

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2020

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

For the transition period from _____ to _____

Commission file number: 000-55601

REDWOOD MORTGAGE INVESTORS IX, LLC

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

26-3541068
(I.R.S. Employer
Identification Number)

177 Bovet Road, Suite 520, San Mateo, CA
(Address of principal executive offices)

94402
(Zip Code)

(650) 365-5341

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
None		

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

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

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

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

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

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

Part I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

REDWOOD MORTGAGE INVESTORS IX, LLC

Balance Sheets

September 30, 2020 (unaudited) and December 31, 2019 (audited)

<u>ASSETS</u>	September 30, 2020	December 31, 2019
Cash, in banks	\$ 601,742	\$ 4,450,529
Loans held for sale	7,534,512	—
Loans		
Principal	75,949,063	70,660,284
Advances	17,674	14,040
Accrued interest	820,482	680,146
Prepaid interest	(14,308)	—
Loan balances secured by deeds of trust	76,772,911	71,354,470
Allowance for loan losses	(55,000)	(87,000)
Loan balances secured by deeds of trust, net	76,717,911	71,267,470
Debt issuance costs, net	82,207	—
Promissory note from related party (Note 3)	850,000	—
Other receivables	19,200	—
Total assets	<u>\$ 85,805,572</u>	<u>\$ 75,717,999</u>
<u>LIABILITIES AND MEMBERS' CAPITAL</u>		
Accounts payable and accrued liabilities	\$ 82,385	\$ 36,933
Payable to related party (Note 3)	78,539	—
Line of credit	10,000,000	—
Total liabilities	10,160,924	36,933
Commitments and contingencies (Note 6)		
Members' capital, net	79,577,649	79,629,130
Receivable from manager (formation loan)	(3,933,001)	(3,948,064)
Members' capital, net of formation loan	75,644,648	75,681,066
Total liabilities and members' capital	<u>\$ 85,805,572</u>	<u>\$ 75,717,999</u>

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Income
For the Three and Nine Months Ended September 30, 2020 and 2019 (unaudited)

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue				
Interest income	\$ 1,857,029	\$ 1,526,142	\$ 4,796,705	\$ 4,405,007
Interest expense	(122,618)	—	(169,362)	—
Net interest income	1,734,411	1,526,142	4,627,343	4,405,007
Late fees	7,040	18,162	20,042	44,789
Gain on sale, loans	—	20,833	—	20,833
Total revenue, net	<u>1,741,451</u>	<u>1,565,137</u>	<u>4,647,385</u>	<u>4,470,629</u>
Recovery of loan losses	—	—	(75)	—
Operations expense				
Mortgage servicing fees	48,500	40,450	134,831	122,010
Asset management fees, net (Note 3)	135,321	119,187	405,963	158,916
Costs from Redwood Mortgage Corp., net (Note 3)	72,181	—	72,181	—
Professional services	156,005	178,752	452,090	404,927
Other	3,331	19	10,678	24,757
Total operations expense	<u>415,338</u>	<u>338,408</u>	<u>1,075,743</u>	<u>710,610</u>
Net income	<u>\$ 1,326,113</u>	<u>\$ 1,226,729</u>	<u>\$ 3,571,717</u>	<u>\$ 3,760,019</u>
Net income				
Members (99%)	\$ 1,312,852	\$ 1,214,462	\$ 3,535,999	\$ 3,722,419
Manager (1%)	13,261	12,267	35,718	37,600
	<u>\$ 1,326,113</u>	<u>\$ 1,226,729</u>	<u>\$ 3,571,717</u>	<u>\$ 3,760,019</u>

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Changes in Members' Capital

For the Three Months Ended September 30, 2020 (unaudited)

	Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' Capital, net
Balance at June 30, 2020	\$ 81,547,630	\$ 155,725	\$ (2,068,360)	\$ 79,634,995
Net income	1,312,852	13,261	—	1,326,113
Earnings distributed to members	(1,108,339)	—	—	(1,108,339)
Earnings distributed used in DRIP	567,813	—	—	567,813
Members' redemptions	(866,786)	—	—	(866,786)
Organization and offering expenses allocated	(79,580)	—	79,580	—
Organization and offering expenses repaid by RMC	—	—	21,323	21,323
Early withdrawal penalties	—	—	2,530	2,530
Balance at September 30, 2020	<u>\$ 81,373,590</u>	<u>\$ 168,986</u>	<u>\$ (1,964,927)</u>	<u>\$ 79,577,649</u>

For the Nine Months Ended September 30, 2020 (unaudited)

	Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' Capital, net
Balance at December 31, 2019	\$ 81,755,930	\$ 133,268	\$ (2,260,068)	\$ 79,629,130
Net income	3,535,999	35,718	—	3,571,717
Earnings distributed to members	(3,354,984)	—	—	(3,354,984)
Earnings distributed used in DRIP	1,730,609	—	—	1,730,609
Members' redemptions	(2,053,475)	—	—	(2,053,475)
Organization and offering expenses allocated	(240,489)	—	240,489	—
Organization and offering expenses repaid by RMC	—	—	42,184	42,184
Early withdrawal penalties	—	—	12,468	12,468
Balance at September 30, 2020	<u>\$ 81,373,590</u>	<u>\$ 168,986</u>	<u>\$ (1,964,927)</u>	<u>\$ 79,577,649</u>

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Changes in Members' Capital

For the Three Months Ended September 30, 2019 (unaudited)

	Investors In Applicant Status	Members' Capital, net			
		Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' Capital, net
Balance at June 30, 2019	\$ —	\$ 81,934,546	\$ 153,864	\$ (2,460,386)	\$ 79,628,024
Net income	—	1,214,462	12,267	—	1,226,729
Earnings distributed to members	—	(1,147,807)	—	—	(1,147,807)
Earnings distributed used in DRIP	—	604,814	—	—	604,814
Members' redemptions	—	(760,856)	—	—	(760,856)
Organization and offering expenses allocated	—	(85,485)	—	85,485	—
Organization and offering expenses repaid by RMC	—	—	—	17,423	17,423
Balance at September 30, 2019	<u>\$ —</u>	<u>\$ 81,759,674</u>	<u>\$ 166,131</u>	<u>\$ (2,357,478)</u>	<u>\$ 79,568,327</u>

For the Nine Months Ended September 30, 2019 (unaudited)

	Investors In Applicant Status	Members' Capital, net			
		Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' Capital, net
Balance at December 31, 2018	\$ 651,500	\$ 79,198,453	\$ 125,200	\$ (2,519,458)	\$ 76,804,195
Contributions on application	2,666,508	—	—	—	—
Contributions admitted to members' capital	(3,318,008)	3,318,008	3,331	—	3,321,339
Premiums paid on application by RMC	12,355	—	—	—	—
Premiums admitted to members' capital	(12,355)	12,355	—	—	12,355
Net income	—	3,722,419	37,600	—	3,760,019
Earnings distributed to members	—	(3,375,675)	—	—	(3,375,675)
Earnings distributed used in DRIP	—	1,808,995	—	—	1,808,995
Members' redemptions	—	(2,676,906)	—	—	(2,676,906)
Organization and offering expenses	—	—	—	(185,332)	(185,332)
Organization and offering expenses allocated	—	(247,975)	—	247,975	—
Organization and offering expenses repaid by RMC	—	—	—	79,922	79,922
Early withdrawal penalties	—	—	—	19,415	19,415
Balance at September 30, 2019	<u>\$ —</u>	<u>\$ 81,759,674</u>	<u>\$ 166,131</u>	<u>\$ (2,357,478)</u>	<u>\$ 79,568,327</u>

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Cash Flows
For the Nine Months Ended September 30, 2020 and 2019 (unaudited)

	Nine Months Ended September 30,	
	2020	2019
Operations		
Interest income received	\$ 4,658,819	\$ 4,307,297
Interest expense paid	(101,445)	—
Late fees	20,042	45,289
Operations expense	(1,011,549)	(635,059)
Total cash provided by operations	3,565,867	3,717,527
Investing – loans		
Loans funded	(36,327,850)	(53,073,200)
Loans sold to non-affiliate, net	480,000	4,994,818
Loan transferred from related mortgage fund	(2,296,677)	—
Principal collected - secured	25,301,168	36,646,053
Advances (made on) received from loans	(3,634)	618
Promissory note funded to related party	(850,000)	—
Total cash used in investing	(13,696,993)	(11,431,711)
Financing		
Members' capital		
Distributions to members		
Earnings distributed, net of DRIP	(1,624,375)	(1,566,680)
Redemptions, net of early withdrawal penalties	(2,025,944)	(2,609,211)
Total distributions to members	(3,650,319)	(4,175,891)
Contributions by members, net		
Contributions by new members	—	2,682,154
Organization and offering expenses received (paid), net	42,184	(105,410)
Formation loan funding	—	(186,656)
Total contributions by members, net	42,184	2,390,088
Cash distributed to members, net	(3,608,135)	(1,785,803)
Line of credit		
Advances	19,250,000	—
Repayments	(9,250,000)	—
Debt issuance costs	(109,526)	—
Cash from line of credit	9,890,474	—
Total cash provided by (used in) financing	6,282,339	(1,785,803)
Net decrease in cash	(3,848,787)	(9,499,987)
Cash, beginning of period	4,450,529	10,674,953
Cash, end of period	<u>\$ 601,742</u>	<u>\$ 1,174,966</u>

Non-cash financing activity for the nine months ended September 30, 2020 and 2019 includes early withdrawal penalties of \$27,531 and \$67,695, respectively, which reduced members' capital by \$12,468 and \$19,415, respectively, as these amounts were applied to unallocated organizational and offering expenses and the formation loan in the amount of \$15,063 and \$48,281, respectively. Non-cash financing activities for the nine months ended September 30, 2020 and 2019 also includes earnings distributed to the dividend reinvestment plan of \$1,730,609 and \$1,808,995, respectively. Non-cash investing activities for the nine months ended September 30, 2020 includes \$20,068 for principal charged off and \$7,534,512 for loans transferred to held for sale. There were no charge offs of principal, or loans transferred to held for sale during the nine months ended September 30, 2019.

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Cash Flows
For the Nine Months Ended September 30, 2020 and 2019 (unaudited)

Reconciliation of net income to total cash provided by operations

	<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Net income	\$ 3,571,717	\$ 3,760,019
Adjustments to reconcile net income to net cash provided by operating activities		
(Gain) on sale, loans	—	(20,833)
Charge off of accrued interest	(11,858)	—
Amortization of debt issuance costs	27,320	—
Recovery of loan losses	(75)	—
Change in operating assets and liabilities		
Prepaid interest	14,308	21,000
Accrued interest	(140,336)	(118,710)
Other receivable	(19,200)	—
Accounts payable and accrued liabilities	45,452	76,285
Payable to related parties	78,539	—
Other	—	(234)
Total adjustments	(5,850)	(42,492)
Total cash provided by operations	<u>\$ 3,565,867</u>	<u>\$ 3,717,527</u>

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Notes to Financial Statements
September 30, 2020 (unaudited)

NOTE 1 – ORGANIZATION AND GENERAL

In the opinion of management of Redwood Mortgage Corp. (RMC or the manager), the accompanying unaudited financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary to present fairly the financial information included therein. These unaudited financial statements should be read in conjunction with the audited financial statements included in the company's Form 10-K for the year ended December 31, 2019, filed with the U.S. Securities and Exchange Commission (SEC). The results of operations for the three and nine months ended September 30, 2020 are not necessarily indicative of the operating results to be expected for the full year.

Redwood Mortgage Investors IX, LLC (RMI IX or the company) is a Delaware limited liability company formed in October 2008 to engage in business as a mortgage lender and investor by making and holding-for-investment mortgage loans secured by California real estate, primarily through first and second deeds of trust. The ongoing sources of funds for loans are the proceeds (net of redemption of members' capital and operating expenses) from:

- loan payoffs;
- borrowers' monthly principal payments;
- sale of units to members participating in the dividend reinvestment plan and – prior to May 2019 – sale of units to new members, net of reimbursement to RMC of organization and offering expenses (O&O expenses) and net of amounts advanced to RMC for the formation loan;
- line of credit advances;
- loan sales to unaffiliated third parties and loan transfers by executed assignment to affiliated mortgage funds; and,
- payments from RMC on the outstanding balance of the formation loan.

The mortgage loans the company funds and/or invests in are arranged and generally are serviced by RMC.

The ongoing ability of the company to source funds for loans from one or more of the ongoing sources above may be adversely affected by the COVID-19 pandemic and by the social and governmental responses and severe economic disruptions caused by the pandemic (see COVID-19, below).

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 funding, and purchased at the current par value, which approximates fair value. The company intends to hold until maturity the loans in which it invests and does not presently intend to invest in mortgage loans primarily for the purpose of reselling such loans in the ordinary course of business; however, the company may sell mortgage loans (or fractional interests therein) when the manager determines that it appears to be advantageous for the company to do so, based upon then current interest rates, the length of time that the loan has been held by the company, the company's credit risk and concentration risk and the overall investment objectives of the company. Loans sold to third parties may be sold for par, at a premium or, in the case of non-performing or under performing loans, at a discount. Company loans may be sold to third parties or to the manager or its related mortgage funds; however, any loan sold to the manager or a related mortgage fund thereof will be sold for a purchase price equal to the greater of (i) the par value of the loan or (ii) the fair market value of the loan. The manager will not receive commissions or broker fees with respect to loan sales conducted for the company; however, selling loans will increase members' capital available for investing in new loans for which the manager will earn brokerage fees and other forms of compensation.

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

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

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

RMC is entitled to one percent (1%) of the profits and losses of the company and to fees and reimbursements of qualifying costs as specified in the Operating Agreement. Prior to May 2019, the manager was required to contribute to capital one tenth of one percent (0.1%) of the aggregate capital accounts of the members.

REDWOOD MORTGAGE INVESTORS IX, LLC
Notes to Financial Statements
September 30, 2020 (unaudited)

The company's primary investment objectives are to:

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

Members representing a majority of the outstanding units may, without the concurrence of the managers, vote to:

- dissolve the company;
- amend the Operating Agreement, subject to certain limitations;
- approve or disapprove the sale of all or substantially all of the assets of the company; and
- 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.

Net income (losses) are allocated among the members according to their respective capital accounts after one percent (1%) of the net income (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 partnership tax shelter investments. Federal and state income taxes are the obligation of the members, other than the annual California franchise tax and the California LLC cash receipts taxes paid by the company.

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

- loan origination volume and the balance of capital available to lend;
- the current and future interest rates negotiated with borrowers;
- line of credit advances, net and the interest rate therein;
- the timing and amount of gains received from loan sales, if any;
- payment of fees and cost reimbursements to RMC;
- the amount and timing of other operating expenses, including expenses for professional services;
- payments from RMC on the outstanding balance of the formation loan; and,
- financial support, if any, from RMC (Note 3).

COVID-19

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Since that time, COVID-19 has spread throughout the United States, including in the California regions and markets in which the company lends. In response, national, state, and local governments have taken, and are expected to continue to take, various actions, including the passage of laws and regulations, on a wide array of topics, in an attempt to slow the spread of COVID-19. On March 4, 2020, the Governor of California declared a State of Emergency related to the COVID-19 outbreak, followed by, among other administrative or executive orders for the purpose of ensuring that COVID-19 remains controlled and that the residents and visitors in California remain safe and secure. These emergency restrictions have substantially limited the operation of non-essential businesses and the activities of individuals. The COVID-19 pandemic and these restrictions and operating protocols have had a significant adverse effect on the global, US, and California economies and have caused significant disruption to the financial and real estate markets. The restrictions and economic conditions caused by COVID-19 have also caused record unemployment nationwide as well as a significant number of layoffs and furloughs in the regions and communities in which the company lends. Despite the improvement in the economy in recent months economic activity remains far below its pre-pandemic level and unemployment remains elevated.

The ultimate effect of COVID-19 on the California real estate markets and broader economy is not known nor is the ultimate length of time California and other regions will be subject to the restrictions described and their accompanying effects.

Some states and regions have begun to ease prior restrictions which may improve economic and market conditions; however, the easing of certain of these restrictions has resulted in recent increases in COVID-19 cases and deaths, requiring reinstatement of prior restrictions and the prolonging of the COVID-19 crisis. On August 28, 2020 California issued a "Blueprint for a Safer Economy" which describes a tiered approach to relaxing and tightening restrictions on activities based on specified criteria and as permitted by the order based on county health conditions and circumstances.

REDWOOD MORTGAGE INVESTORS IX, LLC
Notes to Financial Statements
September 30, 2020 (unaudited)

As of September 30, 2020, the company has not experienced a significant increase or decrease in the number of borrowers delaying payments compared to June 30, 2020 or December 31, 2019. The requests for delay in payments or payment relief may not be indicative of requests in any future period. A worsening of future cash flows from borrower missed or delayed payments could result in the company experiencing an increase in loans being designated non-accrual and an increase in payments in arrears and possibly foreclosures. However, as the company generally lends at loan to value ratios below 70%, the delays in payments has not increased the credit risk on the loans, and therefore based on the company's assessment of the value of real estate collateralizing its loans, there has not been an increase in the allowance for loan losses during the three and nine months ended September 30, 2020.

The continued spread of COVID-19 or any other similar outbreaks in the future and the continued impact on social interaction, economies and financial markets may have significant adverse effects on (i) California real estate markets and thereby the company's business, financial condition and result of operations due to the possibility of some borrowers having a reduced capacity and/or commitment to make principal and interest payments (ii) a decrease in the volume of loans funded and (iii) a decline in the values of the California real properties that serve as collateral for the loans. Declines in the value of real estate may lead to increases in the allowance for loan losses. Moreover, the Federal Reserve has taken action to lower the Federal Funds rate, which may lower the interest rate charged by banks and other competitors of the manager for real estate secured loans and which may reduce loan originations and increase loan payoffs. Such outcomes would negatively affect interest income and, therefore, earnings, financial condition and results of operations of the company. Potential other issues and risks resulting from the COVID-19 pandemic include:

- Should key personnel of the manager become incapacitated by the COVID-19 virus, or be required (voluntarily or involuntarily) to terminate active involvement with the manager due to the effects of the virus, the business of the manager and related impact on the company could be adversely impacted.
- The ability to enforce loan terms through foreclosure may be delayed and adversely effected by current or future limitations or moratoriums on foreclosures enacted by state or local authorities to address the impacts of COVID-19.
- Loans secured by rental properties may be adversely impacted by restrictions or moratoriums on evictions enacted by federal, state or local authorities to address the impacts of COVID-19.
- Partial or complete closures of county recording offices may affect the ability of the company to record deeds of trust and other documents and may affect the cost or ability of the company to obtain adequate title insurance for its loans.
- The uncertainty of the effects of COVID-19 on borrowers, properties, and the economy generally may result in inaccuracy or delays in the recognition of loan losses or impairments by the company.
- The company may incur additional costs to remedy damages caused by such disruptions and restrictions.

Given the ongoing and dynamic nature of the circumstances, it is not possible to predict or estimate the ultimate impact of the COVID-19 outbreak on the financial condition or results of operations and liquidity of the company for the remainder of 2020. While the company has not incurred material disruptions this far, the rapid developments and fluidity of COVID-19 may cause the manager to adjust its lending parameters and investment strategy. The manager is continuing to monitor this situation and will adjust its response in concert with federal, state and local health officials and governmental authorities to protect the health and safety of its employees and to respond to changes in the real estate markets that it serves.

On March 27, 2020, the "Coronavirus Aid, Relief, and Economic Security (CARES) Act" was signed into law. The manager continues to examine the impact that the CARES Act may have on the company's business. Although the manager does not expect the CARES Act to have a direct impact on the company, it may have an indirect impact on the company's borrowers and its manager. At the time of issuance of the company's financial statements, the manager is unable to estimate the impact that the CARES Act will have on the company's financial condition, results of operations, or liquidity for the remainder of 2020.

Natural Disasters-Wildfires

Wildfires have occurred in recent years in different regions of California, and related flooding and mudslides have also occurred, including in the counties where the company holds real estate collateral as security for its loans. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Although the recent natural disasters, including the Woodward, Glass, Complex and other fires did not directly affect the company, wildfires such as these could pose a threat to the real estate collateral that the company holds as security for its loans and adversely affect the demand for loans.

REDWOOD MORTGAGE INVESTORS IX, LLC
Notes to Financial Statements
September 30, 2020 (unaudited)

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 otherwise distributable to the members with respect to any period the respective amounts of O&O expenses allocated to the members' accounts for the applicable period pursuant to the company's reimbursement to RMC and allocation to members' accounts of O&O expenses. The amount otherwise distributable, less the respective amounts of O&O expenses allocated to members, is the net distribution. Per the terms of the company's Operating Agreement, cash available for distribution to the members is allocated among the members in proportion to their percentage interests (except with respect to differences in the amounts of O&O expenses allocated to the respective members during the applicable period) and in proportion to the number of days during the applicable month that they owned such percentage interests.

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

The 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 the purchase of additional units.

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

To determine the amount of cash to be distributed in any month, the company relies in part on its forecast of full-year net income, which takes into account the difference between the forecasted net income for the remainder of the year and actual results in the year to date and the requirement to maintain a cash reserve. As of September 30, 2020, the difference between earnings allocated to members' capital accounts and net income available to members was approximately \$59,000, and is expected to be offset by future earnings in excess of net distributions in 2020 as the cash available at September 30, 2020 and advances on the line of credit are deployed to make new loans.

Liquidity and unit redemption program

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

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

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

The company redeems units quarterly, subject to certain limitations as provided for in the Operating Agreement. The maximum number of units which may be redeemed per quarter per individual member shall not exceed the greater of (i) 100,000 units, or (ii) 25% of the member's total outstanding units. For redemption requests requiring more than one quarter to fully redeem, the percentage discount amount if any, that 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.

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

Manager's interest

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

Distribution reinvestment plan (DRIP)/Unit sales

On May 9, 2019, the company filed a Registration Statement on Form S-3 with the SEC (SEC File No. 333-231333) to offer up to 15,000,000 units (\$15,000,000) to members of record as of April 30, 2019 that had previously elected to participate in the DRIP or that elect to participate in the DRIP in those states in which approval has been obtained. The Registration Statement on Form S-3 became effective on May 9, 2019.

As of September 30, 2020, the gross proceeds from sales of units to our members under our DRIP pursuant to the May 9, 2019 Form S-3 Registration Statement (after May 9, 2019) was approximately \$3,345,000.

On June 11, 2019, the company filed a Post-Effective Amendment No. 5 with the SEC (SEC File No. 333-208315) to deregister all of the units which were registered under its Form S-11 Registration Statement that remained unsold as of April 30, 2019.

The company uses the gross proceeds from the sale of the units (for periods beginning May 1, 2019, DRIP units only) to:

- make additional loans;
- fund working capital reserves;
- prior to May 2019, pay RMC up to 4.5% of proceeds from sale of units for O&O expenses, excluding units sold in the DRIP; and
- prior to May 2019, fund a formation loan to RMC of up to 7% of proceeds from sale of units, excluding units sold in the DRIP.

Commissions paid to broker-dealers/ Formation loan for periods prior to May 2019

Commissions for unit sales (other than DRIP units) were previously paid to broker-dealers (B/D sales commissions) by RMC and were not paid directly by the company out of offering proceeds. Instead, the company advanced to RMC, from offering proceeds, amounts sufficient to pay the B/D sales commissions and premiums paid to investors up to seven percent (7%) of offering proceeds. The receivable arising from the advances is unsecured, and non-interest bearing and is referred to as the "formation loan."

Term of the company

The term of the company will continue until 2028, unless sooner terminated as provided in the Operating Agreement, or extended by majority vote of the members.

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).

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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 owned, at acquisition and subsequently. Actual results could differ materially from these estimates.

Fair value estimates

GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the company has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly in active markets and quoted prices for identical assets or liabilities that are not active, and inputs other than quoted prices that are observable or inputs derived from or corroborated by market data.
- Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the company's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the company's own data.

The fair value of real property 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 income approach.

These approaches may or may not result in a common, single value. The market-comparables approach may yield several different values depending on certain basic assumptions, such as, determining highest and best use (which may or may not be the current use); determining the condition (e.g., as-is, when-completed or for land when-entitled); and determining the unit of value (e.g., as a series of individual unit sales or as a bulk disposition).

Management has the requisite familiarity with the real estate markets it lends in generally and of the properties lent on specifically to analyze sales-comparables and assess their suitability/applicability. Management is acquainted with market participants – investors, developers, brokers, lenders – that are useful, relevant secondary sources of data and information regarding valuation and valuation variability. These secondary sources may have familiarity with and perspectives on pending transactions, successful strategies to optimize value and the history and details of specific properties – on and off the market – that enhance the process and analysis that is particularly and principally germane to establishing value in distressed markets and/or property types.

Cash in banks

At September 30, 2020, certain of the company's cash balances in banks exceed federally insured limits of \$250,000. The bank or banks in which funds are deposited are reviewed periodically for their general credit-worthiness/investment grade credit rating. See Note 5 (Line of Credit) for compensating balance arrangements.

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Loans and interest income

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

Non-performing loans (i.e., loans with a payment in arrears) less than 180 days delinquent continue to recognize interest income as long as the loan is in the process of collection and is considered to be well-secured. Non-performing loans are placed on non-accrual status if 180 days delinquent (or 90 days past maturity without making monthly interest payments) or earlier if management determines 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 for accounting purposes only; however, previously recorded interest is not reversed. A loan may return to accrual status when all delinquent interest and principal payments become current in accordance with the terms of the loan agreement. Late fees are recognized in the period received.

The company may fund a specific loan net of an interest reserve (one to two years) to insure timely interest payments at the inception of the loan. Any interest reserve is amortized over the period that the amount is prepaid. 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.

In the normal course of the company's operating activities, performing loans that are maturing or have matured may be renewed at then current market rates of interest and terms for new loans. Such renewals are not designated as impaired.

From time to time, the manager negotiates and enters into loan modifications with borrowers whose loans are delinquent (non-performing). If a loan modification were to result in an economic concession to the borrower (i.e., a significant delay or reduction in cash flows compared to the original note), the modification is deemed a troubled debt restructuring (TDR).

In March 2020, various federal regulatory agencies issued an interagency statement on loan modifications and reporting for financial institutions working with borrowers affected by COVID-19. The interagency statement was effective immediately and impacted accounting for loan modifications. The agencies confirmed with the staff of the Financial Accounting Standards Board (FASB) that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not to be considered TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant.

The company funds loans with the intent to hold the loans until maturity. From time to time the company may sell certain loans when the manager determines it to be in the best interest of the company. Loans are classified as held-for-sale once a decision has been made to sell loans and the loans held-for-sale have been identified. Loans classified as held for sale are carried at the lower of cost or fair value. No loss has been recorded upon reclassification to held for sale as the fair value is in excess of the cost. The loans held for sale at September 30, 2020 are expected to be sold in November 2020.

Allowance for loan losses

Loans and the related accrued interest and advances (i.e., the loan balance) are analyzed on a periodic basis for ultimate recoverability. Collateral fair values are reviewed quarterly and the protective equity for each loan is computed. As used herein, "protective equity" is the dollar amount by which the net realizable value (i.e., fair value less the cost to sell) of the collateral, net of any senior liens exceeds the loan balance, where "loan balance" is the sum of the unpaid principal, advances and the recorded interest thereon.

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

For loans that are deemed collateral dependent a provision for loan losses is recorded to adjust the allowance for loan losses (principal and/or recorded interest) in 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 costs to sell in arriving at net realizable value and net of any senior loans.

The company charges off uncollectible loans and related receivables directly to the allowance account once it is determined the full amount is not collectible. Any amounts collected after a charge off is deemed a recovery of loan losses.

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At foreclosure, any excess of the recorded investment in the loan (accounting basis) over the net realizable value of the collateral 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 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 or losses 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.

Debt issuance costs

Debt issuance costs are the fees and commissions incurred in the course of obtaining a line of credit for services from banks, law firms and other professionals and are amortized on a straight-line basis as interest expense over the term of the line of credit.

Recently issued accounting pronouncements

- Accounting and Financial reporting for Expected Credit Losses

The FASB issued an Accounting Standards Update (ASU) that significantly changes how entities will account for credit losses for most financial assets that are not measured at fair value through net income. The new standard will supersede currently in effect guidance and applies to all entities. Entities will be required to use a current expected credit loss (CECL) model to estimate credit impairment. This estimate will be forward-looking, meaning management will be required to use not only historical trends and current conditions, but must also consider forecasts about future economic conditions to determine the expected credit loss over the remaining life of an instrument. This will be a significant change from the current incurred credit loss model, and generally may result in allowances being recognized in earlier periods than under the current credit loss model. The ASU is effective for smaller reporting companies for interim and annual reporting periods in 2023.

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

- Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, provides temporary optional expedients for various agreements and contracts that utilize the London Interbank Offered Rate (LIBOR) as the benchmark reference rate. The relief generally applies to eligible modifications of contractual terms that change (or have the potential to change) the amount or timing of contractual cash flows related to replacement of a reference rate. The relief allows such modifications to be accounted for as continuations of existing contracts without additional analysis. As the guidance in ASU 2020-04 is intended to assist entities during the global market-wide reference rate transition period, it is in effect from March 12, 2020 through December 31, 2022. RMC is currently evaluating the impact of the potential discontinuance of LIBOR in relation to the company's line of credit and has not yet adopted the optional relief.

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NOTE 3 – MANAGER AND OTHER RELATED PARTIES

The Operating Agreement provides for fees as compensation to the manager and for reimbursement of qualifying costs, as detailed below.

Since commencement of operations in 2009, and continuing until April 2018, RMC, at its sole discretion, has provided significant financial support to the company which increased the net income, cash available for distribution, and the net-distribution rate, by:

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

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

In April 2018, RMC ceased absorbing, and RMI IX began recording and paying, the operations expense for professional-service fees (primarily legal and audit/tax compliance) and costs invoiced to RMC but identifiable as RMI IX expenses (postage, printing etc.). In June 2019, RMC began collecting from RMI IX the asset management fee of three quarters of one percent annually (0.75%). Also in 2019, RMC arranged for RMI IX to be invoiced directly for the fees from an independent service bureau for information technology relating to the recordkeeping and reporting for the accounts of individual investors and their corresponding member accounts. In prior years these fees were invoiced to RMC and then billed to RMI IX through the cost-reimbursement, all of which had been waived. In the third quarter of 2020, RMC began collecting, in part, the reimbursement of costs attributable to RMI IX.

Loan administrative fees, asset management fees, and costs from RMC, and the amounts waived by RMC for the three and nine months ended September 30, 2020 are presented in the following tables.

Three months ended September 30, 2020	<u>Loan Admin Fees</u>	<u>Asset Management Fees</u>	<u>Costs from RMC</u>	<u>Total</u>
Chargeable/reimbursable	\$ 143,520	\$ 135,321	\$ 145,054	\$ 423,895
RMC support	(143,520)	—	(72,873)	(216,393)
Net charged	<u>\$ —</u>	<u>\$ 135,321</u>	<u>\$ 72,181</u>	<u>\$ 207,502</u>

Nine months ended September 30, 2020	<u>Loan Admin Fees</u>	<u>Asset Management Fee</u>	<u>Costs from RMC</u>	<u>Total</u>
Chargeable/reimbursable	\$ 363,279	\$ 405,963	\$ 435,868	\$ 1,205,110
RMC support	(363,279)	—	(363,687)	(726,966)
Net charged	<u>\$ —</u>	<u>\$ 405,963</u>	<u>\$ 72,181</u>	<u>\$ 478,144</u>

Loan administrative fees, asset management fees, and costs from RMC, and the amounts waived by RMC for the three and nine months ended September 30, 2019 are presented in the following tables.

Three months ended September 30, 2019	<u>Loan Admin Fees</u>	<u>Asset Management Fees</u>	<u>Costs from RMC</u>	<u>Total</u>
Chargeable/reimbursable	\$ 221,512	\$ 119,187	\$ 151,061	\$ 491,760
RMC support	(221,512)	—	(151,061)	(372,573)
Net charged	<u>\$ —</u>	<u>\$ 119,187</u>	<u>\$ —</u>	<u>\$ 119,187</u>

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Nine months ended September 30, 2019	<u>Loan Admin Fees</u>	<u>Asset Management Fee</u>	<u>Costs from RMC</u>	<u>Total</u>
Chargeable/reimbursable	\$ 530,732	\$ 357,561	\$ 517,163	\$ 1,405,456
RMC support	(530,732)	(198,645)	(517,163)	(1,246,540)
Net charged	<u>\$ —</u>	<u>\$ 158,916</u>	<u>\$ —</u>	<u>\$ 158,916</u>

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 funded or acquired on the company's behalf by RMC for services rendered in connection with the selection and underwriting of potential loans. Such fees would be payable by the company upon the closing or acquisition of each loan. Since August 2015, RMC, at its sole discretion, has waived and continues to waive, the loan administrative fees.

Mortgage servicing fees

The manager acting as servicing agent with respect to all loans is entitled to receive a servicing fee from the company of up to one-quarter of one percent (0.25%) annually of the unpaid principal balance of the loan portfolio or such lesser amount as is reasonable and customary in the geographic area where the property securing the mortgage is located. RMC is entitled to receive these fees regardless of whether specific mortgage payments are collected. The mortgage servicing fees are accrued monthly on all loans. Remittance to RMC is made monthly unless the loan has been assigned a specific loss reserve, at which point remittance is deferred until the specific loss reserve is no longer required, or the property has been acquired by the company.

Asset management fees

The manager 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.

The company has been paying RMC the asset management fees for periods commencing June 1, 2019.

Costs from RMC

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

In the third quarter of 2020, RMC began collecting, in part, the reimbursement of costs attributable to RMI IX. RMC, at its sole discretion, had elected to waive reimbursement for operating expenses during the three and nine months ended September 30, 2019.

Commissions and fees paid by the borrowers to RMC

- *Brokerage commissions, loan originations* – For fees in connection with the review, selection, evaluation and negotiation of loans (including extensions), 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 paid by the borrowers to RMC are not recorded by the company and approximated \$438,000 and \$498,000 for the three months ended September 30, 2020 and 2019, respectively, and \$867,000 and \$1,168,000 for the nine months ended September 30, 2020 and 2019, respectively.

- *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.

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In the ordinary course of business, performing loans may be transferred by executed assignment, in-part or in-full, between the related mortgage funds at par. During the nine months ended September 30, 2020, Redwood Mortgage Investors VIII, LP (RMI VIII), a related mortgage fund, transferred to the company one performing loan in-full at par value, which approximates fair value, of approximately \$2,297,000. The company paid cash for the loan and the related mortgage fund has no continuing obligation or involvement with the loan. No loans were transferred during the nine months ended September 30, 2019.

Formation loan

Formation loan transactions for the nine months ended September 30, 2020 are presented in the following table.

	2020
Balance, January 1, 2020	\$ 3,948,064
Early withdrawal penalties applied	(15,063)
Balance, September 30, 2020	<u>\$ 3,933,001</u>

RMC is repaying the formation loan in annual installments of principal, without interest, of \$493,508, less early withdrawal penalties such that the formation loan is paid in full on December 31, 2027, and prior to the end of the term of the company in 2028. The formation loan is forgiven if the manager is removed and RMC is no longer receiving payments for services rendered. The primary source of repayment of the formation loan are loan brokerage commissions earned by RMC.

Redemptions of members' capital

Redemptions of members' capital for the three and nine months ended September 30, 2020 and 2019 are presented in the following table.

Redemptions	Three months ended		Nine months ended	
	2020	2019	2020	2019
Without penalty	\$ 747,009	\$ 445,485	\$ 1,509,603	\$ 1,187,961
With penalty	119,777	315,371	543,872	1,488,945
Total	<u>\$ 866,786</u>	<u>\$ 760,856</u>	<u>\$ 2,053,475</u>	<u>\$ 2,676,906</u>
Early withdrawal penalties	<u>\$ 5,598</u>	<u>\$ 6,611</u>	<u>\$ 27,531</u>	<u>\$ 67,695</u>

At September 30, 2020, scheduled redemptions of members' capital were \$1,156,763, of which \$1,003,686 is scheduled for payment in 2020 and \$153,077 is scheduled for payment in 2021. Scheduled redemptions of \$30,766 are subject to early withdrawal penalties as the members elected the accelerated payout options as permitted by the Operating Agreement.

Reimbursement and allocation of organization and offering expenses

As provided by the Operating Agreement, the manager is reimbursed for, or the company may pay directly, 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 such subsequent 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.

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Unallocated O&O expenses for the nine months ended September 30, 2020 are summarized in the following table.

	2020
Balance, January 1, 2020	\$ 2,260,068
Early withdrawal penalties applied ⁽¹⁾	(12,468)
O&O expenses allocated ⁽²⁾	(240,489)
O&O expenses repaid to Members' Capital by RMC ⁽³⁾	(42,184)
Balance, September 30, 2020	<u>\$ 1,964,927</u>

- (1) Beginning July 1, 2019, the O&O expense component of early withdrawal penalties are applied as a reduction to O&O expenses to be repaid by RMC to members' capital on scheduled redemptions. The amounts credited are determined by the ratio between the amount of the formation loan and the amount of offering costs incurred by the company. Prior to June 30, 2019, early withdrawal penalties collected were applied to the next installment due under the formation loan and to reduce the amount owed to RMC for O&O expenses.
- (2) Beginning in 2016, O&O expenses reimbursed to RMC by RMI IX are allocated to members' capital accounts over 40 quarters.
- (3) RMC is obligated under the Operating Agreement to repay RMI IX for the amount of unallocated O&O expenses attributed to members' capital accounts if the member redeems prior to the 40 quarterly allocations. RMC estimated its future obligation to repay unallocated O&O expenses on scheduled redemptions as of September 30, 2020, to be approximately \$21,747, which may be offset in part by early withdrawal penalties collected in future periods.

Promissory note receivable from related party (RMI VIII)

On September 30, 2020, RMI IX lent \$850,000 to RMI VIII secured by the net cash flow payable on two mortgage loans totaling approximately \$2,331,000 each of which were designated by RMI VIII as held for sale and expected to be sold to a third party purchaser prior to November 30, 2020. Interest on the loan accrued at a rate equal to RMI IX's pro rata share of the weighted average interest payable on the held for sale loans through a term ending on the earlier of: (i) the closing of the purchase of the held for sale loans; and (ii) November 30, 2020. The promissory note receivable from RMI VIII was secured by all proceeds payable to RMI VIII upon the sale or repayment of the loans net of any amounts outstanding by RMI VIII on its line of credit secured by the loans. On October 14, 2020, RMI VIII repaid in full the promissory note amount of \$850,000 and \$2,700 in interest to RMI IX. Under the terms of the note, RMI IX is also entitled to a pro rata share of premium realized (i.e., gain on sale net of costs) upon the sale of the held for sale loans if the sale transaction closes following repayment of the promissory note receivable from RMI VIII.

Payable to/receivable from related parties

From time to time, in the normal course of business operations, the company may have payables to and/or receivables from related parties. At September 30, 2020 the payable to related parties balance consisted of accounts payable and cost reimbursements to the manager of approximately \$78,901, which was partially offset by approximately \$362 due from the manager. The receivable was received from the manager and the payable was paid to the manager in October 2020.

NOTE 4 – LOANS

As of September 30, 2020, 75 of the company's 79 loans (representing 98% of the aggregate principal of the company's loan portfolio) have a loan term of five years or less. The remaining loans have terms longer than five years. Substantially all loans are written without a prepayment penalty provision.

As of September 30, 2020, 52 loans outstanding (representing 43% of the aggregate principal of the company's loan portfolio) provide for monthly payments of principal and interest, typically calculated on a 30-year amortization, with the remaining principal due at maturity. The remaining loans provide for monthly payments of interest only, with the principal due at maturity.

REDWOOD MORTGAGE INVESTORS IX, LLC
Notes to Financial Statements
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Secured loans unpaid principal balance (principal)

Secured loan transactions for the three and nine months ended September 30, 2020 are summarized in the following table.

	<u>Three months ended</u>	<u>Nine months ended</u>
Principal, beginning of period	\$ 72,577,049	\$ 70,660,284
Loans funded	14,352,000	36,327,850
Loan transferred from related mortgage fund	—	2,296,677
Collected - secured	(2,965,474)	(25,301,168)
Loans sold to non-affiliate	(480,000)	(480,000)
Loans transferred to held for sale ⁽¹⁾	(7,534,512)	(7,534,512)
Charged off	—	(20,068)
Principal, September 30, 2020	<u>\$ 75,949,063</u>	<u>\$ 75,949,063</u>

- (1) At September 30, 2020, five loans with principal of approximately \$7,535,000 were designated 'held for sale' for financial reporting purposes and are separately classified as such on the balance sheet and accompanying notes to the financial statements. All loans held for sale were performing and in first lien position. At September 30, 2020 the five loans held for sale had a combined accrued interest balance of approximately \$47,700, all of which was received by the company in October 2020.

During the three and nine months ended September 30, 2020, the company renewed 8 and 14 maturing (or matured) loans with aggregated principal of approximately \$7,255,000 and \$11,378,000, respectively, which are not included in the activity shown in the table above. The loans were current and deemed well collateralized at the time they were extended.

See Note 3 (Manager and Other Related Parties) for a description of loans transferred by executed assignments from a related mortgage fund.

Pursuant to California regulatory requirements, borrower payments are deposited into a trust account established by RMC with an independent bank. Funds are disbursed to the company as collected, which can range from same day for wire transfers and up to two weeks after deposit for checks. Borrower payments held in the trust account that are yet to be disbursed to the company are not included in the financial statements. At September 30, 2020, \$215,085 of borrower payments made by check, was on deposit in the bank trust account, which was disbursed to the company's account by October 14, 2020 when they were recorded by the company. At December 31, 2019, \$71,416 of borrower payments made by check, was on deposit in the trust account.

REDWOOD MORTGAGE INVESTORS IX, LLC
Notes to Financial Statements
September 30, 2020 (unaudited)

Loan characteristics

Secured loans had the characteristics presented in the following table.

	September 30, 2020	December 31, 2019
Number of secured loans	79	77
Secured loans – principal	\$75,949,063	\$70,660,284
Secured loans – lowest interest rate (fixed)	6.8%	7.8%
Secured loans – highest interest rate (fixed)	10.5%	10.5%
Average secured loan – principal	\$ 961,381	\$ 917,666
Average principal as percent of total principal	1.3%	1.3%
Average principal as percent of members’ capital, net	1.2%	1.2%
Average principal as percent of total assets	1.1%	1.2%
Largest secured loan – principal	\$ 6,735,000	\$ 6,735,000
Largest principal as percent of total principal	8.9%	9.5%
Largest principal as percent of members’ capital, net	8.5%	8.5%
Largest principal as percent of total assets	7.8%	8.9%
Smallest secured loan – principal	\$ 12,138	\$ 125,656
Smallest principal as percent of total principal	0.0%	0.2%
Smallest principal as percent of members’ capital, net	0.0%	0.2%
Smallest principal as percent of total assets	0.0%	0.2%
Number of California counties where security is located	16	17
Largest percentage of principal in one California county	22.8%	27.0%
Number of secured loans with filed notice of default	1	—
Secured loans in foreclosure – principal	\$ 136,799	\$ —
Number of secured loans with prepaid interest	2	—
Prepaid interest	\$ 14,308	\$ —

As of September 30, 2020, the company’s largest loan with principal of \$6,735,000 is secured by an office building located in Santa Clara County, bears an interest rate of 8.25% and matures on October 1, 2021. As of September 30, 2020, the company had no construction loans outstanding, no rehabilitation loans outstanding, and no commitments to fund construction, rehabilitation or other loans.

REDWOOD MORTGAGE INVESTORS IX, LLC
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Lien position

At funding, secured loans had the lien positions presented in the following table.

	September 30, 2020			December 31, 2019		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	49	\$ 49,042,131	65%	42	\$ 42,712,037	60%
Second trust deeds	30	26,906,932	35	35	27,948,247	40
Total principal, secured loans	<u>79</u>	<u>75,949,063</u>	<u>100%</u>	<u>77</u>	<u>70,660,284</u>	<u>100%</u>
Liens due other lenders at loan closing		54,469,432			54,062,023	
Total debt		<u>\$ 130,418,495</u>			<u>\$ 124,722,307</u>	
Appraised property value at loan closing		<u>\$246,468,000</u>			<u>\$237,453,000</u>	
Percent of total debt to appraised values (LTV) at loan closing ⁽²⁾		<u>55.3%</u>			<u>55.3%</u>	

- (2) 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 on senior liens to other lenders.

Property type

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

	September 30, 2020			December 31, 2019		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family ⁽³⁾	47	\$31,553,693	42%	53	\$32,361,343	46%
Multi-family	8	8,287,389	11	9	9,219,497	13
Commercial	24	36,107,981	47	15	29,079,444	41
Total principal, secured loans	<u>79</u>	<u>\$75,949,063</u>	<u>100%</u>	<u>77</u>	<u>\$70,660,284</u>	<u>100%</u>

- (3) Single family property type as of September 30, 2020 consists of 9 loans with principal of \$7,000,987 that are owner occupied and 38 loans with principal of \$24,552,706 that are non-owner occupied. At December 31, 2019, single family property type consisted of 11 loans with principal of \$6,236,571 that are owner occupied and 42 loans with principal of \$26,124,772 that are non-owner occupied.

REDWOOD MORTGAGE INVESTORS IX, LLC
Notes to Financial Statements
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Distribution of loans within California

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

	<u>September 30, 2020</u>		<u>December 31, 2019</u>	
	<u>Principal</u>	<u>Percent</u>	<u>Principal</u>	<u>Percent</u>
San Francisco Bay Area⁽⁴⁾				
Santa Clara	\$17,311,753	22.8%	\$19,064,638	27.0%
San Francisco	7,588,142	10.0	7,735,173	10.9
San Mateo	7,778,922	10.2	10,837,195	15.3
Alameda	5,920,420	7.8	2,930,219	4.2
Contra Costa	1,096,271	1.5	400,000	0.6
Marin	1,247,001	1.6	249,628	0.4
Santa Cruz	—	—	264,515	0.4
	<u>40,942,509</u>	<u>53.9</u>	<u>41,481,368</u>	<u>58.8</u>
Other Northern California				
Monterey	1,110,000	1.5	1,110,000	1.6
Tehama	405,000	0.5	405,000	0.6
Sacramento	127,498	0.2	492,216	0.6
Sutter	—	0.0	3,815,000	5.4
	<u>1,642,498</u>	<u>2.2</u>	<u>5,822,216</u>	<u>8.2</u>
Northern California Total	<u>42,585,007</u>	<u>56.1</u>	<u>47,303,584</u>	<u>67.0</u>
Los Angeles & Coastal				
Los Angeles	15,874,054	20.9	12,531,312	17.7
San Diego	9,806,485	12.9	4,983,331	7.1
Orange	4,463,683	5.9	3,067,396	4.3
Santa Barbara	395,335	0.5	497,977	0.7
San Luis Obispo	428,463	0.6	—	—
	<u>30,968,020</u>	<u>40.8</u>	<u>21,080,016</u>	<u>29.8</u>
Other Southern California				
San Bernardino	2,151,000	2.8	1,200,000	1.7
Riverside	245,036	0.3	1,076,684	1.5
	<u>2,396,036</u>	<u>3.1</u>	<u>2,276,684</u>	<u>3.2</u>
Southern California Total	<u>33,364,056</u>	<u>43.9</u>	<u>23,356,700</u>	<u>33.0</u>
Total principal, secured loans	<u>\$75,949,063</u>	<u>100.0%</u>	<u>\$70,660,284</u>	<u>100.0%</u>

(4) Includes Silicon Valley

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Scheduled maturities

Secured loans scheduled to mature as of September 30, 2020 are presented in the following table.

	Loans	Principal	Percent
2020 ⁽⁵⁾	7	\$ 6,318,188	8%
2021	43	53,377,031	69
2022	15	9,189,027	12
2023	4	1,317,172	2
2024	1	245,035	1
Thereafter	6	3,996,486	6
Total scheduled maturities	76	74,442,939	98
Matured as of September 30, 2020	3	1,506,124	2
Total principal, secured loans	79	\$75,949,063	100%

- (5) Loans scheduled to mature in 2020 after September 30. Includes two loans for which the company entered into forbearance agreements with the borrowers in September 2020 which deferred the maturity dates until December 1, 2020. One loan with principal of approximately \$1,200,000 which matured July 1, 2020, and one loan with a principal of approximately \$137,000 which matured December 1, 2019.

Scheduled maturities are presented based on the most recent in-effect agreement with the borrower, including forbearance agreements. As a result, matured loans for the scheduled maturities table may differ from the same captions in the tables of delinquencies and payment in arrears that are based on the notes and do not consider forbearance agreements.

It is the company's experience that the timing of future cash receipts from secured loans will differ from scheduled maturities. Loans may be repaid or renewed before, at or after the contractual maturity date.

For matured loans, the company may continue to accept payments while pursuing collection of principal or while negotiating an extension of the loan's maturity date.

Delinquency/Non-performing loans

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

	September 30, 2020		December 31, 2019	
	Loans	Principal	Loans	Principal
Current	68	\$66,584,777	65	\$62,174,140
Past Due				
30-89 days	4	1,928,042	8	3,952,306
90-179 days	3	3,739,684	2	3,520,112
180 or more days	4	3,696,560	2	1,013,726
Total past due (non-performing)	11	9,364,286	12	8,486,144
Total principal, secured loans	79	\$75,949,063	77	\$70,660,284

The company entered into two forbearance agreements during the nine months ended September 30, 2020. The first, in September 2020 for a loan with principal of approximately \$137,000, which is collateralized by a single family residence in Alameda County and matured on December 1, 2019. The company entered into a forbearance agreement with the borrower in September 2020 whereby the borrower agreed to pay all past due interest, resume monthly payments of interest and the company agreed to forgo collection of default interest and defer the maturity date until December 31, 2020. The loan was designated impaired and in non-accrual status at September 30, 2020.

The second, in September 2020, for a loan with principal of \$1,200,000, which is collateralized by a commercial property in San Bernardino County and matured on July 1, 2020. The company entered into a forbearance agreement with the borrower which defers the maturity date until December 1, 2020. The loan was designated impaired and in non-accrual status at September 30, 2020.

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At September 30, 2020, the company had one workout agreement with a borrower. The loan, with principal of \$190,198 matured on June 1, 2016, and the company entered into a workout agreement in September 2016, whereby the borrower agreed to resume monthly payments to the company. This agreement extended the maturity date through October 1, 2021.

At December 31, 2019, there were two loan modifications/forbearance agreements in effect. Updates as of September 30, 2020 are as follows:

- One loan with principal of approximately \$760,000, was 549 days past maturity and was designated impaired and in non-accrual status at September 30, 2020. The company entered into a forbearance agreement with the borrower in August 2019 whereby the borrower agreed to resume monthly payments and the company agreed to forbear collection activity until April 1, 2020. The agreement lapsed in April 2020 and the company is engaged in ongoing negotiations with the borrower who is pursuing a refinance with another lender.
- One loan with principal of approximately \$3,306,000 was designated impaired at December 31, 2019, with a forbearance agreement in place. In July 2020, the borrower made two payments totaling approximately \$283,000 which brought the loan current. In consideration of the payments made, the company and the borrower entered into an agreement on July 30, 2020 which extended the maturity date to November 1, 2020. On October 30, 2020, the borrower paid the loan off in full.

Payments in arrears for non-performing secured loans (i.e., monthly interest and principal payments past due 30 or more days) as of September 30, 2020 and December 31, 2019, are presented in the following tables.

	Loans		Principal		Interest ⁽⁶⁾		Total payments in arrears
	Past maturity	Monthly payments	Past maturity	Monthly payments	Past maturity	Monthly payments	
At September 30, 2020							
Payments in arrears							
30-89 days (1-3 payments)	2	2	\$ 746,363	\$ 369	\$ —	\$ 15,130	\$ 761,862
90-179 days (4-6 payments)	—	3	—	869	—	115,985	116,854
180 or more days (more than 6 payments)	3	1	2,096,560	—	99,617	67,392	2,263,569
Total past due ⁽⁷⁾	<u>5</u>	<u>6</u>	<u>\$2,842,923</u>	<u>\$ 1,238</u>	<u>\$ 99,617</u>	<u>\$198,507</u>	<u>\$3,142,285</u>

(6) Interest includes foregone interest of approximately \$38,000 on non-accrual loans past maturity and approximately \$5,000 for monthly payments in arrears. September 2020 interest is due October 1, 2020 and is not included in the payments in arrears at September 30, 2020.

(7) Included in the table above is one loan past maturity with principal of approximately \$369,000 and an original maturity date of September 1, 2020. In October 2020, the borrower paid all amounts in arrears, other than principal, and the maturity date was extended by one year to September 1, 2021.

	Loans		Principal		Interest ⁽⁸⁾		Total payments in arrears
	Past maturity	Monthly payments	Past maturity	Monthly payments	Past maturity	Monthly payments	
At December 31, 2019							
Payments in arrears							
30-89 days (1-2 payments)	2	6	\$ 311,294	\$ 1,671	\$ 1,198	\$ 29,396	\$ 343,559
90-179 days (3-5 payments)	—	2	—	8,175	—	109,125	117,300
180 or more days (6 or more payments)	1	1	764,097	903	15,760	13,834	794,594
Total payments in arrears	<u>3</u>	<u>9</u>	<u>\$1,075,391</u>	<u>\$ 10,749</u>	<u>\$16,958</u>	<u>\$152,355</u>	<u>\$1,255,453</u>

(8) Interest includes foregone interest of \$1,976 on non-accrual loans for monthly payments in arrears 180 or more days (6 or more payments). December 2019 interest is due January 1, 2020 and is not included in the payments in arrears at December 31, 2019.

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Delinquency/Loans in non-accrual status

Secured loans in non-accrual status are summarized in the following table.

	September 30, 2020	December 31, 2019
Number of loans	4	3
Principal	\$ 2,286,758	\$ 1,204,495
Advances	14,271	10,677
Accrued interest	121,571	37,799
Total recorded investment	<u>\$ 2,422,600</u>	<u>\$ 1,252,971</u>
Foregone interest	<u>\$ 46,806</u>	<u>\$ 3,952</u>

Non-performing loans are placed on non-accrual status if 180 days delinquent (or 90 days past maturity without making monthly interest payments) or earlier if management determines 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 for accounting purposes only (i.e., foregone interest in the table above); however, previously recorded interest is not reversed.

At September 30, 2020, three loans with aggregate principal of approximately \$5,149,000 and aggregate accrued interest of approximately \$207,000 were 90 or more days delinquent and not in non-accrual status. At December 31, 2019 one loan with principal of approximately \$3,329,000 and accrued interest of approximately \$132,000 was 90 or more days delinquent as to principal or interest and was not in non-accrual status.

One loan with principal of approximately \$137,000, matured on December 1, 2019, was 305 days delinquent at September 30, 2020. The loan was designated impaired in December 2019, and non-accrual in January 2020. A notice of default was filed in May 2020.

Provision/allowance for loan losses and impaired loans

Generally, the company has not recorded an allowance for loan losses as all loans have protective equity such that collection is deemed probable for all recorded amounts due on the loan. From time to time, the manager may deem it in the best interest of the company to agree to concessions to borrowers to facilitate a sale of collateral or refinance transactions primarily for secured loans in second lien position.

For the nine months ended September 30, 2020, RMI IX recorded an insignificant recovery for loan losses. There were no provision or allowance for loan losses recorded during the nine months ended September 30, 2019.

Activity in the allowance for loan losses for the nine months ended September 30, 2020 is presented in the following table.

	2020
Balance, January 1	\$ 87,000
Recovery for loan losses	(75)
Charge-offs	(31,925)
Balance September 30	<u>\$ 55,000</u>

REDWOOD MORTGAGE INVESTORS IX, LLC
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Loans designated impaired and any associated allowance for loan losses is presented in the following table.

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Number of loans	6	4
Principal	\$ 5,836,245	\$ 4,533,838
Recorded investment ⁽⁹⁾	6,081,615	4,719,705
Impaired loans without allowance	6,081,615	4,451,368
Impaired loans with allowance	—	268,337
Allowance for loan losses, impaired loans	—	37,000
Weighted average LTV at origination	59.6%	66.0%

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

Loans designated impaired had an average recorded investment, interest income recognized and interest income received in cash for the nine months ended September 30, 2020 and the year ended December 31, 2019 as presented in the following table.

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Average recorded investment	\$ 5,208,273	\$ 4,334,931
Interest income recognized	393,443	169,585
Interest income received in cash	219,355	67,990

Fair Value

The following methods and assumptions are used when estimating fair value:

Secured loans, performing and non-performing not designated as impaired (Level 3) - 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. Due to the nature of the company's loans and borrowers, the fair value of loan balances secured by deeds of trust approximates the recorded amount (per the financial statements) due to the following:

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

Secured loans, non-performing and designated impaired (Level 3) - The fair value of secured loans, non-performing and designated impaired is the lesser of the fair value of the collateral or the enforceable amount of the note. Secured loans designated impaired are collateral dependent because it is expected that the primary source of repayment will not be from the borrower but rather from the collateral. The fair value of the collateral is determined on a nonrecurring basis 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 3 inputs). When the fair value of the collateral exceeds the enforceable amount of the note, the borrower is likely to redeem the note. Accordingly, third party market participants would generally pay the fair value of the collateral, but no more than the enforceable amount of the note.

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 and adjusted for similarity to the subject property, examining features such as proximity to subject, number of bedrooms and bathrooms, square footage, sale date, condition and year built.

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

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

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

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

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

NOTE 5 – LINE OF CREDIT

Activity involving the line of credit during the three months ended September 30, 2020 and since inception in April 2020 is presented in the following table.

	Three months ended	Since Inception
Balance, beginning of period	\$ 8,200,000	\$ —
Draws	6,050,000	19,250,000
Repayments	(4,250,000)	(9,250,000)
Balance, September 30, 2020	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Line of credit - average daily balance	<u>\$ 8,524,000</u>	<u>\$ 6,236,000</u>

Debt issuance costs of \$109,526 are being amortized over the two-year term of the loan agreement. Amortized debt issuance costs totaled \$13,702 for the three months ended and \$27,320 for the nine months ended September 30, 2020 and are recorded as interest expense.

RMI IX can borrow up to a maximum principal of \$10 million subject to a borrowing base calculation pursuant to a credit and term loan agreement (the loan agreement) with a bank. Amounts under the loan agreement are secured by a first priority security interest in the notes and deeds of trust of the pledged loans in the borrowing base. The loan agreement matures March 13, 2022 when all amounts outstanding are then due. The company has the option at the maturity date to convert the then outstanding principal balance on the line of credit to a one-year term loan - for a fee of one-quarter of one percent (0.25%) – thereby extending the maturity date to March 13, 2023.

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Notes to Financial Statements
September 30, 2020 (unaudited)

Interest on the outstanding principal is payable monthly and accrues at the per annum rate of the greater of (i) five percent (5%) or (ii) the sum of the one-month LIBOR rate plus three and one-quarter percent (3.25%). If the company does not maintain the required compensating balance with a minimum daily average of \$1.0 million for any day during the calendar quarter, the interest rate automatically increases by one-quarter of one percent (0.25%) above that rate which would otherwise be applicable for the next calendar quarter retroactive to the beginning of the calendar quarter in which the compensating balance is not maintained. Commencing with the quarter ended September 30, 2020, for each calendar quarter during which the aggregate average daily principal is less than fifty percent (50%) of the maximum principal of \$10 million, there is a quarterly unused line fee equal to one-half of one percent (0.50%) per annum of the average daily difference between the principal outstanding and fifty percent (50%) of the maximum principal of \$10 million (\$5,000,000).

The loan proceeds are to be used exclusively to fund secured loans. The loan agreement provides for customary financial and borrowing base reporting by RMI IX to the lending bank and specifies that RMI IX shall maintain (i) minimum tangible net worth of \$50 million, net of amounts due from related companies; (ii) debt service coverage ratio at all times of not less than 2.00 to 1.00; and (iii) loan payment delinquency of less than ten percent (10.0%) on a quarterly basis as of the calendar quarter-end, calculated as the principal of loans with payments over 61-days past due, less loan loss allowances, divided by total principal of RMI IX loans. The loan agreement provides that in the event the loan payment delinquency rate exceeds 10.0% as of the end of any quarter, the bank will cease to make any further advances but agrees to not accelerate repayment of the loan.

Principal of pledged loans was approximately \$17,017,000 at September 30, 2020 with a maximum allowed advance thereon of approximately \$10,000,000, subject to the borrowing base calculation.

NOTE 6 – COMMITMENTS AND CONTINGENCIES, OTHER THAN LOAN COMMITMENTS

Commitments

At September 30, 2020, scheduled future redemptions of members' capital was \$1,156,763, of which \$1,003,686 is scheduled for payment in 2020 and \$153,077 is scheduled for payment in 2021.

The company has contractual obligations to RMC per the Operating Agreement. See Note 3 (Manager and Other Related Parties) for a more detailed discussion on the company's contractual obligations to RMC.

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 September 30, 2020, the company is not involved in any legal proceedings other than those that would be considered part of the normal course of business.

NOTE 7 – SUBSEQUENT EVENTS

Promissory note payable to related party (RMI VIII)

On October 19, 2020, RMI IX borrowed from RMI VIII \$800,000 secured by the net cash flow payable on five mortgage loans totaling approximately \$7,535,000,000 each of which were designated by RMI IX as held for sale and expected to be sold to a third party purchaser prior to November 30, 2020. Interest on the loan accrued at a rate equal to RMI VIII's pro rata share of the weighted average interest payable on the held for sale loans through a term ending on the earlier of: (i) the closing of the purchase of the held for sale loans; and (ii) November 30, 2020. The promissory note payable to RMI VIII was secured by all proceeds payable to RMI IX upon the sale or repayment of the loans net of any amounts outstanding by RMI IX on its line of credit secured by the loans. On October 30, 2020, RMI IX repaid in full the promissory note amount of \$800,000 and \$1,831 in interest to RMI VIII. Under the terms of the note, RMI IX is also obligated to pay RMI VIII a pro rata share of premium realized (i.e., gain on sale net of costs) upon the sale of the held for sale loans if the sale transaction closes following repayment of the promissory note to RMI VIII.

The manager evaluated subsequent events that have occurred after September 30, 2020 and determined that there were no other events or transactions occurring during this reporting period that require recognition or disclosure in the unaudited financial statements.

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

The following discussion and analysis should be read in conjunction with the unaudited financial statements and notes thereto, which are included in Item 1 of this report on Form 10-Q, as well as the audited financial statements and the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the company's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the U.S. Securities and Exchange Commission (or SEC). The results of operations for the three and nine months ended September 30, 2020 are not necessarily indicative of the operations results to be expected for the full year.

Forward-Looking Statements

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

Factors that might cause such a difference include, but are not limited to, the following:

- changes in economic conditions, interest rates, and/or changes in California real estate markets;
- the impact of competition and competitive pricing for mortgage loans;
- the manager's ability to make and arrange for loans that fit our investment criteria;
- whether we will have any future loan sales to unaffiliated third parties, and if we do, the gain, net of expenses, and the volume/timing of loan sales to unaffiliated third parties, which to date have provided only immaterial gains to us;
- the concentration of credit risks to which we are exposed;
- increases in payment delinquencies and defaults on our mortgage loans;
- the timing and dollar amount of the decreasing financial support from the manager and the corresponding impact on the net distribution rate to members;
- changes in government regulation and legislative actions affecting our business; and,
- the COVID-19 pandemic and social and governmental responses to the pandemic have caused, and are likely to continue to cause, severe economic, market and other disruptions worldwide. The extent to which COVID-19 and related actions impact our operations will depend on future developments, which are highly uncertain and cannot be predicted with any degree of certainty, including the scope, severity, and duration of the outbreak, the actions taken to contain the pandemic or mitigate its impact by governmental authorities or otherwise voluntarily taken by individuals or businesses, the success of governmental actions undertaken to support the economy and the duration and severity of direct and indirect economic effects of the illness and containment measures, among others. As a result, we cannot at this time predict or estimate the impact of the COVID-19 pandemic, but it could have a material adverse effect on our business, financial condition, liquidity and results of operations for the remainder of 2020.

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

Overview

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

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

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

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

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

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

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

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

See Note 1 (Organization and General) to the financial statements included in Part I, Item 1 of this report for additional detail on the organization and operations of RMI IX which detail is incorporated by this reference into this Item 2.

See Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item 1 of this report for a detailed presentation of the company's activities for which related parties are compensated and for other related party transactions, which presentation is incorporated by this reference into this Item 2.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 owned, at acquisition and subsequently. Actual results could differ significantly from these estimates.

Allowance for loan losses

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

A provision for loan losses to adjust the allowance for loan losses (principal and/or interest) is recorded such that the net carrying amount 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.

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

Fair value estimates

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 income 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.

Results of Operations

COVID-19

The following discussion describes our results of operations for the three and nine months ended September 30, 2020. While the COVID-19 outbreak did not have a material adverse effect on our reported results for the nine months ended September 30, 2020, we are actively monitoring the impact of COVID-19, which may negatively impact our business and results of operations for subsequent periods.

In March 2020, the World Health Organization declared COVID-19 a pandemic. The global spread of COVID-19 has created significant volatility, uncertainty and economic disruption including in the United States and both Northern and Southern California where the company's lending operations are located. In response to the COVID-19 outbreak, federal, state and local governments as well as the business community have implemented voluntary and increasingly mandatory policies and restrictions that have substantially limited the operation of non-essential businesses and the activities of individuals. These restrictions and protocols have resulted in increases in unemployment rates, disruptions to businesses, increased volatility in the financial markets and overall economic uncertainty at the state, local and national levels. Despite the improvement in the economy in recent months, economic activity remains far below its pre-pandemic level and unemployment remains elevated.

The impact from the rapidly changing market and economic conditions due to the COVID-19 outbreak is uncertain and will impact our business and results of operations and could impact our financial condition in the future. While we have not incurred significant disruptions thus far from the COVID-19 outbreak, we are unable to accurately predict the impact that COVID-19 will have due to numerous evolving factors, including the severity of the disease, the duration of the outbreak, actions that may be taken by governmental authorities, the impact to our borrowers, including the ability of our borrowers to make their loan payments and qualify for future loans and a decrease in the values of California real estate which serves as collateral for the company's loans. Any of these events or consequences could materially adversely impact our business, financial condition, or results of operations.

On March 27, 2020, the "Coronavirus Aid, Relief, and Economic Security (CARES) Act" was signed into law. The manager continues to examine the impact that the CARES Act may have on the company's business. Although the manager does not expect the CARES Act to have a direct impact on the company, it may have an indirect impact on the company's borrowers and its manager. At the time of issuance of these financial statements, the manager is unable to estimate the impact that the CARES Act will have on the company's financial condition, results of operations, or liquidity for the remainder of 2020.

The manager has received from borrowers inquiries as to short-term loan payment relief, most in the form of requests for deferral of payments or requests for further discussion of COVID-19 related relief. The manager evaluates each loan payment relief request on an individual basis considering a number of factors. Not all of the requests made will result in agreements and the manager is not considering the waiver or modification of any of our contractual rights under our loan agreements other than extensions of the maturity date of the loan. For one borrower, the maturity date was extended by five months to December 1, 2020, and one request remains pending with discussion ongoing as of November 16, 2020.

It is not possible at this time to predict or estimate the ultimate impact of COVID-19 on the financial condition or results of operations and liquidity of the company for the remainder of 2020. Management also continues to monitor the impact that COVID-19 may have on California real estate values (see the LTV by lien position tables under "Secured Loan" following the Key Performance Indicators below).

General economic and real estate market conditions – California

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

In the publication "California Adds Back More Than Half a Million Jobs in June" dated July 17, 2020:

"The re-opening of California's economy provided a much needed boost to hiring this past month, with nonfarm payrolls adding back 558,200 new jobs. June's gain easily marks the largest monthly increase ever for California but nonfarm employment remains 1.93-million jobs below its February peak. While employment rose solidly in nearly every major industry, more than half of the bounce back was centered in California's hard-hit leisure & hospitality sector. Those gains may prove fleeting, however, as the resurgence in COVID-19 has brought new restrictions on economic activity."

"California's unemployment rate fell 1.5 percentage points in June to 14.9%. The drop results from a 653,200 person increase in civilian employment, or the number of Californians working, compared to a somewhat smaller 441,200 person increase in the civilian labor force. Typically, economists tend to focus on nonfarm employment, as it is derived from a larger sample and provides more detail on changes in employment. The civilian (or Household) employment measure, however, is more inclusive and provides insight into employment trends in important classifications of workers, such as independent contractors and sole proprietors. This category of workers was particularly hard hit by COVID-19 shutdowns and has been slower to recover. Household employment fell 17.6% from February to May, resulting in a loss of 3.3 million jobs, compared to a 14.9% February to April drop in nonfarm employment, which resulted in the loss of 2.6 million jobs."

"Farm employment in California—the nation's largest farm economy— continues to tumble. California farms cut 8,500 jobs in June, bringing the total loss since February to 118,000 jobs, or more than one of every four jobs that used to exist in California's farm sector. The bounce back in leisure and hospitality employment, most of which was at restaurants, is clearly evident in the employment data. California's largest MSAs accounted for the bulk of June's job gains. Los Angeles added back 147,000 jobs in June and has now regained 25.6% of the jobs lost earlier this year. Orange County added the second largest number of jobs in the state, with nonfarm payrolls regaining 71,600 jobs, or 27% of what was lost in March and April. The Inland Empire added 43,800 jobs in June, Ventura County added back 10,300 jobs and Bakersfield added 9,900 jobs. San Diego was another big standout, as employers added back 51,600 jobs."

"California's tech sector has proved fairly resilient. Early on there were worries advertising revenues would nosedive and venture capital would dry up, neither have transpired. Instead the surge in working remotely has boosted demand for all sorts of tech services and social media continues to flourish. Employment in the Bay Area reflect these trends, with hiring bouncing back stronger in South Bay than San Francisco or Oakland. The San Jose MSA has regained 31.6% of the jobs lost in March and April, while San Francisco-Oakland-Hayward MSA regained 23.8%."

Key Performance Indicators

Key performance indicators for the nine months ended September 30, 2020 and 2019 are presented in the following table.

	2020	2019
Secured loans held for investment - principal at end of period	\$ 75,949,063	\$ 73,632,874
Secured loans held for sale - principal at end of period	7,534,512	—
Total secured loans - principal at end of period	\$ 83,483,575	\$ 73,632,874
Total secured loans – average daily principal balance	\$ 73,534,000	\$ 65,317,000
Interest income	\$ 4,796,705	\$ 4,405,007
Portfolio interest rate ⁽¹⁾	8.7%	8.8%
Effective yield rate ⁽²⁾	8.7%	9.0%
Line of credit - end of period balance	\$ 10,000,000	\$ —
Line of credit - average daily balance for the period beginning April 1 ⁽³⁾	\$ 6,236,000	\$ —
Interest expense	\$ 169,362	\$ —
Interest rate - line of credit for the period beginning April 1 ⁽³⁾	5.0%	—
Recovery of loan losses	\$ (75)	\$ —
Total operations expense ⁽⁸⁾	\$ 1,075,743	\$ 710,610
Net Income ⁽⁸⁾	\$ 3,571,717	\$ 3,760,019
Percent of average members' capital ⁽⁴⁾⁽⁵⁾	5.8%	6.1%
Member Distributions, net	\$ 3,354,984	\$ 3,375,675
Percent of average members' capital ⁽⁴⁾⁽⁶⁾	5.5%	5.5%
Members' capital, gross – end of period balance	\$ 81,373,590	\$ 81,759,674
Members' capital, gross – average daily balance	\$ 81,927,000	\$ 81,149,000
Member Redemptions ⁽⁷⁾	\$ 2,053,475	\$ 2,676,906

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

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

(3) Beginning April 2020, RMI IX borrowed on a bank line of credit which was in effect beginning March 2020. See Note 5 (Line of Credit) to the financial statements included in this report for a presentation of the activity and discussion of the terms and condition of the agreement.

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

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

(6) Members Distributions is net of O&O expenses allocated to members' accounts during the year.

(7) Scheduled member redemptions as of September 30, 2020 were \$1,156,763 all of which is scheduled for payment in 2020 and 2021. Scheduled member redemptions as of September 30, 2019 were \$ 578,981, all of which was paid in 2019.

(8) RMC, at its sole discretion, has provided significant financial support to the company which increased the net income, cash available for distribution, and the net-distribution rate. See Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item 1 of this report for a detailed discussion on the fees and cost reimbursements waived and the company's costs absorbed by the manager.

Key performance indicators for the three months ended September 30, 2020 and 2019 are presented in the following table.

	2020	2019
Secured loans held for investment - principal at end of period	\$ 75,949,063	\$ 73,632,874
Secured loans held for sale - principal at end of period	7,534,512	—
Total secured loans - principal at end of period	\$ 83,483,575	\$ 73,632,874
Total secured loans – average daily principal balance	\$ 80,904,000	\$ 64,968,000
Interest income	\$ 1,857,029	\$ 1,526,142
Portfolio interest rate ⁽¹⁾	8.6%	8.9%
Effective yield rate ⁽²⁾	9.2%	9.4%
Line of credit - end of period balance	\$ 10,000,000	\$ —
Line of credit - average daily balance ⁽³⁾	\$ 8,524,000	\$ —
Interest expense	\$ 122,618	\$ —
Interest rate - line of credit ⁽³⁾	5.0%	—
Recovery of loan losses	\$ —	\$ —
Total operations expense ⁽⁸⁾	\$ 415,338	\$ 338,408
Net income ⁽⁸⁾	\$ 1,326,113	\$ 1,226,729
Percent of average members' capital ⁽⁴⁾⁽⁵⁾	6.4%	5.9%
Member distributions, net	\$ 1,108,339	\$ 1,147,807
Percent of average members' capital ⁽⁴⁾⁽⁶⁾	5.4%	5.6%
Members' capital, gross – end of period balance	\$ 81,373,590	\$ 81,759,674
Members' capital, gross – average daily balance	\$ 81,881,000	\$ 82,080,000
Member redemptions ⁽⁷⁾	\$ 866,786	\$ 760,856

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

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

(3) Beginning April 2020, RMI IX borrowed on a bank line of credit which was in effect beginning March 2020. See Note 5 (Line of Credit) to the financial statements included in this report for a presentation of the activity and discussion of the terms and condition of the agreement.

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

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

(6) Members Distributions is net of O&O expenses allocated to members' accounts during the year.

(7) Scheduled member redemptions as of September 30, 2020 were \$1,156,763 all of which is scheduled for payment in 2020 and 2021. Scheduled member redemptions as of September 30, 2019 were \$ 578,981, all of which was paid in 2019.

(8) RMC, at its sole discretion, has provided significant financial support to the company which increased the net income, cash available for distribution, and the net-distribution rate. See Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item 1 of this report for a detailed discussion on the fees and cost reimbursements waived and the company's costs absorbed by the manager.

Total secured loans

The total secured loans principal at September 30, 2020 of \$83,483,575 was an increase of approximately 13.4% (\$9.851 million) over the September 30, 2019 total secured loans principal of \$73,632,874. The total secured loans principal – average daily balance for the nine months ended September 30, 2020 of \$73,534,000 was an increase of approximately 12.6% (\$8.217 million) over total secured loans principal – average daily balance of \$65,317,000 for the nine months ended September 30, 2019. The total secured loans principal – average daily balance for the three months ended September 30, 2020 was \$80,904,000, an increase of 24.5% (\$15.936 million) over the \$64,968,000 for the three months ended September 30, 2019. The increase was primarily due to RMC's ability to fully invest the company's capital available to lend, including the borrowings on the line of credit. The borrowings on the line of credit since April 2020 that were \$10 million at September 30, 2020, had an average daily balance of approximately \$8,524,000 for the three months ended September 30, 2020.

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 September 30, 2020 was approximately 55.3%. Thus, per the appraisal-based valuations at the time of loan inception, borrowers have, in the aggregate, equity of 44.7% in the property, and we as a lender have lent in the aggregate 55.3% (including other senior liens on the property) against the properties we hold as collateral for the repayment of our loans.

Total secured loans, principal by LTV and lien position as of September 30, 2020 are presented in the following table. The LTV's shown in this table are updated for any appraisals ordered and received by the manager after origination of the loan.

Total secured loans, principal						
LTV	First trust deeds	Percent ⁽¹⁾	Second trust deeds	Percent ⁽¹⁾	Total loans	Percent ⁽¹⁾
<40%	\$ 12,422,156	14.9%	\$ 2,493,447	3.0%	\$ 14,915,603	17.9%
40-49%	2,167,198	2.6	1,048,302	1.3	3,215,500	3.9
50-59%	20,950,616	25.1	2,934,894	3.5	23,885,510	28.6
60-69%	18,940,977	22.7	18,590,076	22.2	37,531,053	44.9
Subtotal <70%	54,480,947	65.3	25,066,719	30.0	79,547,666	95.3
70-79%	2,095,697	2.5	1,840,212	2.2	3,935,909	4.7
Subtotal <80%	56,576,644	67.8	26,906,931	32.2	83,483,575	100.0
≥80%	—	0.0	—	0.0	—	0.0
Total	\$ 56,576,644	67.8%	\$ 26,906,931	32.2%	\$ 83,483,575	100.0%

Non-performing secured loans, principal by LTV and lien position as of September 30, 2020 are presented in the following table. The LTV's shown in this table are updated for any appraisals ordered and received by the manager after origination of the loan.

Non-performing secured loans, principal						
LTV	First trust deeds	Percent ⁽¹⁾	Second trust deeds	Percent ⁽¹⁾	Total	Percent ⁽¹⁾
<40%	\$ 1,736,799	2.1%	\$ —	0.0%	\$ 1,736,799	2.1%
40-49%	190,198	0.2	—	0.0	190,198	0.2
50-59%	2,709,247	3.2	191,680	0.2	2,900,927	3.4
60-69%	3,336,362	4.0	1,200,000	1.4	4,536,362	5.4
Subtotal <70%	7,972,606	9.5	1,391,680	1.6	9,364,286	11.1
70-79%	—	0.0	—	0.0	-	0.0
Subtotal <80%	7,972,606	9.5	1,391,680	1.6	9,364,286	11.1
≥80%	—	0.0	—	0.0	—	0.0
Total	\$ 7,972,606	9.5%	\$ 1,391,680	1.6%	\$ 9,364,286	11.1%

Non-performing secured loans past maturity, principal by LTV and lien position as of September 30, 2020 are presented in the following table. The LTV's shown in this table are updated for any appraisals ordered and received by the manager after origination of the loan.

Non-performing loans, principal past maturity						
LTV	First trust deeds		Second trust deeds		Total	
	Percent⁽¹⁾		Percent⁽¹⁾		Percent⁽¹⁾	
<40%	\$ 136,799	0.2%	\$ —	0.0%	\$ 136,799	0.2%
40-49%	—	0.0	—	0.0	—	0.0
50-59%	759,761	0.9	—	0.0	759,761	0.9
60-69%	746,363	0.9	1,200,000	1.4	1,946,363	2.3
Subtotal <70%	1,642,923	2.0	1,200,000	1.4	2,842,923	3.4
70-79%	—	0.0	—	0.0	—	0.0
Subtotal <80%	1,642,923	2.0	1,200,000	1.4	2,842,923	3.4
≥80%	—	0.0	—	0.0	—	0.0
Total	\$ 1,642,923	2.0%	\$ 1,200,000	1.4%	\$ 2,842,923	3.4%

1) Percent of total secured loans principal, end of period balance.

Payments in arrears for non-performing secured loans, (i.e., principal and interest payments past due 30 or more days) totaled approximately \$3,142,000, of which approximately \$2,844,000 was principal and approximately \$298,000 was accrued interest.

See Note 4 (Loans) to the financial statements included in Part I, Item 1 of this report for detailed presentations on the secured loan portfolio, including loan characteristics, scheduled maturities, delinquency and payments in arrears, loans in non-accrual status and the allowance for loan losses, which presentations are incorporated by this reference into this Item 2.

Performance overview/net income 2020 v. 2019

Net income available to members as a percent of members' capital, gross – average daily balance (annualized) was 5.8% and 6.1% for the nine months ended September 30, 2020 and 2019, respectively. Net income decreased approximately \$188,000 for the nine months ended September 30, 2020 as compared to the same period in 2019.

Net interest income increased approximately \$222,000 in line with the increase in the average daily balance of total secured loans, offset in part by the interest expense on the borrowings on the line of credit. In the nine months ended September 30, 2020, revenue from late fees approximated \$20,000, a decrease of approximately \$25,000 compared to the nine months ended September 30, 2019. In the nine months ended September 30, 2020, there were no loan sales; in the same period in 2019 the gain on sale of loans approximated \$21,000.

Operations expense increased approximately \$365,000 resulting from:

- an increase in asset management fees year over year of approximately \$247,000 (In June 2019, RMC began collecting from RMI IX the asset management fee of three quarters of one percent (0.75%) annually) and
- an increase in professional services and costs from RMC totaling approximately \$119,000 (In the third quarter of 2020, RMC began collecting, in part, the reimbursement of costs attributable to RMI IX, and in both 2020 and 2019 RMC implemented methods with the cooperation of the providers of professional services to invoice the RMC-managed mortgage funds directly, or at least to segregate by fund the charges in the invoices for professional-services).

See "Analysis and discussion of income from operations 2020 v. 2019 (nine months ended)" below for additional detail.

Members' capital decreased approximately \$382,000 for the nine months ended September 30, 2020 as O&O expense allocated to members totaled approximately \$240,000 and members' redemptions exceeded the purchase of DRIP units by approximately \$323,000. These reductions were partially offset by net income exceeding distributions by approximately \$181,000 during the nine months ended September 30, 2020.

In March 2020, RMI IX entered into a revolving line of credit and term loan agreement (the loan agreement) with a bank pursuant to which RMI IX can borrow up to a maximum principal of \$10 million subject to a borrowing base calculation. Amounts under the loan agreement are secured by a first priority security interest in the notes and deeds of trust of the pledged loans in the borrowing base. The loan agreement matures March 13, 2022 when all amounts outstanding are then due.

Analysis and discussion of income from operations 2020 v. 2019 (nine months ended)

Significant changes to revenue and expenses during the nine months ended September 30, 2020 and 2019 are summarized in the following table.

	<u>Net interest Income</u>	<u>Recovery of Loan Losses</u>	<u>Operations Expense</u>	<u>Net Income</u>
For the nine months ended				
September 30, 2020	\$ 4,627,343	(75)	1,075,743	\$ 3,571,717
September 30, 2019	4,405,007	—	710,610	3,760,019
Change	<u>\$ 222,336</u>	<u>(75)</u>	<u>365,133</u>	<u>\$ (188,302)</u>
Change				
Increase total secured loans principal - average daily balance	\$ 561,001	—	12,821	\$ 548,180
Effective yield rate	(169,303)	—	—	(169,303)
Increase members' capital - average daily balance	—	—	103,836	(103,836)
Interest on line of credit	(142,042)	—	—	(142,042)
Amortization of debt issuance costs	(27,320)	—	—	(27,320)
Late fees	—	—	—	(24,747)
Gain on sale, loans	—	—	—	(20,833)
Information technology for members' capital accounts invoiced directly	—	—	(50,453)	50,453
Tax compliance costs for members' capital accounts invoiced directly	—	—	19,801	(19,801)
RMC fees/costs reimbursements waived	—	—	352,121	(352,121)
Timing of services rendered	—	—	(35,592)	35,592
Other	—	(75)	(37,401)	37,476
Change	<u>\$ 222,336</u>	<u>(75)</u>	<u>365,133</u>	<u>\$ (188,302)</u>

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

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

Net interest income

Net interest income increased approximately \$222,000 for the nine months ended September 30, 2020 compared to the same period in 2019. The increase in interest income of approximately \$392,000 for the nine months ended September 30, 2020 was offset in part by increased interest expense of approximately \$169,000 compared to the same period in 2019 due to draws made on the line of credit during the nine months ended September 30, 2020.

Foregone interest on non-accrual loans at September 30, 2020 was \$46,806, an increase of approximately \$43,000 in the nine months then ended. Foregone interest at September 30, 2019 was \$0, a decrease of approximately \$33,000 in the nine months then ended.

Provision/allowance for loan losses

Generally, the company has not recorded a provision/allowance for loan losses as the secured loans have protective equity such that collection is deemed probable for all recorded amounts due on the loan.

Operations expense

Significant changes to operations expense during the nine months ended September 30, 2020 and 2019, are summarized in the following table.

	Mortgage Servicing Fees	Asset Management Fees, net	Costs From RMC, net	Professional Services, net	Other	Total
For the nine months ended						
September 30, 2020	\$ 134,831	405,963	72,181	452,090	10,678	\$1,075,743
September 30, 2019	122,010	158,916	—	404,927	24,757	710,610
Change	<u>\$ 12,821</u>	<u>247,047</u>	<u>72,181</u>	<u>47,163</u>	<u>(14,079)</u>	<u>\$ 365,133</u>
Change						
Increase total secured loans principal - average daily balance	\$ 12,821	—	—	—	—	\$ 12,821
Increase members' capital - average daily balance	—	48,402	55,434	—	—	103,836
RMC fees/costs reimbursements waived	—	198,645	153,476	—	—	352,121
Information technology for members' capital accounts invoiced directly	—	—	(61,677)	11,224	—	(50,453)
Tax compliance costs for members' capital accounts invoiced directly	—	—	—	19,801	—	19,801
Timing of services rendered	—	—	—	(35,592)	—	(35,592)
Other	—	—	(75,052)	51,730	(14,079)	(37,401)
Change	<u>\$ 12,821</u>	<u>247,047</u>	<u>72,181</u>	<u>47,163</u>	<u>(14,079)</u>	<u>\$ 365,133</u>

Mortgage Servicing fees

The increase in mortgage servicing fees for the nine months ended September 30, 2020 over the same period in 2019 of \$12,821 was due to the increase in the average daily total secured loans portfolio of approximately \$8.2 million at the annual rate of 0.25%.

Asset management fee

For periods commencing June 1, 2019, RMI IX began paying RMC the asset management fee.

The increase in asset management fees chargeable is due to an increase in the members capital – end of period balance at December 31, 2019 compared to December 31, 2018. (See Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item 1 of this report). The current year asset management fee is determined annually based on prior year end balances and is computed by subtracting from the then fair value of the company's loans plus working capital reserves, an amount equal to the outstanding debt.

Costs from RMC, net

In the third quarter of 2020, RMI IX began reimbursing RMC, in part, for the cost of services attributable to RMI IX. RMC, at its sole discretion, had elected to waive the reimbursement during the nine months ended September 30, 2019.

Professional Services

Professional services consist primarily of information technology, legal, audit and tax compliance (including tax advice, and return preparation), and consulting expenses.

The increase in professional services of \$47,163 for the nine months ended September 30, 2020 over the same period in 2019 was due primarily to:

- The recorded expense for fees paid to an independent service bureau for information technology related to record keeping and reporting for accounts of individual investors was approximately \$69,000 and \$57,000 for the nine months ended September 30, 2020 and 2019, respectively, a decrease of \$12,000.
- Audit fees decreased approximately \$30,000 in the nine months ended September 30, 2020 as compared to the same period in 2019, due to the timing of when services were rendered.
- Tax compliance and advisory expenses increased by approximately \$20,000 due to the true up accrual during the second quarter of 2020 for expenses relating to the preparation of members' K1 tax forms.

- Consulting/contractor fees increased approximately \$40,000 due in part to outside contractors being engaged to perform services previously performed by employees of the manager. The increase is offset in part by a reduction in operating expense incurred by the manager due in part to a decrease in employee expense for which reimbursement could have been requested (Costs from RMC).

Analysis and discussion of income from operations 2020 v. 2019 (three months ended)

Significant changes to revenue and expenses during the three months ended September 30, 2020 and 2019 are summarized in the following table.

	Net interest Income	Recovery For Loan Losses	Operations Expense	Net Income
For the three months ended				
September 30, 2020	\$ 1,734,411	—	415,338	\$ 1,326,113
September 30, 2019	1,526,142	—	338,408	1,226,729
Change	<u>\$ 208,269</u>	<u>—</u>	<u>76,930</u>	<u>\$ 99,384</u>
Change				
Increase total secured loans principal - average daily balance	\$ 374,346	—	8,050	\$ 366,296
Effective yield rate	(43,459)	—	—	(43,459)
Increase members' capital - average daily balance	—	—	39,134	(39,134)
Interest on line of credit	(108,916)	—	—	(108,916)
Amortization of debt issuance costs	(13,702)	—	—	(13,702)
Late fees	—	—	—	(11,122)
Gain on sale, loans	—	—	—	(20,833)
RMC fees/costs reimbursements waived	—	—	78,188	(78,188)
Information technology for members' capital accounts invoiced directly	—	—	(35,000)	35,000
Timing of services rendered	—	—	(10,000)	10,000
Other	—	—	(3,442)	3,442
Change	<u>\$ 208,269</u>	<u>—</u>	<u>76,930</u>	<u>\$ 99,384</u>

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

Net interest income

Net interest income increased approximately \$208,000 for the three months ended September 30, 2020 compared to the same period in 2019, in line with the increase in the average daily balance of total secured loans of approximately \$15.9 million, offset in part by the interest expense on the borrowings in 2020 on the line of credit with an average daily balance of approximately \$8.5 million.

Foregone interest on non-accrual loans at September 30, 2020 was \$46,806, a decrease of approximately \$98,000 in the three months then ended. Foregone interest at September 30, 2019 was \$0, a decrease of approximately \$40,000 in the three months then ended.

Provision/allowance for loan losses

Generally, the company has not recorded a provision/allowance for loan losses as the secured loans have protective equity such that collection is deemed probable for all recorded amounts due on the loan.

Operations expense

Significant changes to operations expense during the three months ended September 30, 2020 and 2019, are summarized in the following table.

	Mortgage Servicing Fees	Asset Management Fees, net	Costs From RMC, net	Professional Services, net	Other	Total
For the three months ended						
September 30, 2020	\$ 48,500	135,321	72,181	156,005	3,331	\$ 415,338
September 30, 2019	40,450	119,187	—	178,752	19	338,408
Change	<u>\$ 8,050</u>	<u>16,134</u>	<u>72,181</u>	<u>(22,747)</u>	<u>3,312</u>	<u>\$ 76,930</u>
Change						
Increase total secured loans principal - average daily balance	\$ 8,050	—	—	—	—	\$ 8,050
Increase members' capital - average daily balance	—	16,134	23,000	—	—	39,134
RMC fees/costs reimbursements waived	—	—	78,188	—	—	78,188
Information technology for members' capital accounts invoiced directly	—	—	—	(35,000)	—	(35,000)
Timing of services rendered	—	—	—	(10,000)	—	(10,000)
Other	—	—	(29,007)	22,253	3,312	(3,442)
Change	<u>\$ 8,050</u>	<u>16,134</u>	<u>72,181</u>	<u>(22,747)</u>	<u>3,312</u>	<u>\$ 76,930</u>

Mortgage Servicing fees

The increase in mortgage servicing fees for the three months ended September 30, 2020 over the same period in 2019 of \$8,050 was due to the increase in the average daily total secured loans portfolio of \$15.9 million, at the annual rate of 0.25%.

Asset management fee

The increase in asset management fees chargeable is due to an increase in the members capital – end of period balance at December 31, 2019 compared to December 31, 2018 (see Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item 1 of this report). The current year asset management fee is determined annually based on prior year end balances and is computed by subtracting from the then fair value of the company's loans plus working capital reserves, an amount equal to the outstanding debt.

Costs from RMC, net

In the third quarter of 2020, RMI IX began reimbursing RMC, in part, for the cost of services attributable to RMI IX. RMC, at its sole discretion, had elected to waive the reimbursement during the three months ended September 30, 2019.

Professional Services

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

The decrease in professional services of \$22,747 for the three months ended September 30, 2020 over the same period in 2019 was due primarily to:

- The recorded expense for fees paid to an independent service bureau for information technology related to record keeping and reporting for accounts of individual investors was approximately \$22,000 and \$57,000 for the three months ended September 30, 2020 and 2019, respectively. The decrease of approximately \$35,000 is due primarily to a change beginning in September 2019, and implemented retroactive to January 2019, whereby applicable service bureau fees were invoiced directly to RMI IX. In prior periods service bureau fees were invoiced to RMC and were allocated to the related mortgage funds as Costs from RMC.
- Audit fees decreased approximately \$10,000 in the three months ended September 30, 2020 as compared to the same period in 2019, due to the timing of when services were rendered.
- Consulting/contractor fees increased approximately \$20,000 due in part to outside contractors being engaged to perform services previously performed by employees of the manager. The increase is offset in part by a reduction in operating expense incurred by the manager due in part to a decrease in employee expense for which reimbursement could have been requested (Costs from RMC).

Members' capital, cash flows and liquidity

Cash flows by business activity for the nine months ended September 30, 2020 and 2019 are presented in the following table.

	<u>2020</u>	<u>2019</u>
Members' capital		
Earnings distributed to members, net of DRIP	\$ (1,624,375)	\$ (1,566,680)
Redemptions, net	(2,025,944)	(2,609,211)
Contributions by new members	—	2,682,154
Organization and offering expenses (paid) received, net	42,184	(105,410)
Formation loan, net	—	(186,656)
Cash – members' capital, net	<u>(3,608,135)</u>	<u>(1,785,803)</u>
Borrowings		
Line of credit advances, net	10,000,000	—
Interest paid	(101,445)	—
Debt issuance costs paid	(109,526)	—
Cash – borrowings, net	<u>9,789,029</u>	<u>—</u>
Cash - members' capital and borrowings, net	6,180,894	(1,785,803)
Loan principal/advances/interest		
Principal collected	25,301,168	36,646,053
Loans sold to non-affiliate, net	480,000	4,994,818
Interest received, net	4,658,819	4,307,297
Late fees	20,042	45,289
Loans funded & advances, net	(36,331,484)	(53,072,582)
Loan acquired from related mortgage fund	(2,296,677)	—
Promissory note funded to related party	(850,000)	—
Cash – loans, net	<u>(9,018,132)</u>	<u>(7,079,125)</u>
Operations expense	(1,011,549)	(635,059)
Net change in cash	<u>\$ (3,848,787)</u>	<u>\$ (9,499,987)</u>
Cash, end of period	<u>\$ 601,742</u>	<u>\$ 1,174,966</u>

Redemptions of members capital

Redemptions of members' capital for the three and nine months ended September 30, 2020 and 2019 are presented in the following table.

Redemptions	Three months ended		Nine months ended	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Without penalty	\$ 747,009	\$ 445,485	\$ 1,509,603	\$ 1,187,961
With penalty	119,777	315,371	543,872	1,488,945
Total	<u>\$ 866,786</u>	<u>\$ 760,856</u>	<u>\$ 2,053,475</u>	<u>\$ 2,676,906</u>
Early withdrawal penalties	<u>\$ 5,598</u>	<u>\$ 6,611</u>	<u>\$ 27,531</u>	<u>\$ 67,695</u>

At September 30, 2020, scheduled redemptions of members' capital equaled \$1,156,763, of which \$1,003,686 is scheduled for payment in 2020 and \$153,077 is scheduled for payment in 2021.

Borrowings

Since the first borrowing in April 2020 the line of credit has had an average daily balance of approximately \$6,236,000. The September 30, 2020 ending balance was \$10,000,000.

See Note 5 (Line of Credit) to the financial statements included in Part I, Item 1 of this report for a detailed presentation of the activity and discussion on the terms and provisions of the agreement, which presentation is incorporated by this reference into this Item 2.

Contractual obligations and commitments

At September 30, 2020, the company had no construction or rehabilitation loans outstanding and had no loan commitments pending.

At September 30, 2020, the company had no off-balance sheet arrangements as such arrangements are not permitted by the Operating Agreement.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not included because the company is a smaller reporting company.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

As a limited liability company, RMI IX does not have a board of directors, nor, therefore, do we have an audit committee of the board of directors. The manager, however, provides the equivalent functions of a board of directors and of an audit committee for, among other things, the following purposes:

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

RMC, as the manager, carried out an evaluation, with the participation of RMC's President (acting as principal executive officer/principal financial officer) of the effectiveness of the design and operation of the manager's controls and procedures over financial reporting and disclosure (as defined in Rule 13a-15 of the Exchange Act) as of and for the period covered by this report. Based upon that evaluation, RMC's principal executive officer/principal financial officer concluded, as of the end of such period, that the manager's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in our reports that we file or submit under the Exchange Act.

Changes to Internal Control Over Financial Reporting

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

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

In the normal course of business, the company may become involved in various legal proceedings such as assignment of rents, bankruptcy proceedings, appointment of receivers, unlawful detainers, judicial foreclosure, etc. to enforce the provisions of the deeds of trust, collect the debt owed under the promissory notes or protect or recoup its investment from the real property secured by the deeds of trust and to resolve disputes between borrowers, lenders, lien holders and mechanics. None of these actions typically would be of any material importance. As of September 30, 2020, the company was not involved in any legal proceedings other than those that would be considered part of the normal course of business.

ITEM 1A. Risk Factors

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

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

Recent Sales of Unregistered Securities

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

Use of Proceeds from Registered Securities

On May 9, 2019, the company filed a Registration Statement on Form S-3 with the SEC (SEC File No. 333-231333) to offer up to 15,000,000 units (\$15,000,000) to members of record as of April 30, 2019 that had previously elected to participate in the DRIP or that elect to participate in the DRIP in those states in which regulatory approval has been obtained. The Registration Statement on Form S-3 became effective on May 9, 2019.

As of September 30, 2020, the gross proceeds from sales of units to our members under our DRIP pursuant to the May 9, 2019 Form S-3 Registration Statement (after May 9, 2019) was approximately \$3,345,000.

Gross proceeds from the sale of DRIP units is used to:

- make additional loans;
- fund working capital reserves.

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.

ITEM 3. Defaults Upon Senior Securities

Not Applicable.

ITEM 4. Mine Safety Disclosures

Not Applicable.

ITEM 5. Other Information

None.

ITEM 6. **Exhibits**

Exhibit No.	Description of Exhibits
10.1	Business Loan Agreement; Promissory Note dated March 13, 2020; Pledge and Security Agreement
10.2	Promissory Note; Pledge and Security Agreement dated September 30, 2020
10.3	Promissory Note; Pledge and Security Agreement dated October 14, 2020
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: November 16, 2020

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

By: /s/ Michael R. Burwell

Name: Michael R. Burwell

Title: President, Secretary and Treasurer

(On behalf of the registrant, and in the capacity of
principal financial officer)