at the rate set forth in the Note. All such amounts shall be payable by Trustor immediately without demand. Nothing contained in this Section 1.12 shall be construed to require Beneficiary or Trustee to incur any expense, make any appearance, or take any other action.

1.13 Fixture Filing.

This Deed of Trust constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder of the county in which the Mortgaged Property is located with respect to any and all fixtures included within the term "Mortgaged Property" as used herein and with respect to any goods or other personal property that may now be or hereafter become such fixtures.

1.14 Notify Lender of Default.

Trustor shall notify Beneficiary in writing within five (5) days of the occurrence of any Event of Default or other event which, upon the giving of notice or the passage of time or both, would constitute an Event of Default.

1.15 Management of Mortgaged Property.

Trustor shall manage the Mortgaged Property through its own personnel or a third party manager approved by Beneficiary, and shall not hire, retain or contract with any other third party for property management services without the prior written approval by Beneficiary of such party and the terms of its contract for management services; provided, however, Beneficiary shall not withhold approval of a new manager if the new manager has a reputation and experience in managing properties similar to the Mortgaged Property which are greater than or equal to the present experience and reputation of the current manager.

1.16 Miscellaneous.

Trustor shall: (a) make or permit no termination or material amendment of any agreement between Trustor and a third party relating to the Mortgaged Property or the loan secured hereby (including, without limitation, the Leases) (the "Third Party Agreements") without the prior written approval of Beneficiary, except amendments to Leases permitted by Section 1.06 hereof, (b) perform Trustor's obligations under each Third Party Agreement, and (c) comply promptly with all governmental requirements relating to Trustor, the loan secured hereby and the Mortgaged Property.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

To induce the Beneficiary to make the loan secured hereby, Trustor represents and warrants to Beneficiary, in addition to any representations and warranties in the Note or any Related Agreements, that as of the date hereof and throughout the term of the loan secured hereby until the Note is paid in full and all obligations under this Deed of Trust are performed:

2.01 Power and Authority.

Trustor is duly organized and validly existing, qualified to do business and in good standing in the State of California and has full power and due authority to execute, deliver and perform this Deed of Trust, the Note, and any Related Agreements in accordance with their terms. Such execution, delivery and performance has been duly authorized by all necessary trust action and approved by each required governmental authority or other party.

2.02 No Default or Violations.

No Event of Default (as defined hereafter) or event which, with notice or passage of time or both, would constitute an Event of Default ("Unmatured Event of Default") has occurred and is continuing under this Deed of Trust, the Note, or any of the Related Agreements. Trustor is not in violation of any governmental requirement (including, without limitation, any applicable securities law) or in default under any agreement to which it is bound, or which affects it or any of its property, and the execution, delivery and performance of this Deed of Trust, the Note, or any of the Related Agreements in accordance with their terms and the use and occupancy of the Mortgaged Property will not violate any governmental requirement (including, without limitation, any applicable usury law), or conflict with, be inconsistent with or result in any default under, any of the provisions of any deed of trust, easement, restriction of record, contract, document, agreement or instrument of any kind to which any of the foregoing is bound or which affects it or any of its property, except as identified in writing and approved by Beneficiary.

2.03 No Limitation or Governmental Controls.

There are no proceedings of any kind pending, or, to the knowledge of Trustor, threatened against or affecting Trustor, the Mortgaged Property (including any attempt or threat by any governmental authority to condemn or rezone all or any portion of the Mortgaged Property), any party constituting Trustor or any general partner in any such party, or involving the validity, enforceability or priority of this Deed of Trust, the Note or any of the Related Agreements or enjoining or preventing or threatening to enjoin or prevent the use and occupancy of the Mortgaged Property or the performance by Beneficiary of its obligations hereunder, and there are no rent controls, governmental moratoria or environment controls presently in existence, or, to the knowledge of Trustor, threatened or affecting the Mortgaged Property, except as identified in writing to, and approved by, Beneficiary.

2.04 Liens.

Title to the Mortgaged Property, or any part thereof, is not subject to any liens, encumbrances or defects of any nature whatsoever, whether or not of record, and whether or not customarily shown on title insurance policies, except as identified in writing and approved by Beneficiary.

2.05 Financial and Operating Statements.

All financial and operating statements submitted to Beneficiary in connection with this loan secured by this Deed of Trust are true and correct in all respects, have been prepared in accordance with generally accepted accounting principles (applied, in the case of any unaudited statement, on a basis consistent with that of the preceding fiscal year) and fairly present the respective financial conditions of the subjects thereof and the results of their operations as of the respective dates shown thereon. No materially adverse changes have occurred in the financial conditions and operations reflected therein since their respective dates, and no additional borrowings have been made since the date thereof other than the borrowing made under this Deed of Trust and any other borrowing approved in writing by Beneficiary.

2.06 Other Statements to Beneficiary.

Neither this Deed of Trust, the Note, any Related Agreement, nor any document, agreement, report, schedule, notice or other writing furnished to the Beneficiary by or on behalf of any party constituting Trustor, or any general partner of any such party, contains any omission or misleading or untrue statement of any fact material to any of the foregoing.

2.07 Third Party Agreements.

Each Third Party Agreement is unmodified and in full force and effect and free from default on the part of each party thereto, and all conditions required to be (or which by their nature can be) satisfied by any party to date have been satisfied. Trustor has not done or said or omitted to do or say anything which would give to any obligor on any Third Party Agreement any basis for any claims against Beneficiary or any counterclaim to any claim which might be made by Beneficiary against such obligor on the basis of any Third Party Agreement.

ARTICLE III
EVENTS OF DEFAULT

Each of the following shall constitute an event of default ("Event of Default") hereunder:

3.01 Failure to make any payment of principal or interest on the Note or any Future Advance, when and as the same shall become due and payable, whether at maturity or by acceleration or as part of any prepayment or otherwise, or default in the performance of any of the covenants or agreements of Trustor contained herein, or default in the performance of any of the covenants or agreements of Trustor contained in the Note, or in any note evidencing a Future Advance, or in any of the Related Agreements, after the expiration of the period of time, if any, permitted for cure of such default thereunder.

3.02 The appointment, pursuant to an order of a court of competent jurisdiction, of a trustee, receiver or liquidator of the Mortgaged Property or any part thereof, or of Trustor, or any termination or voluntary suspension of the transaction of business of Trustor, or any attachment, execution or other judicial seizure of all or any substantial portion of Trustor's assets which attachment, execution or seizure is not discharged within thirty (30) days.

3.03 Trustor, any trustee of Trustor, any general partner of Trustor, or any trustee of a general partner of Trustor (each of which shall constitute "Trustor" for purposes of this Section 3.03 and Sections 3.04 and 3.05 below) shall file a voluntary case under any applicable bankruptcy, insolvency, debtor relief, or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Trustor or for any part of the Mortgaged Property or any substantial part of Trustor's property, or shall make any general assignment for the benefit of Trustor's creditors, or shall fail generally to pay Trustor's debts as they become due or shall take any action in furtherance of any of the foregoing.

3.04 A court having jurisdiction shall enter a decree or order for relief in respect of the Trustor, in any involuntary case brought under any bankruptcy, insolvency, debtor relief, or similar law now or hereafter in effect, or Trustor shall consent to or shall fail to oppose any such proceeding, or any such court shall enter a decree or order appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Trustor or for any part of the Mortgaged Property or any substantial part of the Trustor's property, or ordering the winding up or liquidation of the affairs of the Trustor, and such decree or order shall not be dismissed within sixty (60) days after the entry thereof.

3.05 Default under the terms of any agreement of guaranty relating to the indebtedness evidenced by the Note or relating to any Future Advance, or the occurrence of any of the events enumerated in Sections 3.02, 3.03 or 3.04 with regard to any guarantor of the Note or any Future Advance, or the revocation, limitation or termination of the obligations of any guarantor of the Note or any Future Advance, except in accordance with the express written terms of the instrument of guaranty.

3.06 The occurrence of any event or transaction described in subsection 1.08(a) above without the prior written consent of Beneficiary.

3.07 Without the prior written consent of Beneficiary in each case, (a) the dissolution or termination of existence of Trustor, or any party constituting Trustor, voluntarily or involuntarily; (b) the amendment or modification in any respect of Trustor's (i) partnership agreement or its partnership resolutions, or (ii) its operating agreement or its resolutions or unanimous consent of managers, as the case may be, relating to this transaction; or (c) the distribution of any of the Trustor's capital, or of any party constituting Trustor, except for distribution of the proceeds of the loan secured hereby and cash from operations; as used herein, cash from operations shall mean any cash of the Trustor earned from operation of the Mortgaged Property, but not from a sale or refinancing of the Mortgaged Property or from borrowing, available after paying all ordinary and necessary current expenses of the Trustor, including expenses incurred in the maintenance of the Mortgaged Property, and after establishing reserves to meet current or reasonably expected obligations of the Trustor.

3.08 The imposition of a tax, other than a state or federal income tax, on or payable by Trustee or Beneficiary by reason of its ownership of the Note, or its ownership of any note evidencing a Future Advance, or this Deed of Trust, and Trustor not promptly paying said tax, or it being illegal for Trustor to pay said tax.

3.09 Any representation, warranty, or disclosure made to Beneficiary by Trustor or any guarantor of any indebtedness secured hereby in connection with or as an inducement to the making of the loan evidenced by the Note or in connection with or as an inducement to the making of any Future Advance, or this Deed of Trust (including, without limitation, the representations and warranties contained in Article II of this Deed of Trust), or any of the Related Agreements, proving to be false or misleading in any material respect as of the time the same was made, whether or not any such representation or disclosure appears as part of this Deed of Trust.

3.10 Any other event occurring which, under this Deed of Trust, or under the Note or any note evidencing a Future Advance, or under any of the Related Agreements constitutes a default by Trustor hereunder or thereunder or gives Beneficiary the right to accelerate the maturity of the indebtedness, or any part thereof, secured hereby.

ARTICLE IV
REMEDIES

Upon the occurrence of any Event of Default, Trustee and Beneficiary shall have the following rights and remedies:

4.01 Acceleration.

Beneficiary may declare the entire principal amount of the Note and/or any Future Advances then outstanding (if not then due and payable), and accrued and unpaid interest thereon, and all other sums or payments required thereunder, to be due and payable immediately, and notwithstanding the stated maturity in the Note, or any note evidencing any Future Advance, the principal amount of the Note and/or any Future Advance and the accrued and unpaid interest thereon and all other sums or payments required thereunder shall thereupon become and be immediately due and payable.

4.02 Entry.

Irrespective of whether Beneficiary exercises the option provided in Section 4.01 above, Beneficiary in person or by agent or by court-appointed receiver may enter upon, take possession of, manage and operate the Mortgaged Property or any part thereof and do all things necessary or appropriate in Beneficiary's sole discretion in connection therewith, including, without limitation, making and enforcing, and if the same be subject to modification or cancellation, modifying or canceling Leases upon such terms or conditions as Beneficiary deems proper, obtaining and evicting tenants, and fixing or modifying rents, contracting for and making repairs and alterations, and doing any and all other acts which Beneficiary deems proper to protect the security hereof; and either with or without so taking possession, in its own name or in the name of Trustor, sue for or otherwise collect and receive the Rents and Profits, including those past due and unpaid, and apply the same less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. Upon request of Beneficiary, Trustor shall assemble and make available to Beneficiary at the site of the real property covered hereby any of the Mortgaged Property which has been removed therefrom. The entering upon and taking possession of the Mortgaged Property, or any part thereof, and the collection of any Rents and Profits and the application thereof as aforesaid shall not cure or waive any default theretofore or thereafter occurring or affect any notice or default hereunder or invalidate any act done pursuant to any such default or notice, and, notwithstanding continuance in possession of the Mortgaged Property or any part thereof by Beneficiary, Trustor or a receiver, and the collection, receipt and application of the Rents and Profits, Beneficiary shall be entitled to exercise every right provided for in this Deed of Trust or by law or in equity upon or after the occurrence of a default, including, without limitation, the right to exercise the power of sale. Any of the actions referred to in this Section 4.02 may be taken by Beneficiary irrespective of whether any notice of default or election to sell has been given hereunder and without regard to the adequacy of the security for the indebtedness hereby secured.

4.03 Judicial Action.

Beneficiary may bring an action in any court of competent jurisdiction to foreclose this instrument or to enforce any of the covenants and agreements hereof.

4.04 Power of Sale.

Beneficiary may elect to cause the Mortgaged Property or any part thereof to be sold under the power of sale herein granted in any manner permitted by applicable law. In connection with any sale or sales hereunder, Beneficiary may elect to treat any of the Mortgaged Property which consists of a right in action or which is property that can be severed from the real property covered hereby or any improvements thereon without causing structural damage thereto as if the same were personal property, and dispose of the same in accordance with applicable law, separate and apart from the sale of real property. Sales hereunder of any personal property only shall be conducted in any manner permitted by the California Uniform Commercial Code. Where the Mortgaged Property consists of real property and personal property located on or within the real property, Beneficiary may elect in its discretion to dispose of both the real and personal property together in one sale pursuant to real property law as permitted by Section 9-604 of the California Uniform Commercial Code. Should Beneficiary elect to sell the Mortgaged Property, or any part thereof, which is real property or which Beneficiary has elected to treat as

real property as provided above, Beneficiary or Trustee shall give such notice of default and election to sell as may then be required by law. Thereafter, upon the expiration of such time and the giving of such notice of sale as may then be required by law, and without the necessity of any demand on Trustor, Trustee, at the time and place specified in the notice of sale, shall sell said real property or part thereof at public auction to the highest bidder for cash in lawful money of the United States. Trustee may, and upon request of Beneficiary shall, from time to time, postpone any sale hereunder by public announcement thereof at the time and place noticed therefor. If the Mortgaged Property consists of several lots, parcels or items of property, Beneficiary may: (a) designate the order in which such lots, parcels or items shall be offered for sale or sold, or (b) elect to sell such lots, parcels or items through a single sale, or through two or more successive sales, or in any other manner Beneficiary deems in its best interest. Any person, including Trustor, Trustee or Beneficiary, may purchase at any sale hereunder, and Beneficiary shall have the right to purchase at any sale hereunder by crediting upon the bid price the amount of all or any part of the indebtedness hereby secured. Should Beneficiary desire that more than one sale or other disposition of the Mortgaged Property be conducted, Beneficiary may, at its option, cause the same to be conducted simultaneously, or successively, on the same day, or at such different days or times and in such order as Beneficiary may deem to be in its best interests, and no such sale shall terminate or otherwise affect the lien of this Deed of Trust on any part of the Mortgaged Property not sold until all indebtedness secured hereby has been fully paid. In the event Beneficiary elects to dispose of the Mortgaged Property through more than one sale, Trustor agrees to pay the costs and expenses of each such sale and of any judicial proceedings wherein the same may be made, including reasonable compensation to Trustee and Beneficiary, their agents and counsel, and to pay all expenses, liabilities and advances made or incurred by Trustee in connection with such sale or sales, together with interest on all such advances made by Trustee at the lower of the rate set forth in the Note, or the maximum rate permitted by law to be charged by Trustee. Upon any sale hereunder, Trustee shall execute and deliver to the purchaser or purchasers a deed or deeds conveying the property so sold, but without any covenant or warranty whatsoever, express or implied, whereupon such purchaser or purchasers shall be let into immediate possession; and the recitals in any such deed or deeds of facts, such as default, the giving of notice of default and notice of sale, and other facts affecting the regularity or validity of such sale or disposition, shall be conclusive proof of the truth of such facts and any such deed or deeds shall be conclusive against all persons as to such facts recited therein.

4.05 Environmental Default and Remedies.

In the event that any portion of the Mortgaged Property is determined to be "environmentally impaired" (as "environmentally impaired" is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an "affected parcel" (as "affected parcel" is defined in California Code of Civil Procedure Section 726.5(e)(1)), then, without otherwise limiting or in any way affecting Beneficiary's or Trustee's rights and remedies under this Deed of Trust, Beneficiary may elect to exercise its right under California Code of Civil Procedure Section 726.5(a) to (1) waive its lien on such environmentally impaired or affected portion of the Mortgaged Property and (2) exercise (i) the rights and remedies of an unsecured creditor, including reduction of its claim against Trustor to judgment, and (ii) any other rights and remedies permitted by law. For purposes of determining Beneficiary's right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), Trustor shall be deemed to have willfully permitted or acquiesced in a release or threatened release of hazardous materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened release of hazardous materials was knowingly or negligently caused or

contributed to by any lessee, occupant or user of any portion of the Mortgaged Property and Trustor knew or should have known of the activity by such lessee, occupant or user which caused or contributed to the release or threatened release. All costs and expenses, including, but not limited to, attorneys' fees, incurred by Beneficiary in connection with any action commenced under this Section 4.05, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Mortgaged Property is environmentally impaired, plus interest thereon at the rate specified in Paragraph 2(b) of the Note, shall be added to the indebtedness secured by this Deed of Trust and shall be due and payable to Beneficiary upon its demand made at any time following the conclusion of such action.

4.06 Proceeds of Sale.

The proceeds of any sale made under or by virtue of this Article IV, together with all other sums which then may be held by Trustee or Beneficiary under this Deed of Trust, whether under the provisions of this Article IV or otherwise, shall be applied as follows:

FIRST: To the payment of costs and expenses of sale and of any judicial proceedings wherein the same may be made, including reasonable compensation to Trustee and Beneficiary, their agents and counsel, and to the payment of all expenses, liabilities and advances made or incurred by Trustee under this Deed of Trust, together with interest on all advances made by Trustee at the lower of the interest rate set forth in the Note or the maximum rate permitted by law to be charged by Trustee.

SECOND: To the payment of any and all sums expended by Beneficiary under the terms of this Deed of Trust, not then repaid, with accrued interest at the rate set forth in the Note, and all other sums (except advances of principal and interest thereon) required to be paid by Trustor pursuant to any provisions of this Deed of Trust, or the Note, or any note evidencing any Future Advance, or any of the Related Agreements, including but not limited to all expenses, liabilities and advances made or incurred by Beneficiary under this Deed of Trust or in connection with the enforcement thereof, together with interest thereon as herein provided except for any amounts incurred under or as a result of the Environmental Agreement.

THIRD: To the payment of the entire amount then due, owing or unpaid for principal and interest upon the Note and any notes evidencing any Future Advances, with interest on the unpaid principal at the rate set forth therein from the date of advancement thereof until the same is paid in full.

FOURTH: To the payment of any and all expenses, liabilities and advances made or incurred by Beneficiary under this Deed of Trust or otherwise in connection with the Environmental Agreement or in connection with the enforcement thereof, together with interest thereon as herein provided.

FIFTH: The remainder, if any, to the person or persons legally entitled thereto.

4.07 Waiver of Marshaling.

Trustor, for itself and for all persons hereafter claiming through or under it or who may at any time hereafter become holders of liens junior to the lien of this Deed of Trust, hereby expressly waives and releases all rights to direct the order in which any of the Mortgaged Property shall be sold in the event of any sale or sales pursuant hereto and to have any of the Mortgaged Property and/or any other property now or hereafter constituting security for any of the indebtedness secured by this Deed of Trust marshaled upon any foreclosure of this Deed of Trust or of any other security for any of said indebtedness.

4.08 Remedies Cumulative.

No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein or by law provided, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission of Trustee or Beneficiary to exercise any right or power accruing upon any Event of Default shall impair any right or power or shall be construed to be a waiver of any Event of Default or any acquiescence therein; and every power and remedy given by this Deed of Trust to Trustee or Beneficiary may be exercised from time to time as often as may be deemed expedient by Trustee or Beneficiary. If there exists additional security for the performance of the obligations secured hereby, the holder of the Note, at its sole option, and without limiting or affecting any of its rights or remedies hereunder, may exercise any of the rights and remedies to which it may be entitled hereunder either concurrently with whatever rights and remedies it may have in connection with such other security or in such order as it may determine. Any application of any amounts or any portion thereof held by Beneficiary at any time as additional security hereunder, whether pursuant to Section 1.03 or Section 1.05 hereof or otherwise, to any indebtedness secured hereby shall not extend or postpone the due dates of any payments due from Trustor to Beneficiary hereunder or under the Note, any Future Advances or any of the Related Agreements, or change the amounts of any such payments or otherwise be construed to cure or waive any default or notice of default hereunder or invalidate any act done pursuant to any such default or notice.

ARTICLE V
MISCELLANEOUS

5.01 Severability.

In the event any one or more of the provisions contained in this Deed of Trust shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Deed of Trust, but this Deed of Trust shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

5.02 Certain Charges.

Trustor agrees to pay Beneficiary for each statement of Beneficiary as to the obligations secured hereby, furnished at Trustor's request, the maximum fee allowed by law, or if there be no maximum fee, then such reasonable fee as is charged by Beneficiary as of the time said statement is furnished. Trustor further agrees to pay the charges of Beneficiary for any other service rendered Trustor, or on its behalf, connected with this Deed of Trust or the indebtedness secured hereby, including, without limitation, the delivery to an escrow holder of a request for full or partial reconveyance of this Deed of Trust, transmitting to an escrow holder moneys secured hereby, changing its records pertaining to this Deed of Trust and indebtedness secured hereby to show a new owner of the Mortgaged Property, and replacing an existing policy of insurance held hereunder with another such policy.

5.03 Notices.

All notices expressly provided hereunder to be given by Beneficiary to Trustor and all notices and demands of any kind or nature whatsoever which Trustor may be required or may desire to give to or serve on Beneficiary shall be in writing and shall be served in person or by first class or certified mail. Any such notice or demand so served by first class or certified mail shall be deposited in the United States mail, with postage thereon fully prepaid and addressed to the party so to be served at its address above stated or at such other address of which said party shall have theretofore notified in writing, as provided above, the party giving such notice. Service of any such notice or demand so made shall be deemed effective on the day of actual delivery as shown by the addressee's return receipt or the expiration of three business days after the date of mailing, whichever is the earlier in time, except that service of any notice of default or notice of sale provided or required by law shall, if mailed, be deemed effective on the date of mailing.

5.04 Trustor Not Released.

Extension of the time for payment or modification of the terms of payment of any sums secured by this Deed of Trust granted by Beneficiary to any successor in interest of Trustor shall not operate to release, in any manner, the liability of the original Trustor. Beneficiary shall not be required to commence proceedings against such successor or refuse to extend time for payment or otherwise modify the terms of payment of the sums secured by this Deed of Trust by reason of any demand made by the original Trustor. Without affecting the liability of any person, including Trustor, for the payment of any indebtedness secured hereby, or the lien of this Deed of Trust on the remainder of the Mortgaged Property for the full amount of any such indebtedness and liability unpaid, Beneficiary and Trustee are respectively empowered as follows: Beneficiary may from time to time and without notice (a) release any person liable for the payment of any of the indebtedness, (b) extend the time or otherwise alter the terms of payment of any of the indebtedness, (c) accept additional real or personal property of any kind as security therefor, whether evidenced by deeds of trust, mortgages, security agreement or any other instruments of security, or (d) alter, substitute or release any property securing the indebtedness; Trustee may, at any time, and from time to time, upon the written request of Beneficiary, which Beneficiary may withhold in its sole discretion (1) consent to the making of any map or plat of the Mortgaged Property or any part thereof, (2) join in granting any easement or creating any restriction thereon, (3) join in any subordination or other agreement affecting this Deed of Trust or the lien or charge hereof, or (4) reconvey, without any warranty, all or part of the Mortgaged Property.

5.05 Inspection.

Beneficiary may at any reasonable time or times make or cause to be made entry upon and inspection of the Mortgaged Property or any part thereof in person or by agent.

5.06 Reconveyance.

Upon the payment in full of all sums secured by this Deed of Trust, Beneficiary shall request Trustee to reconvey the Mortgaged Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Upon payment of its fees and any other sums owing to it under this Deed of Trust, Trustee shall reconvey the Mortgaged Property without warranty to the person or persons legally entitled thereto. Trustor shall pay all costs of recordation, if any. The recitals in such conveyance of any matters of facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto." Five years after issuance of such full reconveyance, Trustee may destroy said notes and this Deed of Trust unless otherwise directed by Beneficiary.

5.07 Statute of Limitations.

The pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived to the fullest extent permitted by law.

5.08 Interpretation.

Wherever used in this Deed of Trust, unless the context otherwise indicates a contrary intent, or unless otherwise specifically provided herein, the word "Trustor" shall mean and include both Trustor and any subsequent owner or owners of the Mortgaged Property, and the word "Beneficiary" shall mean and include not only the original Beneficiary hereunder but also any future owner and holder, including pledgees, of the Note secured hereby. In this Deed of Trust whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the neuter includes the feminine and/or masculine, and the singular number includes the plural and conversely. In this Deed of Trust, the use of the word "including" shall not be deemed to limit the generality of the term or clause to which it has reference, whether or not non-limiting language (such as "without limitation," or "but not limited to," or words of similar import) is used with reference thereto, but rather shall be deemed to include any word which could reasonably fall within the broadest possible scope of such general statement, term or matter. The captions and headings of the Articles and Sections of this Deed of Trust are for convenience only and are not to be used to interpret, define or limit the provisions of this Deed of Trust.

5.09 Consent; Delegation to Sub-Agents.

The granting or withholding of consent by Beneficiary to any transaction as required by the terms hereof shall not be deemed a waiver of the right to require consent to future or successive transactions. Wherever a power of attorney is conferred upon Beneficiary hereunder, it is understood and agreed that such power is conferred with full power of substitution, and Beneficiary may elect in its sole discretion to exercise such power itself or to delegate such power, or any part thereof, to one or more sub-agents.

5.10 Successors and Assigns.

All of the grants, obligations, covenants, agreements, terms, provisions and conditions herein shall run with the land and shall apply to, bind and inure to the benefit of, the heirs, administrators, executors, legal representatives, successors and assigns of Trustor and the successors in trust of Trustee and the endorsees, transferees, successors and assigns of Beneficiary. In the event Trustor is composed of more than one party, the obligations, covenants, agreements, and warranties contained herein as well as the obligations arising therefrom are and shall be joint and several as to each such party.

5.11 Governing Law.

The loan secured by this Deed of Trust is made pursuant to, and shall be construed and governed by, the laws of the State of California and the rules and regulations promulgated thereunder.

5.12 Substitution of Trustee.

Beneficiary may remove Trustee at any time or from time to time and appoint a successor trustee, and upon such appointment, all powers, rights, duties and authority of Trustee, as aforesaid, shall thereupon become vested in such successor. Such substitute trustee shall be appointed by written instrument duly recorded in the county or counties where the real property covered hereby is located, which appointment may be executed by any authorized agent of Beneficiary or in any other manner permitted by applicable law.

5.13 No Waiver.

No failure or delay by Beneficiary in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. No waiver, consent or approval of any kind by Beneficiary shall be effective unless contained in writing signed and delivered by Beneficiary. No notice to or demand on Trustor in any case shall entitle Trustor to any other notice or demand in similar or other circumstances, nor shall such notice or demand constitute a waiver of the rights of Beneficiary to any other or further actions.

5.14 Beneficiary Not Partner of Trustor; Trustor to Indemnify Beneficiary.

The exercise by Beneficiary of any of its rights, privileges or remedies conferred hereunder or under the Note or any other Related Agreements or under applicable law, shall not be deemed to render Beneficiary a partner or a co-venturer with the Trustor or with any other person. Any and all of such actions will be exercised by Beneficiary solely in furtherance of its role as a secured lender advancing funds for use by the Trustor as provided in this Deed of Trust. Trustor shall indemnify Beneficiary against any claim by any third party for any injury, damage or liability of any kind arising out of any failure of Trustor to perform its obligations in this transaction, shall notify Beneficiary of any lawsuit based on such claim, and at Beneficiary's election, shall defend Beneficiary therein at Trustor's own expense by counsel satisfactory to Beneficiary or shall pay the Beneficiary's cost and attorneys' fees if Beneficiary chooses to defend itself on any such claim.

5.15 Time of Essence.

Time is declared to be of the essence in this Deed of Trust, the Note and any Related Agreements and of every part hereof and thereof.

5.16 Entire Agreement.

Once the Note, this Deed of Trust, and all of the other Related Agreements, if any, have been executed, all of the foregoing constitutes the entire agreement between the parties hereto and none of the foregoing may be modified or amended in any manner other than by supplemental written agreement executed by the parties hereto; provided, however, that all written and oral representations of Trustor, and of any partner, principal or agent of Trustor, previously made to Beneficiary shall be deemed to have been made to induce Beneficiary to make the loan secured hereby and to enter into the transaction evidenced hereby and by the Note and the Related Agreements, and shall survive the execution hereof and the closing pursuant hereto. This Deed of Trust cannot be changed or modified except by written agreement signed by both Trustor and Beneficiary.

5.17 No Third Party Benefits.

This Deed of Trust, the Note and the other Related Agreements, if any, are made for the sole benefit of Trustor and Beneficiary and their successors and assigns, and convey no other legal interest to any party under or by reason of any of the foregoing. Whether or not Beneficiary elects to employ any or all of the rights, powers or remedies available to it under any of the foregoing, Beneficiary shall have no obligation or liability of any kind to any third party by reason of any of the foregoing or any of Beneficiary's actions or omissions pursuant thereto or otherwise in connection with this transaction.

REQUEST FOR NOTICES

Trustor hereby requests that a copy of any Notice of Default and Notice of Sale as may be required by law be mailed to Trustor at its address above stated.

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the day and year first hereinabove written.

TRUSTOR: _____

_____

EXHIBIT "A"
DESCRIPTION OF THE PROPERTY

28

STATE OF CALIFORNIA)

COUNTY OF)

On , 20 before me, , a Notary Public, personally appeared , who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____ (SEAL)
(Notary Public Signature)

STATE OF CALIFORNIA)

COUNTY OF)

On , 20 before me, , a Notary Public, personally appeared , who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____ (SEAL)
(Notary Public Signature)

Exhibit 10.5

[ ] Units of Limited Liability Company Interests
($1 per Unit)
REDWOOD MORTGAGE INVESTORS IX, LLC
PARTICIPATING BROKER DEALER AGREEMENT

_____
_____
_____
_____

Redwood Mortgage Corp., a California corporation, a California corporation, is the Manager of Redwood Mortgage Investors IX, LLC, a Delaware limited liability company (the "Company") engaged in business as a mortgage lender. The Company will advance funds to Redwood Mortgage Corp., a California corporation, as part of a loan (the "Formation Loan") out of which Redwood Mortgage Corp. will pay sales commissions under this Agreement. The Manager, on behalf of the Company, proposes to offer and sell to qualified investors, upon the terms and subject to the conditions set forth in the Prospectus dated (the "Prospectus"), units of limited liability company interests ("Units") of the Company at an offering price of $1 per Unit, with a minimum investment of [ ] ([ ]) Units per purchaser for initial investments and [ ] ([ ]) Units for additional investments by existing members. The offering is for a maximum of [ ] Units ($[ ]), including [ ] Units ($[ ]) issuable pursuant to the Company's Distribution Reinvestment Plan.

1. **Sale of Units**. The Manager hereby appoints you to effect sales of Units, on a best efforts basis, for the account of the Company. This appointment shall commence on the date hereof. Subject to the terms and conditions of this Participating Broker Dealer Agreement (this "Agreement") and upon the basis of the representations and warranties herein set forth, you accept such appointment and agree to use your best efforts to find purchasers of Units. Offers and sales of Units may only be made in accordance with the terms of the offering thereof as set forth in the Prospectus.

2. **Eligible Purchasers of Units**. You agree not to offer or sell Units to any person who does not meet the suitability standards set forth in the Prospectus. Each prospective purchaser must complete and execute a Subscription Agreement, and return it to the undersigned together with such other documents, instruments or information as the Manager may request together with a check in the full amount of the purchase price for the number of Units subscribed for.

3. **Submission of Orders.** Each prospective investor shall deliver a completed and signed copy of the Subscription Agreement together with a check payable to the order of "*Redwood Mortgage Investors IX, LLC*" and remitted directly to Redwood Mortgage Investors IX, LLC, 1825 S. Grant Street, Suite 250, San Mateo, CA 94402, Attention: Manager, together with the Subscription Agreement and other above referenced documents by noon of the next business day after your receipt. You shall ascertain that each Subscription Agreement and check submitted by a prospective purchaser of Units has been fully completed and properly executed by such prospective purchaser.

The Manager, no later than thirty (30) days after such receipt of such Subscription Agreement, shall determine whether they wish to accept the proposed purchaser as a member in the Company. It is understood that the Manager reserves the right to reject the tender of any Subscription Agreement for any reason whatsoever. Should the Manager determine to accept the tender of a Subscription Agreement, the Manager will promptly advise you of such action. Should the Manager determine to reject such tender, they will notify you of such determination within this thirty (30) day period and will return to you the tendered Subscription Agreement. The Manager will return to you a check made payable to the proposed purchaser in the same amount as the proposed purchaser's initial check. You agree to return this Subscription Agreement and check to the prospective purchaser by noon of the next business day. You shall not be entitled to any commissions with respect to subscription offers which are rejected.

4. **Compensation**. In consideration of your services in soliciting and obtaining purchasers of Units, Redwood Mortgage Corp. agrees to pay to you, out of the Formation Loan, a sales commission equal to percent (%) of the gross proceeds from Units sold by you pursuant to the terms of this Agreement; provided, however, you will not be entitled to receive any sales commissions with respect to sales of Units under the Company's Distribution Reinvestment Plan.

You may also be paid, in the discretion of the Manager, a marketing reallowance in an amount up to percent (%) of the gross proceeds of the Units sold by you pursuant to the terms of this Agreement, except that no marketing reallowances shall be paid with respect to sales of Units under the Company's Distribution Reinvestment Plan.

In addition, you may be reimbursed, in the discretion of the Manager, in an amount up to percent (%) of the gross proceeds of the Units sold by you pursuant to the terms of this Agreement, for certain bona fide out-of-pocket, itemized and detailed due diligence expenses incurred by you, in connection with the performance of your due diligence services under this Agreement, including by way of illustration (i) the cost of independent auditors, accountants and legal counsel; and (ii) the costs to supervise, review and exercise due diligence activities with respect to the Company, including, without limitation, telephone calls and travel.

You may also receive, in the discretion of the Manager, certain expense reimbursements, including reimbursements for sales seminar expenses.

Commissions (and due diligence expenses if specified above) shall be paid within 30 days after the Company's acceptance of a prospective investor's proper tender of a completed Subscription Agreement. Any payment to you will be payable only with respect to transactions lawful in the jurisdictions where such transactions occur.

The offering of Units shall be made in compliance with FINRA Rule 2310, which governs the amount of compensation that direct participation programs may pay for the services provided by FINRA members. Accordingly, total underwriting compensation, including sales commissions, marketing reallowances and expense reimbursements (including reimbursements for sales seminars expenses), to be paid by Redwood Mortgage Corp. and the Company for the sale of Units shall not exceed a maximum of ten percent (10%) of the gross proceeds of the offering received. If you are a member of FINRA, you shall not re-allow all or any part of the compensation provided for in this Section 4 to any person who is not also a member of FINRA.

5. **Further Agreements of Broker-Dealer**. Your execution and acceptance of this Agreement constitutes a representation to the Manager and the Company that:

(a) You are a corporation, limited liability company or limited partnership (as the case may be) duly organized, validly existing and in good standing under the laws of the jurisdiction in which you are incorporated, with all requisite power and authority to enter into this Agreement and to carry out your obligations hereunder.

(b) This Agreement has been duly and validly authorized, executed and delivered by you, and constitutes the valid agreement of you enforceable in accordance with its terms, subject to applicable bankruptcy and similar laws and principals of equity. Your execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the compliance with the terms hereof do not and will not conflict with or constitute a default under your organizational documents, or any indenture, mortgage, deed of trust, lease or other agreement or instrument to which you are a party as of this date, or any law, order, rule or regulation, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over you, or any of your property; and no consent, approval, authorization or order of any court or other governmental agency or body has been or is required for your performance of this Agreement, or for the consummation of the transactions contemplated hereby.

(c) You are a properly registered or licensed broker-dealer, duly authorized to sell Units under federal and state securities laws and regulations and in all states where you offer or sell Units, and you are a member in good standing of the Financial Industry Regulatory Authority, Inc. ("FINRA"), and shall maintain such registration, license and good standing throughout the term of this Agreement.

(d) In connection with offering and selling Units, you covenant and agree to comply with all of the applicable requirements under the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including without limitation, the provisions of Rule 10b-6, Rule 10b-9, Rule 15c2-4 and Rule l5c2-8 under the Exchange Act, the applicable rules and regulations of the Securities and Exchange Commission (the "Regulations"), the rules of FINRA and state blue sky or securities laws.

(e) You will not give any information or make any representations or warranties in connection with the offering of Units other than, or inconsistent with, those contained in the Prospectus and any sales material approved in writing by the Manager of the Company. You will deliver a copy of the Prospectus and all supplements thereto and any amended Prospectus to each investor to whom an offer is made (i) prior to or simultaneously with the first solicitation of any offer to sell the Units to an investor, and (ii) at least five (5) days prior to the sale of Units to an investor. You agree to deliver or send any supplements and any amended Prospectus to any investor you have previously sent to or given a Prospectus prior to or simultaneously with the first solicitation of an offer to sell the Units to an investor. You will not deliver the approved sales material to any person unless such sales material is accompanied or preceded by a copy of the Prospectus. You expressly agree not to prepare or use any sales literature, advertisements or other materials in connection with the offering or sale of the Units without our prior written consent. You agree that to the extent information is provided to you marked "For Broker-Dealer Use Only", you will not provide such information to prospective investors.

(f) You will solicit only eligible purchasers of Units as described in the Prospectus under "INVESTOR SUITABILITY STANDARDS" and will offer the Units to persons only in the jurisdictions in which you are legally qualified to so act and in which you have been advised by the Company in writing that the Units are qualified for sale or that such qualification is not required.

(g) You agree to make diligent inquiries and maintain a record thereof for a period of at least six years of all investors in the Units, in order to ascertain whether the purchase of Units represents a suitable investment for such investor, and whether the investor is otherwise eligible to purchase Units in accordance with the terms of the offering. Such inquiry shall also be made with respect to any resales or transfers of Units. Accordingly, you shall satisfy the following requirements:

(i) In recommending to an investor the purchase of Units, you shall have reasonable grounds to believe, on the basis of information obtained from the investor concerning his investment objectives, other investments, financial situation and needs, and any other information known by you or your representatives, that the investor (or, if the investor is acting as trustee or custodian of a trust or other entity, that such other trust or entity) is or will be in a financial position to realize to a significant extent the benefits described in the Prospectus, that such investor has a fair market net worth sufficient to sustain the risks inherent in the purchase of Units, including loss of the investment and lack of liquidity, and that Units are otherwise suitable as an investment. In making this suitability determination, you shall ascertain that the prospective investor:

a. meets the minimum income and net worth standard set forth in the prospectus;

b. can reasonably benefit from an investment in Units based on the prospective investor's overall investment objectives and portfolio structure;

c. has apparent understanding of:

   i. the fundamental risks of the investment;

   ii. the risk that the investor may lose the entire investment;

   iii. the lack of liquidity of the Units;

   iv. the restrictions on transferability of the Units;

   v. background and qualifications of the Manager; and

   vi. the tax consequences of the investment.

You will make this determination on the basis of the information you have obtained from the prospective investor. Relevant information for this purpose will include at least the age, investment objectives, investment experience, income, net worth, financial situation, and other investments of the prospective investor, as well as any other pertinent factors.

(ii) You shall also maintain in your files, for at least six years, documents disclosing the basis upon which your determination of suitability was reached as to each investor.

(iii) Notwithstanding the foregoing, you shall not execute any transaction for the purchase or sale of Units in a discretionary account, without prior written approval of the transaction by your customer.

(iv) Prior to executing any transaction for the purchase or sale of Units, and any resale or transfer of Units as permitted, you (or one of your associated persons) shall fully inform the investor of all pertinent facts relating to the liquidity and marketability of Units during the term of the Company.

(h) You agree that you will not rely exclusively on the Company and the Manager to satisfy your duty of due diligence and, in particular, you agree to obtain from the Company and from other sources such information as you deem necessary to comply with FINRA Rule 2310. You further agree to supply the Company with such written reports of your activities relating to the offer and sale of Units as the Company may request from time to time.

(i) You agree to diligently make inquiries as required by law of all prospective purchasers of Units in order to ascertain whether a purchase of Units is suitable for each such purchaser, and not rely solely on information supplied by each purchaser. You also agree to promptly transmit to the Company all fully completed and duly executed Subscription Agreements. You shall retain all records relating to investor suitability as to each purchaser for a period of six years from the date of sale of the Units to each purchaser. Upon reasonable notice to you, the Manager, or their designated agents, shall have the right to inspect such records.

(j) You have reasonable grounds to believe (based on information made available to you by the Manager through the Prospectus and other materials, or otherwise obtained as a result of inquiries conducted by you or other FINRA member firms) that all material facts concerning the Company are adequately and accurately disclosed and provide a basis for evaluating the Company, including facts relating to items of compensation, physical properties, tax aspects, financial stability and experience of the sponsor, conflicts of interest and risk factors, and appraisals or other reports.

(k) For purposes of 4(j) above, you may rely upon the results of an inquiry conducted by another member broker dealer, provided that:

(i) You have reasonable grounds to believe that such inquiry was conducted with due care;

(ii) The results of the inquiry were provided to you with the consent of the member broker dealer conducting or directing the inquiry; and

(iii) No broker dealer that participated in the inquiry is a Manager or affiliate of a Manager.

6. **Representations and Warranties of the Manager and Company.**

(a) The Company is duly organized and validly existing and in good standing under the laws of the State of Delaware with full power and authority to conduct the business in which it is engaged as described in the Prospectus.

(b) The Units, when issued, will be duly and validly issued and will conform to the description thereof contained in the Prospectus; such Units are not subject to the preemptive rights of any Unit holder of the Company; and all action required to be taken for the authorization, issue and sale of such Units has been validly and sufficiently taken.

(c) The Company does not intend to conduct its business so as to be an "investment company" as that term is defined in the Investment Company Act of 1940, as amended, and the rules and regulation thereunder, and it will exercise reasonable diligence to ensure that it does not become an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(d) This Agreement has been duly and validly authorized, executed and delivered by the Manager, and constitutes the valid agreement of the Manager enforceable in accordance with its terms, subject to applicable bankruptcy and similar laws and principals of equity. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the compliance with the terms hereof by the Manager and the Company do not and will not conflict with or constitute a default under the organizational documents of such entities, or any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Company or Manager is a party as of this date, or any law, order, rule or regulation, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Manager or the Company, or any of their respective property; and no consent, approval, authorization or order of any court or other governmental agency or body has been or is required for the performance of this Agreement by the Manager or the Company, or for the consummation of the transactions contemplated hereby.

(e) To the best of our knowledge, all materials provided by the Manager or the Company to you, including materials provided to you in connection with your due diligence investigation relating to the offering of Units, were materially accurate as of the date provided.

(f) Any and all supplemental sales materials prepared by the Manager or the Company, for use with potential investors in connection with the offering of Units, when used in conjunction with the Prospectus, will not at the time provided for use, include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. If at any time any event occurs as a result of which such supplemental sales materials when used in conjunction with the Prospectus would include an untrue statement of a material fact or, in view of the circumstances under which they were made, omit to state any material fact necessary to make the statements therein not misleading, the Manager or the Company will promptly notify you thereof, and you agree to terminate the use of any such supplemental sales materials after being informed.

(g) To the best of our knowledge, the Company is not in any material violation of its Limited Liability Company Operating Agreement, as amended, or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument to which it is a party or by which it or any of its properties is bound which could reasonably be expected to have a material adverse effect upon the Company.

(h) The Registration Statement has been prepared and filed by the Company in conformity with the Securities Act and the applicable instructions and Regulations. The Securities and Exchange Commission has not issued any order preventing or suspending the use of any prospectus or preliminary prospectus filed with the Registration Statement or any amendments thereto. At the time the Registration Statement became effective (the "Effective Date") and at the time that any post-effective amendment thereto becomes effective and at all times subsequent thereto up to the final termination of the offering, the Registration Statement and Prospectus (as amended or as supplemented) will contain all statements which are required to be stated therein in accordance with the Securities Act and the Regulations and will in all respects conform to the requirements of the Securities Act and the Regulations, and will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and each preliminary prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and Regulations and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(i) The Blue Sky Memorandum provided to you, as supplemented or amended to the extent such supplement or amendment is provided to you in writing, accurately indicates the states in which the Units are exempt from, or have been registered or qualified under, applicable state securities or "blue sky" laws, and sets forth the restrictions, if any, on the rights of broker dealers to solicit sales thereof.

(j) To the best of our knowledge, there is no material action, suit or proceeding pending or threatened before or by any court or governmental agency or body, to which the Company or the Manager is a party, except for such actions, suits or proceedings that have been publicly disclosed in the Company's filings with the Securities and Exchange Commission.

(k) To the best of our knowledge, since the respective dates as of which information is given in the Registration Statement and the Prospectus, as amended or supplemented from time to time, except as may otherwise be stated in or contemplated by the Registration Statement, the Prospectus or other subsequent filings of the Company with the Securities and Exchange Commission, (i) there has not been any material adverse change in the financial condition or in the earnings, affairs or business prospects of the Company whether or not arising in the ordinary course of business, and (ii) there have not been any material transactions entered into by the Company except in the ordinary course of business.

(l) The financial statements of the Company filed as part of the Registration Statement and those included in the Prospectus present fairly in all material respects the financial position of the Company as of the date indicated and the results of its operations for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis; and Armanino LLP or such other firm of accountants whose report is filed with the Securities and Exchange Commission as a part of the Registration Statement, are independent accountants as required by the Securities Act and the Regulations.

(m) The Company shall provide:

(i) a per unit estimated value of the Units, developed in a manner reasonably designed to ensure it is reliable, in the Company's periodic reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act;

(ii) an explanation of the method by which the per unit estimated value was developed;

(iii) the date of the valuation; and

(iv) in a periodic or current report filed pursuant to Section 13(a) or 15(d) of the Exchange Act within 150 days following the second anniversary of breaking escrow and in each annual report thereafter, a per unit estimated value:

a. based on valuations of the assets and liabilities of the Company performed at least annually, by, or with the material assistance or confirmation of, a third-party valuation expert or service;

b. derived from a methodology that conforms to standard industry practice; and

c. accompanied by a written opinion or report by the Company, delivered at least annually, that explains the scope of the review, the methodology used to develop the valuation or valuations, and the basis for the value or values reported.

7. **Anti-Money Laundering Compliance Program.** Your acceptance of this Agreement constitutes a representation to the Manager and the Company that you have established and implemented anti-money laundering compliance programs, in accordance with applicable law, including applicable FINRA rules, SEC rules and the USA PATRIOT Act of 2001 (the Patriot Act"), which are reasonably expected to detect and cause reporting of suspicious transactions in connection with the sale of Units of the Company. The Manager's acceptance of this Agreement constitutes a representation by the Manager and the Company that the Manager and the Company have established

and implemented anti-money laundering compliance programs, in accordance with applicable law, including applicable SEC rules and the Patriot Act, which are reasonably expected to detect and cause reporting of suspicious transactions in connection with your sale of the Units of the Company.

8. **Confidentiality and Privacy.** To protect Customer Information (as defined below) and to comply as may be necessary with the requirements of the Gramm-Leach-Bliley Act, the relevant state and federal regulations pursuant thereto and state privacy laws, the Manager, the Company and you wish to include the confidentiality and non-disclosure obligations set forth herein.

(a) *Customer Information.* "Customer Information" means any information contained on a customer's application or other form and all nonpublic personal information about a customer that a party receives from the other party. "Customer Information" shall include, but not be limited to, name, address, telephone number, social security number, health information and personal financial information (which may include consumer account numbers).

(b) *Usage and Nondisclosure.* The Manager, the Company and you understand and acknowledge that all of you may be financial institutions subject to applicable federal and state customer and consumer privacy laws and regulations, including Title V of the Gramm-Leach-Bliley Act (15 U.S.C. 6801, et seq.) and regulations promulgated thereunder (collectively, the "Privacy Laws"), and any Customer Information that one party receives from another party is received with limitations on its use and disclosure. The Manager, the Company and you agree that you are each prohibited from using the Customer Information received from another party other than (i) as required by law, regulation or rule, or (ii) to carry out the purposes for which one party discloses Customer Information to the other party pursuant to this Agreement, as permitted under the use in the ordinary course of business exception to the Privacy Laws.

(c) *Safeguarding Customer Information.* The Manager, the Company and you shall establish and maintain safeguards against the unauthorized access, destruction, loss, or alteration of Customer Information in your respective control which are no less rigorous than those maintained by a party for its own information of a similar nature. In the event of any improper disclosure of any Customer Information, the party responsible for the disclosure will immediately notify the other party.

(d) *Survivability.* The provisions of this Section 8 shall survive the termination of this Agreement.

9. **Termination**. Either party may terminate this Agreement at any time, effective immediately, by giving written notice to other party. In the event of termination, you shall not be entitled to any commissions or any restitution for the value of your services rendered prior to or subsequent to the effective date of such termination, excepting only such commissions as may have been earned with respect to Units already sold by you and accepted by the Company prior to the termination date.

10. **Expenses**. You shall bear all your own expenses incurred in connection with the offer and sale of Units, and you shall not be entitled to any reimbursement for such expenses by the Company except to the extent of any expenses specified in Section 4 of this Agreement.

11. **Indemnification and Contribution.**

(a) The Company and the Manager agree to indemnify you and your officers, directors, representatives and controlling persons against losses, claims, damages or liabilities (including reasonable attorneys' fees) to which you or such other persons may become subject, under federal or state securities laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement of material fact contained in the Prospectus, or any breach of this Agreement (or any addendum thereto), or is inconsistent with or in violation of any provision of federal or state securities laws, the rules and regulations of the Securities and Exchange Commission, or the omission to state therein, material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made not misleading. The foregoing indemnity shall include reimbursement of any legal or other expenses reasonably incurred in connection with investigation or defending any such loss, claim, damage, liability or action, and shall be paid by you as such expenses are incurred. You agree to repay the Company and/or the Manager any funds advanced by the Company and/or Manager in cases in which you are later found not to be entitled to such indemnification.

(b) You agree to indemnify and hold harmless the Company, its Manager (and any additional Manager as may be added pursuant to the limited liability company agreement of the Company) and all other dealers participating in the offering of Units, and each officer, director and controlling person of such persons, against any losses, claims, damages or liabilities (including reasonable attorneys' fees) to which any of such persons may become subject, under federal or state securities laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any statements, actions or omissions by you or any person controlled by you or acting on your behalf, which statement, action or omission is untrue, or any breach of this Agreement (or any addendum thereto), or is inconsistent with or in violation of any provision of federal or state securities laws, the rules and regulations of the Securities and Exchange Commission or FINRA (including the NASD Conduct Rules). The foregoing indemnity shall include reimbursement of any legal or other expenses reasonably incurred in connection with investigation or defending any such loss, claim, damage, liability or action, and shall be paid by you as such expenses are incurred. The Company and/or the Manager agree(s) to repay you any funds advanced by you in cases in which the Company and/or Manager is/are later found not to be entitled to such indemnification.

(c) No party shall be indemnified for any losses, liabilities or expenses arising from an alleged violation of federal or state securities laws unless the following conditions are met:

(i) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee, or

(ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee, or

(iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and related costs should be made, and

(iv) in the case of subparagraph iii of this paragraph, the court of law considering the request for indemnification has been advised of the position of the Securities and Exchange Commission and the position of any state securities regulatory authority in which securities of the Company were offered or sold as to indemnification for violations of securities laws; provided that the court need only be advised of and consider the positions of the securities regulatory authorities of those states:

a. which are specifically set forth in the operating agreement; and

b. in which plaintiffs claim they were offered or sold Units.

(d) The Company may not incur the cost of that portion of liability insurance which insures the Manager for any liability as to which the Manager is prohibited from being indemnified.

(e) The provision of advancement from Company funds to a Manager or its affiliates for legal expenses and other costs incurred as a result of any legal action is permissible if the following conditions are satisfied:

i. the legal action relates to acts or omissions with respect to the performance of duties or services on behalf of the Company;

ii. the legal action is initiated by a third party who is not an investor, or the legal action is initiated by an investor and a court of competent jurisdiction specifically approves such advancement; and

iii. the Manager or its affiliates undertake to repay the advanced funds to the Company in cases in which such person is not entitled to indemnification.

(f) Promptly after receipt by an indemnified party of notice of the commencement of any action for which indemnification is provided under subsection (a) or (b) above, such indemnified party shall, if a claim in respect thereof is to be made hereunder against the indemnifying party, notify the indemnifying party in writing of the commencement thereof; but the omission to notify the indemnifying party shall not relieve the indemnifying party from any liability which it may have to any indemnified party otherwise under such subsection. In each case any such action is brought against any indemnified party, it shall notify the indemnifying party of the commencement thereof and the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other indemnifying party similarly notified, assume the defense thereof, with counsel reasonably satisfactory to such indemnified party.

(g) The indemnified party additionally may elect to employ its own legal counsel, but if it elects to do so the indemnifying party shall not be liable to such indemnified party for any legal expenses of such other counsel or any other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. If, however, the indemnified party reasonably concludes that there may be defenses available to it that are different from or additional to those available to the indemnifying party, then the indemnifying party shall not have the right to direct the defense of any such action or proceeding on behalf of the indemnified party and the reasonable legal and other expenses incurred by the indemnified party in its own defense shall be borne by the indemnifying party.

(h) In order to provide for just and equitable contribution in any case in which (i) a claim is made for indemnification pursuant to this Section 11 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that express provisions of this Section 11 provide for indemnification in such case or (ii) contribution may be required on the part of a party thereto, then the Manager, the Company, and participating dealers shall contribute to the aggregate losses, claims, damages, or liabilities to which they may be subject (which shall, for all purposes of this Agreement include, without limitation, all costs of defense and investigation and all attorneys fees) in either such case (after contribution from others) in such proportions that the participating dealers are responsible in the aggregate for that portion of such losses, claims, damages or liabilities represented by the percentage that the aggregate amounts received by the participating dealers pursuant to Section 4 of this agreement bear to the aggregate of the offering price of the Units, and the Manager and the Company shall be responsible for the balance; provided, however, that the contribution of each such participating dealer shall not be in excess of its proportionate share (based upon the ratio of the aggregate purchase price of the Units sold by such participating dealer to the aggregate purchase price of the Units sold) of the portion of such losses, claims, damages or liabilities for which the participating dealer is responsible. No person guilty of a fraudulent misrepresentation shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. If the full amount of the contribution specified in this subsection (h) of Section 11 is not permitted by law, then each participating dealer and each person who controls each participating dealer shall be entitled to contribution from the Manager and the Company and controlling persons to the full extent permitted by law.

12. **Arbitration**.

(a) As between the parties hereto, all questions as to rights and obligations arising under the terms of this Agreement are subject to arbitration, including any question concerning any right or duty under the Securities Act, the Exchange Act, and the securities laws of any state in which Units are offered, and rules of FINRA and such arbitration shall be governed by the rules of the American Arbitration Association.

(b) If a dispute should arise under this Agreement, any Party may within 60 days make a demand for arbitration by filing a demand in writing for the other.

(c) The parties may agree upon one arbitrator, but in the event that they cannot agree, there shall be three, one named in writing by each of the parties within five (5) days after demand for arbitration is given and a third chosen by the two appointed. Should either party refuse or neglect to join in the appointment of the arbitrator(s) or to furnish the arbitrator(s) with any papers or information demanded, the arbitrator(s) are empowered by both parties to proceed ex parte.

(d) Arbitration shall take place in the County of San Mateo, California, and the hearing before the arbitrator(s) of the matter to be arbitrated shall be at the time and place within said city as is selected by the arbitrator(s). The arbitrator(s) shall select such time and place promptly after his (or their) appointment and shall give written notice thereof to each party at least sixty (60) days prior to the date so fixed. At the hearing any relevant evidence may be presented by either party, and the formal rules of evidence applicable to judicial proceedings shall not govern. Evidence may be admitted or excluded in the sole discretion of the arbitrator(s). Said arbitrator(s) shall hear and determine the matter and shall execute and acknowledge their award in writing and cause a copy thereof to be delivered to each of the parties.

(e) If there is only one arbitrator, his decision shall be binding and conclusive on the parties, and if there are three arbitrators the decision of any two shall be binding and conclusive. The submission of a dispute to the arbitrator(s) and the rendering of his (or their) decision shall be a condition precedent to any right of legal action on the dispute. A judgment confirming the award of the arbitrator(s) may be rendered by any Court having jurisdiction; or such Court may vacate, modify, or correct the award in accordance with the prevailing sections of California state law.

(f) If three arbitrators are selected under the foregoing procedure but two of the three fail to reach an agreement in the determination of the matter in question, the matter shall be decided by three new arbitrators who shall be appointed and shall proceed in the same manner, and the process shall be repeated until a decision is finally reached by two of the three arbitrators selected.

(g) The costs of such arbitration shall be borne by the losing party or in such proportions as the arbitrator(s) shall determine.

13. **Authority**. It is understood that your relationship with the Company is as an independent contractor and that nothing herein shall be construed and creating a relationship of partnership, joint venturers, employer and employee or any other agency relationship between you and the Company.

14. **Survival of Indemnities, Warranties and Representations**. The indemnity agreements and the representations and warranties of the parties as set forth herein shall remain operative and in full force and effect, regardless of any termination or cancellation of this Agreement, and shall survive the delivery of any payment for Units.

15. **Notices**. All communications hereunder shall be in writing and shall be mailed, hand delivered or telegraphed, all charges prepaid, to the respective parties at the addresses set forth herein. The address of the Company and its Manager is 1825 S. Grant Street, Suite 250, San Mateo, CA 94402 (telephone: (650) 365-5341), until changed by written notice.

16. **Successors and Assigns**. This Agreement and the terms and provisions hereof shall inure to the benefit of and shall be binding upon the successors and assigns of the parties hereto; provided, however, that in no in event shall the term "successors and assigns" as used herein include any purchaser, as such, of any Units. In addition, and without limiting the generality of the foregoing, the indemnity agreements contained herein shall inure to the benefit of the successors and assigns of the parties hereto, and shall be valid irrespective of any investigation made or not made by or on behalf of any party hereto.

17. **Applicable Law**. This Agreement shall be governed and construed in accordance with the laws of the State of [Delaware] and the appropriate courts in the County of San Mateo, California shall be the forum for any litigation arising hereunder.

Please confirm your Agreement with the Manager and Redwood Mortgage Corp. to the terms contained herein and your acceptance of this appointment by dating and signing below and return a fully executed copy of this Participating Dealer Agreement to us.

REDWOOD MORTGAGE CORP.

By: _____
Michael R. Burwell, President

BROKER-DEALER ACCEPTANCE
ACCEPTED this day of ,20

By: _____
(Print Name)

_____
(Signature)

_____
Title

_____
Taxpayer I. D. No.

_____
(Telephone Number)

_____
Type of Entity:
(corporation, partnership or proprietorship)

Exhibit 10.6

[ ] Units of Limited Liability Company Interests
($1 per Unit)
REDWOOD MORTGAGE INVESTORS IX, LLC
ADVISORY AGREEMENT

_____
_____
_____
_____

Redwood Mortgage Corp., a California corporation, is the Manager of Redwood Mortgage Investor IX, LLC, a Delaware limited liability company (the "Company") engaged in business as a mortgage lender. The Manager, on behalf of the Company, proposes to offer and sell to qualified investors, upon the terms and subject to the conditions set forth in the Prospectus dated (the "Prospectus"), units of limited liability company interests ("Units") of the Company at an offering price of $1 per Unit, with a minimum investment of [ ] ([ ]) Units per purchaser for initial investments and [ ] ([ ]) Units for additional investments by existing members. The offering is for a maximum of [ ] Units ($[ ]), including [ ] Units ($[ ]) issuable pursuant to the Company's Distribution Reinvestment Plan.

1. Advisory Relationship. You are in the business of advising clients with respect to certain investments including investments in the Company (the "Advisor"). As an Advisor you do not receive any sales commissions or other compensation from the Company, but instead receive your fees directly from your client. You do not act as a broker dealer and investments in the Company are made directly by your client.

2. Eligible Purchasers of Units. You agree not to advise any client to invest in Units who does not meet the suitability standards set forth in the Prospectus. You agree that you will deliver and cause each prospective purchaser to complete and execute a Subscription Agreement, and return it to the undersigned together with such other documents, instruments or information as the Manager may request together with a check in the full amount of the purchase price for the number of Units subscribed for.

You agree to inform purchasers that their check shall be made payable to "*Redwood Mortgage Investors IX, LLC*" and remitted directly to Redwood Mortgage Investors IX, LLC, 1825 S. Grant Street, Suite 250, San Mateo, CA 94402, Attention: Manager, together with the Subscription Agreement and other above referenced documents. You shall ascertain that each Subscription Agreement submitted by a prospective purchaser of Units has been fully completed and properly executed by such prospective purchaser.

3. No Compensation. As an Advisor to the investor you will receive no compensation from the Company in connection with any Units purchased by a client who you have advised to invest in the Company.

4. Further Agreements of Advisor.

(a) In connection with your advisory activity, you covenant and agree to comply with all applicable requirements under the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the applicable rules and regulations of the Securities and Exchange Commission (the "Regulations"), the laws of the state in which you are advising clients, and any other applicable agency. Furthermore, you specifically covenant and agree not to deliver the Company's sales literature, if any, to any person unless such sales literature is accompanied or preceded by a copy of the Prospectus.

(b) You will not give any information or make any representations or warranties in connection with the offering of Units other than, or inconsistent with, those contained in the Prospectus and any sales material approved in writing by the Manager of the Company. You will deliver a copy of the Prospectus and all supplements thereto and any amended Prospectus to each client whom you are advising regarding an investment in the Company. You will not deliver the approved sales material to any person unless such sales material is accompanied

or preceded by a copy of the Prospectus. You expressly agree not to prepare or use any sales literature, advertisements or other materials in connection with your advisory services. You agree that to the extent information is provided to you marked "For Broker-Dealer and/or Advisor Use Only", you will not provide such information to your clients.

(c) You will only advise eligible purchasers of Units to invest in the Company as described in the Prospectus under "INVESTOR SUITABILITY STANDARDS" and will advise clients only in the jurisdictions in which you are legally qualified to so act.

(d) You agree to make diligent inquiries and maintain a record thereof for a period of at least six years of all clients who you advise to purchase Units, in order to ascertain whether the purchase of Units represents a suitable investment for such client, and whether the client is otherwise eligible to purchase Units in accordance with the terms of the offering. Accordingly, you shall satisfy the following requirements:

(i) In recommending to a client an investment in the Units, you shall have reasonable grounds to believe, on the basis of information obtained from the client concerning his investment objectives, other investments, financial situation and needs, and any other information known by you or your representatives, that the client (or, if the client is acting as trustee or custodian of a trust or other entity, that such other trust or entity) is or will be in a financial position to realize to a significant extent the benefits described in the Prospectus, that such client has a fair market net worth sufficient to sustain the risks inherent in the purchase of Units, including loss of investment and lack of liquidity, and that Units are otherwise suitable as an investment.

(ii) You shall also maintain in your files documents disclosing the basis upon which your determination of suitability was reached as to each client.

(e) We have no due diligence obligation to you.

(f) You agree to diligently make inquiries as required by law of all clients who you recommend to purchase Units in order to ascertain whether an investment in Units is suitable for each such client, and not rely solely on information supplied by each client. You shall retain all records relating to investor suitability as to each client for a period of six years. Upon reasonable notice to you, the Manager, or its designated agents, shall have the right to inspect such records.

(g) By executing this Agreement, you represent and warrant that you have reasonable grounds to believe (based on information made available to you by the Manager of the Company through the Prospectus and other materials, or otherwise obtained as a result of inquiries conducted by you) that all material facts concerning the Company are adequately and accurately disclosed and provide a basis for evaluating the Company, including facts relating to items of compensation, physical properties, tax aspects, financial stability and experience of the sponsor, conflicts of interest and risk factors, and appraisals or other reports.

5. Termination. Either party may terminate this Agreement at any time, effective immediately, by giving written notice to other party.

6. Expenses. You shall bear all your own expenses incurred in connection with your advisory activities and shall not be entitled to any reimbursement.

7. Indemnification.

(a) The Company and the Manager agree to indemnify against losses, claims, damages or liabilities (including reasonable attorneys' fees) to which you or such other persons may become subject, under federal or state securities laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement of a material fact contained in the Prospectus or the omission to state therein, material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made not misleading. The foregoing indemnity shall include reimbursement of any legal or other expenses reasonably incurred in connection with investigation or defending any such loss, claim, damage, liability or action, and shall be paid by you as such expenses are incurred.

(b) You agree to indemnify and hold harmless the Company, and its Manager (and any additional Manager as may be added pursuant to the limited liability company agreement of the Company), against any losses, claims, damages or liabilities (including reasonable attorneys' fees) to which any of such persons may become subject, under federal or state securities laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any statements, actions or omissions by you or any person controlled by you or acting on your behalf, which statement, action or omission is untrue or is inconsistent with or in violation of any provision of federal or state securities laws, the rules and regulations of the Securities and Exchange Commission, or other applicable agency. The foregoing indemnity shall include reimbursement of any legal or other expenses reasonably incurred in connection with investigation or defending any such loss, claim, damage, liability or action, and shall be paid by you as such expenses are incurred.

8. Arbitration.

(a) As between the parties hereto, all questions as to rights and obligations arising under the terms of this Agreement are subject to arbitration, including any question concerning any right or duty under the Securities Act, the Exchange Act, and the securities laws of any state in which Units are offered, and such arbitration shall be governed by the rules of the American Arbitration Association.

(b) If a dispute should arise under this Agreement, any party may within 60 days make a demand for arbitration by filing a demand in writing for the other.

(c) The parties may agree upon one arbitrator, but in the event that they cannot agree, there shall be three, one named in writing by each of the parties within five (5) days after demand for arbitration is given and a third chosen by the two appointed. Should either party refuse or neglect to join in the appointment of the arbitrator(s) or to furnish the arbitrator(s) with any papers or information demanded, the arbitrator(s) are empowered by both parties to proceed ex parte.

(d) Arbitration shall take place in the County of San Mateo, California, and the hearing before the arbitrator(s) of the matter to be arbitrated shall be at the time and place within said city as is selected by the arbitrator(s). The arbitrator(s) shall select such time and place promptly after his (or their) appointment and shall give written notice thereof to each party at least sixty (60) days prior to the date so fixed. At the hearing any relevant evidence may be presented by either party, and the formal rules of evidence applicable to judicial proceedings shall not govern. Evidence may be admitted or excluded in the sole discretion of the arbitrator(s). Said arbitrator(s) shall hear and determine the matter and shall execute and acknowledge their award in writing and cause a copy thereof to be delivered to each of the parties.

(e) If there is only one arbitrator, his decision shall be binding and conclusive on the parties, and if there are three arbitrators the decision of any two shall be binding and conclusive. The submission of a dispute to the arbitrator(s) and the rendering of his (or their) decision shall be a condition precedent to any right of legal action on the dispute. A judgment confirming the award of the arbitrator (s) may be rendered by any Court having jurisdiction; or such Court may vacate, modify, or correct the award in accordance with the prevailing sections of California state law.

(f) If three arbitrators are selected under the foregoing procedure but two of the three fail to reach an agreement in the determination of the matter in question, the matter shall be decided by three new arbitrators who shall be appointed and shall proceed in the same manner, and the process shall be repeated until a decision is finally reached by two of the three arbitrators selected.

(g) The costs of such arbitration shall be borne by the losing party or in such proportions as the arbitrator(s) shall determine.

9. Authority. It is understood that your relationship with the Company is as an independent contractor and that nothing herein shall be construed and creating a relationship of partnership, joint ventures, employer and employee or any other agency relationship between you and the Company.

10. Survival of Indemnities, Warranties and Representations. The indemnity agreements and the representations and warranties of the parties as set forth herein shall remain operative and in full force and effect, regardless of any termination or cancellation of this Agreement, and shall survive the delivery of any payment for Units.

11. Notices. All communications hereunder shall be in writing and shall be mailed, hand delivered or telegraphed, all charges prepaid, to the respective parties at the addresses set forth herein. The address of the Company and its Manager is 1825 S. Grant Street, Suite 250, San Mateo, CA 94402 (telephone: (650) 365-5341), until changed by written notice.

12. Successors and Assigns. This Agreement and the terms and provisions hereof shall inure to the benefit of and shall be binding upon the successors and assigns of the parties hereto; provided, however, that in no in event shall the term "successors and assigns" as used herein include any purchaser, as such, of any Units. In addition, and without limiting the generality of the foregoing, the indemnity agreements contained herein shall inure to the benefit of the successors and assigns of the parties hereto, and shall be valid irrespective of any investigation made or not made by or on behalf of any party hereto.

13. Applicable Law. This Agreement shall be governed and construed in accordance with the laws of the State of [Delaware] and the appropriate courts in the County of San Mateo, California shall be the forum for any litigation arising hereunder.

Please confirm your Agreement with the Manager to the terms contained herein and return a fully executed copy of this Advisory Agreement to us.

REDWOOD MORTGAGE CORP.

By: _____
Michael R. Burwell, President

ADVISOR ACCEPTANCE
ACCEPTED this day of , 20

By: _____
(Print Name)

_____
(Signature)

_____
Title

_____
Taxpayer I.D. No.

_____
(Telephone Number)

_____
Type of Entity:
(corporation, partnership or proprietorship)

Exhibit 10.7

FORMATION LOAN PROMISSORY NOTE

Up to a Maximum of [ ] Effective as of [ ]
Redwood City, California

For value received, and in connection with an offering (the "Offering") of up to [ ] in units in Redwood Mortgage Investors IX, LLC, a Delaware limited liability company (the "Holder"), Redwood Mortgage Corp., a California corporation (the "Borrower") promises to pay to Holder up to the principal sum of [ ], or so much thereof as shall have been advanced by Holder to Borrower (the "Principal Amount") under this promissory note (this "Note") on or before the termination date of the Offering (the "Termination Date"). This Note shall be effective as of [ ] and shall supersede and replace any other notes made by the Borrower in favor of the Holder evidencing formation loan obligations ("Prior Formation Loan Note") but shall not supersede, replace, amend or modify other obligations of the Borrower to the Holder. Prior to the Termination Date, and upon Borrower's written request to Holder, Holder agrees to make advances of up to the Principal Amount (the "Advances") to the Borrower so long as no Event of Default (as defined below) has occurred under this Note. Holder acknowledges and agrees that all Advances under this Note shall be memorialized on a written addendum hereto, as supplemented from time to time, with each Advance memorialized on the addendum being initialed by the Borrower when and as made. The Principal Amount, or any portion thereof that is advanced under this Note, shall not accrue any interest.

1. The Principal Amount advanced to Borrower hereunder shall be used by Borrower for the sole and exclusive purpose of paying selling commissions owed by Borrower in connection with the offer and sale of units of limited liability company interests in the Holder ("Units"), and all amounts payable in connection with unsolicited orders for Units received by Borrower, all in accordance with Section 11.12 of the Fifth Amended and Restated Limited Liability Company Operating Agreement of the Holder, dated November 27, 2012 (the "Operating Agreement").

2. All payments of the Principal Amount (or such portion thereof that has been advanced to Borrower under this Note) shall be in lawful money of the United States of America and shall be paid to Holder at its principal office located at 1825 S. Grant Street, Suite 250, San Mateo, CA 94402. Prior to the Termination Date, all payments of the Principal Amount owing hereunder shall be paid in annual installments equal to 1/10 of the Principal Amount outstanding as of December 31 of each year, reduced by the amount of any early withdrawal penalties received by the Holder in accordance with Section 8.1(e) of the Operating Agreement due to the early redemption of Units. Each payment of the Principal Amount prior to the Termination Date shall be made on or before December 31 of the following year. Upon the Termination Date, the Principal Amount outstanding shall be amortized over ten years, with payments being made on or before December 31 of each year in equal annual installments of 1/10 of the Principal Amount outstanding as of the Termination Date, reduced by the amount of any withdrawal penalties received by the Holder in accordance with Section 8.1(e) of the Operating Agreement due to the early redemption of Units. Each payment of the Principal Amount after the Termination Date shall be made on or before December 31 of the following year. Any balance owing under this Note shall be due and payable on or before December 31 of the year immediately following the ten year anniversary of Termination Date (the **"Maturity Date"**). The Borrower may prepay all or any part of the Principal Amount owing under this Note at any time without any penalty or interest.

3. The Borrower agrees to pay on demand all reasonable, actual costs and expenses, if any (including, without limitation, reasonable counsel fees and expenses), of the Holder in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Note and all related agreements and the other certificates or documents to be delivered hereunder, including, without limitation, reasonable counsel fees and expenses in connection with the enforcement of rights under this Note. The obligations of the Borrower under this Section 3 shall survive the termination of this Note and the repayment of the Principal Amount.

4. This Note shall be unsecured.

5. The Borrower hereby waives demand, notice, presentment, protest and notice of dishonor.

6. Any of the following shall constitute an "Event of Default" under this Note, and shall give rise to the remedies provided in Section 7 below:

a) Any failure by the Borrower to pay when due all or any portion of the Principal Amount owing under this Note.

b) Borrower's use of the Principal Amount for any purpose other than as permitted in Section 1, above.

c) If the Borrower (i) admits in writing its inability to pay generally its debts as they mature, or (ii) makes a general assignment for the benefit of creditors, or (iii) is adjudicated a bankrupt or insolvent, or (iv) files a voluntary petition in bankruptcy, or (v) takes advantage, as against its creditors, of any bankruptcy law or statute of the United States of America or any state or subdivision thereof now or hereafter in effect, or (vi) has a petition or proceeding filed against it under any provision of any bankruptcy or insolvency law or statute of the United States of America or any state or subdivision therefore, which petition or proceeding is not dismissed within thirty (30) days after the date of the commencement thereof, or (vii) has a receiver, liquidator, trustee, custodian, conservator, sequestrator or other such person appointed by any court to take charge of its affairs or assets or business and such appointment is not vacated or discharged within thirty (30) days thereafter, or (viii) takes any action in furtherance of any of the foregoing.

7. If any Event of Default shall occur and be continuing, Holder shall, in addition to any and all other available rights and remedies, have the right, at Holder's option, to: (a) declare the entire unpaid principal balance of this Note and all other sums due by the Borrower hereunder, without notice to Borrower, to be immediately due and payable; and (b) pursue any and all available remedies for the collection of such principal to enforce its rights as described herein, and, in such case, Holder may also recover all costs of suit and other expenses in connection therewith, including reasonable attorneys' fees for collection and the right to equitable relief (including, but not limited to, injunctions) to enforce Holder's rights as set forth herein (as described herein).

8. In the event that Borrower is removed as the manager of the Holder by the vote of a majority of members of the Holder, or if an additional manager(s) is/are elected by the affirmative vote or consent of a majority of members of the Holder without the concurrence of Borrower, and a successor or additional manager(s) is thereafter designated, and if such successor or additional manager(s) begins using any other loan brokerage firm for its placement or servicing of mortgage loans, the Borrower will immediately be released from all further obligation under this Note (except for a proportionate share of the principal installment due at the end of that year, pro rated according to the number of days elapsed as of the date of Borrower's release). In addition, if Borrower is removed as the manager, no successor manager(s) are elected, the Holder is liquidated and the Borrower is no longer receiving any payments for services rendered, the amounts owing under this Note shall be forgiven and the Borrower shall be released and held harmless from any further obligation under this Note.

9. The terms of this Note shall be construed in accordance with the laws of the State of California, as applied to contracts entered into by California residents within the State of California, which contracts are to be performed entirely within the State of California.

10. Any term of this Note may be amended or waived with the written consent of the Borrower and Holder. This Note may not be assigned without the prior written consent of the Borrower, which shall not be unreasonably withheld or delayed.

Redwood Mortgage Corp., a California corporation

By: _____
Name: _____
Title: _____

ADVANCED AND PAYMENT OF PRINCIPAL*

Date	Amount of Advance	Amount of Principal Paid or Prepaid	Unpaid Principal Amount	Notation Made By

* Continue on separate sheet if necessary

Exhibit 31.1

PRESIDENT'S CERTIFICATION

I, Michael R. Burwell, certify that:

1. I have reviewed this annual report on Form 10-K of Redwood Mortgage Investors IX, LLC, a Delaware Limited Liability Company (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Michael R. Burwell
Michael R. Burwell, President,
(principal executive officer and principal financial officer)
Redwood Mortgage Corp.,
Manager
March 30, 2016

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Redwood Mortgage Investors IX, LLC (the "company") on Form 10-K for the period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, I, Michael R. Burwell, certify that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company at the dates and for the periods indicated.

A signed original of this written statement required by Section 906 has been provided to Redwood Mortgage Investors IX, LLC and will be retained by Redwood Mortgage Investors IX, LLC and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Michael R. Burwell
Michael R. Burwell, President,
(principal executive officer and principal financial officer)
Redwood Mortgage Corp.,
Manager
March 30, 2016