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, 2019

☐ **TRANSITION REPORT PURSUANT**

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

For the transition period from_____to_____

Commission file number: 000-55601

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

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

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

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

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

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

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

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

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

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

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

Part I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

REDWOOD MORTGAGE INVESTORS IX, LLC
Balance Sheets
September 30, 2019 (unaudited) and December 31, 2018 (audited)

ASSETS	September 30, 2019	December 31, 2018
Cash and cash equivalents	$ 1,174,966	$ 10,674,953
Loans		
Principal	73,632,874	62,115,713
Advances	12,369	21,041
Accrued interest	536,731	473,966
Prepaid interest	(21,000)	—
Loan balances secured by deeds of trust	74,160,974	62,610,720
Other receivable	234	—
Total assets	$ 75,336,174	$ 73,285,673
LIABILITIES, INVESTORS IN APPLICANT STATUS, AND MEMBERS' CAPITAL		
Accounts payable and accrued liabilities	$ 42,098	$ 9,321
Payable to affiliate	43,467	—
Total liabilities	85,565	9,321
Commitments and contingencies (Note 5)		
Investors in applicant status	—	651,500
Members' capital, net	79,568,327	76,804,195
Receivable from manager (formation loan)	(4,317,718)	(4,179,343)
Members' capital, net, less formation loan	75,250,609	72,624,852
Total liabilities, investors in applicant status and members' capital	$ 75,336,174	$ 73,285,673

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Income
For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Revenues, net				
Interest income	$ 1,526,142	$ 1,305,044	$ 4,405,007	$ 3,798,691
Late fees	18,162	4,773	44,789	15,015
Gain on sale, loans	20,833	—	20,833	14,246
Total revenues	1,565,137	1,309,817	4,470,629	3,827,952
Provision for loan losses	—	—	—	—
Operations expense				
Mortgage servicing fees	40,450	36,266	122,010	110,144
Asset management fees, net (Note 3)	119,187	—	158,916	—
Costs from Redwood Mortgage Corp., net (Note 3)	—	—	—	—
Professional services, net (Note 3)	178,752	90,957	404,927	179,855
Other	19	1,442	24,757	9,939
Total operations expense	338,408	128,665	710,610	299,938
Net income	$ 1,226,729	$ 1,181,152	$ 3,760,019	$ 3,528,014
Members (99%)	1,214,462	1,169,341	3,722,419	3,492,734
Manager (1%)	12,267	11,811	37,600	35,280
	$ 1,226,729	$ 1,181,152	$ 3,760,019	$ 3,528,014

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statement of Changes in Members' Capital
For the Three Months Ended 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	$ —	$ 81,759,674	$ 166,131	$ (2,357,478)	$ 79,568,327

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	$ —	$ 81,759,674	$ 166,131	$ (2,357,478)	$ 79,568,327

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statement of Changes in Members' Capital
For the Three Months Ended September 30, 2018 (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, 2018	$ 1,300,160	$ 76,346,119	$ 97,091	$ (2,590,122)	$ 73,853,088
Contributions on application	1,977,425	—	—	—	—
Contributions admitted to members' capital	(1,944,110)	1,944,110	1,948	—	1,946,058
Premiums paid on application by RMC	19,950	—	—	—	—
Premiums admitted to members' capital	(3,850)	3,850	—	—	3,850
Net income	—	1,169,341	11,811	—	1,181,152
Earnings distributed to members	—	(1,137,066)	—	—	(1,137,066)
Earnings distributed used in DRIP	—	613,170	—	—	613,170
Members' redemptions	—	(787,524)	—	—	(787,524)
Organization and offering expenses	—	—	—	(92,543)	(92,543)
Organization and offering expenses allocated	—	(79,027)	—	79,027	—
Manager reimbursement	—	—	—	18,606	18,606
Early withdrawal penalties	—	—	—	4,179	4,179
Balance at September 30, 2018	$ 1,349,575	$ 78,072,973	$ 110,850	$ (2,580,853)	$ 75,602,970

For the Nine Months Ended September 30, 2018 (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, 2017	$ 3,270,312	$ 66,450,424	$ 102,902	$ (2,335,325)	$ 64,218,001
Contributions on application	9,385,023	—	—	—	—
Contributions admitted to members' capital	(11,315,105)	11,315,105	11,358	—	11,326,463
Premiums paid on application by RMC	52,990	—	—	—	—
Premiums admitted to members' capital	(43,645)	43,645	—	—	43,645
Net income	—	3,492,734	35,280	—	3,528,014
Earnings distributed to members	—	(3,315,986)	(38,690)	—	(3,354,676)
Earnings distributed used in DRIP	—	1,800,930	—	—	1,800,930
Members' redemptions	—	(1,490,164)	—	—	(1,490,164)
Organization and offering expenses	—	—	—	(514,933)	(514,933)
Organization and offering expenses allocated	—	(223,715)	—	223,715	—
Manager reimbursement	—	—	—	39,936	39,936
Early withdrawal penalties	—	—	—	5,754	5,754
Balance at September 30, 2018	$ 1,349,575	$ 78,072,973	$ 110,850	$ (2,580,853)	$ 75,602,970

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Cash Flows
For the Nine Months Ended September 30, 2019 and 2018 (unaudited)

	Nine Months Ended September 30	
	2019	2018
Operations		
Interest income received	$ 4,307,297	$ 3,610,914
Other loan revenue received	45,289	14,267
Loan administrative fee reimbursed	—	3,130
Operations expense	(635,059)	(275,295)
Total cash provided by operations	3,717,527	3,353,016
Investing – loans		
Loans originated	(53,073,200)	(50,614,250)
Loans sold to non-affiliate, net	4,994,818	14,163,158
Loans transferred from affiliates	—	(5,889,819)
Principal collected	36,646,053	31,007,578
Advances received (made) on loans	618	(2,251)
Total cash used in investing	(11,431,711)	(11,335,584)
Financing – members' capital		
Contributions by members, net		
Contributions by members	2,682,154	9,449,325
Organization and offering expenses paid, net	(105,410)	(474,996)
Formation loan funding	(186,656)	(707,941)
Total cash provided by members, net	2,390,088	8,266,388
Distributions to members		
Earnings distributed, net of DRIP	(1,566,680)	(1,553,746)
Redemptions, net of early withdrawal penalties	(2,609,211)	(1,490,164)
Cash distributions to members	(4,175,891)	(3,043,910)
Total cash (used in) provided by financing	(1,785,803)	5,222,478
Net decrease in cash	(9,499,987)	(2,760,090)
Cash, beginning of period	10,674,953	8,509,852
Cash, September 30,	$ 1,174,966	$ 5,749,762

Non-cash financing activity of $14,143 and $67,695 for the nine months ended September 30, 2018 and 2019, respectively, in early withdrawal penalties which reduced redemptions, included in the table above.

Reconciliation of net income to total cash provided by operations

	Nine Months Ended September 30	
	2019	2018
Net income	$ 3,760,019	$ 3,528,014
Adjustments to reconcile net income to net cash provided by operating activities		
(Gain) on sale, loans	(20,833)	(14,246)
Amortization of loan administrative fees	—	4,530
Change in operating assets and liabilities		
Prepaid interest	21,000	—
Accrued interest	(118,710)	(192,308)
Receivable from affiliate	—	—
Loan administrative fees reimbursed	—	3,130
Accounts payable and accrued liabilities	76,285	11,000
Other	(234)	12,896
Total adjustments	(42,492)	(174,998)
Total cash provided by operations	$ 3,717,527	$ 3,353,016

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

NOTE 1 – ORGANIZATION AND GENERAL

In the opinion of the 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 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, 2018, filed with the U.S. Securities and Exchange Commission (SEC). The results of operations for the three and nine months ended September 30, 2019 are not necessarily indicative of the operations results to be expected for the full year.

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

The company is externally managed by 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. The manager was required to contribute to capital one tenth of one percent (0.1%) of the aggregate capital accounts of the members. The mortgage loans the company funds and/or invests in are arranged and generally are serviced by RMC.

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

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

The company's primary investment objectives are to:

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

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

- loan payoffs;
- borrowers' monthly principal and interest payments;
- payments from RMC on the outstanding balance of the formation loan;
- sale of units to members participating in the dividend reinvestment plan and – prior to May 2019 – sale of units net of reimbursement to RMC of organization and offering expenses ("O&O expenses") and net of amounts advanced for the formation loan to RMC;
- loan sales to unaffiliated 3rd parties and loan transfers by executed assignment to affiliated mortgage funds; and,
- a line of credit, if obtained.

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 affiliates; however, any loan sold to the manager or an affiliate thereof will be sold in an arm's length transaction and 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 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.

Net income (losses) are allocated monthly 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 liability company tax shelter investments. Federal and state income taxes are the obligation of the members, if and when taxes apply, other than the annual California franchise tax and the California LLC cash receipts taxes paid by the company.

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

Distribution policy

Cash available for distribution at the end of each calendar month is allocated ninety-nine percent (99%) to the members and one percent (1%) to the manager. Cash available for distribution means cash flow from operations (excluding repayments for loan principal and other capital transaction proceeds) less amounts set aside for creation or restoration of reserves. The manager may withhold from cash available for distribution otherwise distributable to the members with respect to any period the respective amounts of organization and offering expenses (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.

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

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

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

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

Financial Support from RMC

Since commencement of operations in 2009, 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 direct expenses, such as professional fees.

Such fee and cost-reimbursement waivers and the absorption of the company's expenses by RMC were not made for the purpose of providing the company with sufficient funds to satisfy any required level of distributions, as the Operating Agreement has no such required level of distributions, nor to meet withdrawal requests. Any decision to waive fees or cost-reimbursements and/or to absorb direct expenses, and the amount (if any) to be waived or absorbed, is made by RMC in its sole discretion. This support increased the company'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) for periods prior to February 28, 2018.

In April 2018, RMI IX began paying its direct expenses for professional-service fees (legal and audit/tax compliance) and other operating expenses (postage, printing etc.), and in September 2019, and for the nine months year to date, paid its fees to an independent service bureau for computer processing services relating to the recordkeeping and reporting for the accounts of individual investors. In June 2019, RMC began collection of the asset management fee of three quarters of one percent annually (0.75%), and plans to commence collection of reimbursements of costs from RMC in 2020.

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.

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.

Contributed capital

Prior to April 30, 2019, the manager was required to contribute to capital one tenth of one percent (0.1%) of the aggregate capital accounts of the members.

Manager's interest

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

Distribution reinvestment plan (DRIP)/Unit sales

Members of record as of April 30, 2019, that previously elected to participate in the DRIP or that provide written notice to the manager may elect to participate in the DRIP, in those states in which approval has been obtained.

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. The Registration Statement on Form S-3 became effective on May 9, 2019.

As of September 30, 2019, the gross proceeds from sales of units to our members under our DRIP pursuant to the May 9, 2019 Form S-3 Registration Statement was approximately $1,008,000.

The company's Registration Statement on Form S-11 filed with the SEC in June 2016 (SEC File No. 333-208315) to offer up to 120,000,000 units ($120,000,000) to the public and 20,000,000 units ($20,000,000) to its members pursuant to the DRIP, was not renewed in 2019 and the offering expired April 30, 2019. 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 to:

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

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

Commissions for unit sales were previously paid to broker-dealers (B/D sales commissions) by RMC and were not paid directly by the company out of offering proceeds. Instead, the company advanced to RMC, from offering proceeds, amounts sufficient to pay the B/D sales commissions and premiums paid to investors up to seven percent (7%) of offering proceeds. The receivable arising from the advances is unsecured, and non-interest bearing and is referred to as the "formation loan." RMC is required to make annual payments on the formation loan in the amount of one tenth of the principal balance outstanding at December 31 of the prior year.

Term of the company

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Management estimates

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

Fair value estimates

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

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

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

The fair value of the collateral is determined by exercise of judgment based on management’s experience informed by appraisals (by licensed appraisers), brokers’ opinion of values and publicly available information on in-market transactions. Appraisals of commercial real property generally present three approaches to estimating value: 1) market comparables or sales approach; 2) cost to replace; and 3) capitalized cash flows or investment approach. These approaches may or may not result in a common, single value. The market-comparables approach may yield several different values depending on certain basic assumptions, such as, determining highest and best use (which may or may not be the current use); determining the condition (e.g., as-is, when-completed or for land when-entitled); and determining the unit of value (e.g., as a series of individual unit sales or as a bulk disposition).

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

Cash and cash equivalents

The company considers all highly liquid financial instruments with maturities of three months or less at the time of purchase to be cash equivalents. At September 30, 2019, certain of the company’s cash balances in banks exceed federally insured limits of $250,000. The bank or banks in which funds are deposited are reviewed periodically for their general credit-worthiness/investment grade credit rating.

Loans and interest income

Performing loans are carried at amortized 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 arears) 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 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; however, previously recorded interest is not reversed. A loan may return to accrual status when all delinquent interest and principal payments become current in accordance with the terms of the loan agreement. Late fees are recognized in the period received.

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

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

From time to time, the manager negotiates and enters into loan modifications with borrowers whose loans are delinquent. 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.

The company originates loans with the intent to hold the loans until maturity. From time to time the company may sell certain loans. Loans are classified as held-for-sale once a decision has been made to sell loans and the loans held-for-sale have been identified. In 2019 and 2018 certain performing loans were sold at an immaterial gain (net of expenses). As a result, the recorded amount of the performing loans (i.e., the loan balance) and the loan balance of loans designated impaired for which a specific reserve has not been recorded because the loan is well collateralized and management has determined that collection of the amount owed is assured, are deemed to approximate fair value.

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 events or changes in circumstances cause management to have serious doubts about the collectability of the payments of interest and principal in accordance with the loan agreement, a loan may be designated as impaired. Impaired loans are included in management's periodic analysis of recoverability. Payments on impaired loans are applied to late fees, then to the accrued interest, then to advances, and lastly to principal.

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

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

Real estate owned (REO)

Real estate owned, or REO, is property acquired in full or partial settlement of loan obligations generally through foreclosure, and is recorded at acquisition at the property's net realizable value, which is the fair value less estimated costs to sell, as applicable. The fair value estimates are derived from information available in the real estate markets including similar property, and often require the experience and judgment of third parties such as commercial real estate appraisers and brokers. The estimates figure materially in calculating the value of the property at acquisition, the level of charge to the allowance for loan losses and any subsequent valuation reserves. After acquisition, costs incurred relating to the development and improvement of property are capitalized to the extent they do not cause the recorded value to exceed the net realizable value, whereas costs relating to holding and disposition of the property are expensed as incurred. After acquisition, REO is analyzed periodically for changes in fair values and any subsequent write down is charged to operations expenses. Any recovery in the fair value subsequent to such a write down is recorded and is not to exceed the value recorded at acquisition. Recognition of gains on the sale of real estate is dependent upon the transaction meeting certain criteria related to the nature of the property and the terms of the sale including potential seller financing.

Recently issued accounting pronouncements

-Accounting and Financial reporting for Expected Credit Losses

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

NOTE 3 – MANAGER AND OTHER RELATED PARTIES

The Operating Agreement provides for compensation to the manager, as detailed below. RMC is entitled to 1% of the profits and losses of the company.

Loan administrative fees and operating expenses, including fees and cost reimbursements waived and/or expenses absorbed by RMC, for the three months ended September 30, 2019 are presented in the following table.

		Operating Expenses					
For the three months ended September 30, 2019	Loan Admin Fees	Mortgage Servicing Fees	Asset Management Fee	Costs from RMC	Professional Services(1)	Other	Total
Chargeable/reimbursable	$ 221,512	$ 40,450	$ 119,187	$ 151,061	$ 178,752	$ 19	$ 710,981
RMC support							
Waived	(221,512)	—	—	(151,061)	—	—	(372,573)
Expenses absorbed by RMC	—	—	—	—	—	—	—
Total RMC support	(221,512)	—	—	(151,061)	—	—	(372,573)
Net charged	$ —	$ 40,450	$ 119,187	$ —	$ 178,752	$ 19	$ 338,408

1) In April 2018, RMI IX began paying its direct expenses for professional-service fees (legal and audit/tax compliance) and other operating expenses (postage, printing etc.), and in September 2019, and for the nine months year to date, paid its fees to an independent service bureau for computer processing services relating to the recordkeeping and reporting for the accounts of individual investors.

Loan administrative fees and operating expenses, including fees and cost reimbursements waived and/or expenses absorbed by RMC, for the nine months ended September 30, 2019 are presented in the following table.

For the nine months ended September 30, 2019	Loan Admin Fees	Operating Expenses: Mortgage Servicing Fees	Asset Management Fee	Costs from RMC	Professional Services(2)	Other	Total
Chargeable/reimbursable	$ 530,732	$ 122,010	$ 357,561	$ 517,163	$ 404,927	$ 24,757	$ 1,957,150
RMC support							
Waived	(530,732)	—	(198,645)	(517,163)	—	—	(1,246,540)
Expenses absorbed by RMC	—	—	—	—	—	—	—
Total RMC support	(530,732)	—	(198,645)	(517,163)	—	—	(1,246,540)
Net charged	$ —	$ 122,010	$ 158,916	$ —	$ 404,927	$ 24,757	$ 710,610

2) In April 2018, RMI IX began paying its direct expenses for professional-service fees (legal and audit/tax compliance) and other operating expenses (postage, printing etc.), and in September 2019, and for the nine months year to date, paid its fees to an independent service bureau for computer processing services relating to the recordkeeping and reporting for the accounts of individual investors.

Loan administrative fees and operating expenses, including fees and cost reimbursements waived and/or expenses absorbed by RMC, for the three months ended September 30, 2018 are presented in the following table.

For the three months ended September 30, 2018	Loan Admin Fees	Operating Expenses: Mortgage Servicing Fees	Asset Management Fee	Costs from RMC	Professional Services	Other	Total
Chargeable/reimbursable	$ 240,738	$ 36,266	$ 104,955	$ 186,523	$ 90,957	$ 1,442	$ 660,881
RMC support							
Waived	(240,738)	—	(104,955)	(186,523)	—	—	(532,216)
Expenses absorbed by RMC	—	—	—	—	—	—	—
Total RMC support	(240,738)	—	(104,955)	(186,523)	—	—	(532,216)
Net charged	$ —	$ 36,266	$ —	$ —	$ 90,957	$ 1,442	$ 128,665

Loan administrative fees and operating expenses, including fees and cost reimbursements waived and/or expenses absorbed by RMC, for the nine months ended September 30, 2018 are presented in the following table.

For the nine months ended September 30, 2018	Loan Admin Fees	Operating Expenses: Mortgage Servicing Fees	Operating Expenses: Asset Management Fee	Operating Expenses: Costs from RMC	Operating Expenses: Professional Services	Operating Expenses: Other	Total
Chargeable/reimbursable	$ 565,041	$ 110,144	$ 314,865	$ 548,530	$ 323,007	$ 24,185	$ 1,885,772
RMC support							
Waived	(565,041)	—	(314,865)	(548,530)	—	—	(1,428,436)
Expenses absorbed by RMC	—	—	—	—	(143,152)	(14,246)	(157,398)
Total RMC support	(565,041)	—	(314,865)	(548,530)	(143,152)	(14,246)	(1,585,834)
Net charged	$ —	$ 110,144	$ —	$ —	$ 179,855	$ 9,939	$ 299,938

Loan administrative fees

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

Mortgage servicing fees

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.

RMC elected to begin collecting asset management fees commencing June 1, 2019 and ongoing.

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 preparation of reports to members and out-of-pocket general and administration expenses. Certain of these qualifying costs (e.g., postage) can be tracked by RMC as specifically attributable to the company. Other costs (e.g., RMC's accounting and audit fees, legal fees and expenses, qualifying payroll expenses, occupancy, and insurance premium) are allocated on a pro-rata basis (e.g., by the company's percentage of total capital of all mortgage funds managed by RMC). Payroll and consulting fees are 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 affiliated mortgage funds managed by RMC. RMC, at its sole discretion, has elected to waive reimbursement for operating expenses during the three and nine months ended September 30, 2019 and 2018.

Professional Services

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

Commissions and fees paid by the borrowers to RMC

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

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

In the ordinary course of business, performing loans may be transferred by executed assignment, in-part or in-full, between the affiliated mortgage funds at par. During the nine months ended September 30, 2018, Redwood Mortgage Investors VIII, LP, an affiliated mortgage fund, transferred to the company two performing loans in-full at par value, which approximates fair value, of approximately $5,890,000. The company paid cash for the loans and the affiliated mortgage fund has no continuing obligation or involvement on the loans. No loans were transferred during the nine months ended September 30, 2019.

Formation loan

Formation loan transactions are presented in the following table.

	For the nine months ended	Since Inception
Balance, beginning of period	$ 4,179,343	$ —
Formation loan advances to RMC	186,656	5,626,566
Payments received from RMC	—	(1,199,716)
Early withdrawal penalties applied	(48,281)	(109,132)
Balance, September 30, 2019	$ 4,317,718	$ 4,317,718
Subscription proceeds since inception		$ 80,256,995
Formation loan advance rate		7%

The future minimum payments on the formation loan, net of early withdrawal penalties, as of September 30, 2019 are presented in the following table.

2019	$ 369,654
2020	417,934
2021	417,934
2022	417,934
2023	417,934
Thereafter	2,276,328
Total	$ 4,317,718

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

Member capital withdrawals

The table below presents the company's unit redemptions for the three and nine months ended September 30, 2019 and 2018.

	Three months ended		Nine months ended	
	2019	**2018**	**2019**	**2018**
Capital redemptions-without penalty	$ 445,485	$ 635,218	$ 1,187,961	$ 1,211,085
Capital redemptions-subject to penalty	315,371	152,306	1,488,945	279,079
Total	$ 760,856	$ 787,524	$ 2,676,906	$ 1,490,164
Early withdrawal penalties	$ 6,611	$ 10,175	$ 67,695	$ 14,143

At September 30, 2019, scheduled future redemptions of members' capital was $578,981, all of which is scheduled for payment in 2019.

Reimbursement and allocation of organization and offering expenses

Per 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.

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

	2019	**Since Inception**
Balance, beginning of period	$ 2,519,458	$ —
O&O expenses reimbursed to RMC	185,332	3,671,853
Early withdrawal penalties applied [(1)]	(19,415)	(60,290)
O&O expenses allocated[(2)]	(247,975)	(934,331)
O&O expenses repaid to Members' Capital by RMC[(3)]	(79,922)	(319,754)
Balance, September 30	$ 2,357,478	$ 2,357,478

(1) Prior to June 30, 2019, early withdrawal penalties collected were applied to the next installment of principal due under the formation loan and to reduce the amount owed to RMC for O&O expenses. The amounts credited were be determined by the ratio between the amount of the formation loan and the amount of offering costs incurred by the company.
(2) Beginning in 2016, O&O expenses reimbursed to RMC by RMI IX are allocated to members' capital accounts over 40 quarters.
(3) RMC is obligated under the Operating Agreement to repay the company for unallocated O&O expenses attributed to units redeemed prior to the 40 quarterly allocations. RMC estimated its future obligations to repay unallocated O&O expenses on scheduled redemptions as of September 30, 2019, to be approximately $17,291, to be offset by early withdrawal penalties.

NOTE 4 – LOANS

Loans generally are funded at a fixed interest rate with a loan term of up to five years. Loans acquired are generally done so within the first six months of origination, and purchased at the current par value, which approximates fair value.

As of September 30, 2019, 77 of the company's 79 loans (representing 99% 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, 2019, 54 loans outstanding (representing 46% 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.

Secured loans unpaid principal balance (principal)

Secured loan transactions are summarized in the following table for the three and nine months ended September 30, 2019.

	For the three months ended	For the nine months ended
Principal, beginning of period	$ 70,922,877	$ 62,115,713
Loans originated	22,151,200	53,073,200
Loans sold to non-affiliate	(4,773,346)	(4,909,986)
Principal collected	(14,667,857)	(36,646,053)
Principal September 30, 2019	$ 73,632,874	$ 73,632,874

Borrower payments are deposited into an independent bank trust account established and administered by RMC, pursuant to California regulation, and are subsequently disbursed to the company after an appropriate holding period to ensure the funds are collected. At September 30, 2019, there was $1,002,146, of borrower payments held in the RMC trust account, of which $905,525 was a loan payoff, which was distributed to the company on October 4, 2019. The amount remaining was fully disbursed to the company's bank account by October 22, 2019.

In September 2019, one loan with a principal balance of $500,000, that had been designated as impaired, was sold to an unaffiliated third party which specializes in the resolution of such loans. The loan was sold for $527,296, of which $22,403 was recognized as interest income, and $4,893 was repayment of outstanding advances, and no gain was recognized

In July 2019 the company sold to an unaffiliated third party 8 loans with an aggregate principal balance of $4,273,346 and accrued interest of $31,830 at a price that netted an immaterial gain.

In March 2019, one loan with a principal balance of $136,640, that had been designated as impaired and in non-accrual status, was sold to an unaffiliated third party. The loan was sold for $143,000, of which $1,711 was recognized as interest income, and $4,649 was repayment of outstanding advances, $10,791 in foregone interest, and no gain was recognized.

During the three and nine months ended September 30, 2019, the company renewed five and six loans with aggregated principal of approximately$4,961,000 and $5,361,000, respectively. See Note 3 (Manager and Other Related Parties) for a description of loans transferred by executed assignments between affiliates. The company originates loans with the intent to hold the loans until maturity.

Loan characteristics

Secured loans had the characteristics presented in the following table.

	September 30, 2019	December 31, 2018
Number of secured loans	79	83
Secured loans – principal	$73,632,874	$62,115,713
Secured loans – lowest interest rate (fixed)	7.8%	7.0%
Secured loans – highest interest rate (fixed)	10.5%	10.5%
Average secured loan – principal	$ 932,062	$ 748,382
Average principal as percent of total principal	1.3%	1.2%
Average principal as percent of members' capital, net	1.2%	1.0%
Average principal as percent of total assets	1.2%	1.0%
Largest secured loan – principal	$ 6,735,000	$ 4,000,000
Largest principal as percent of total principal	9.1%	6.4%
Largest principal as percent of members' capital, net	8.5%	5.2%
Largest principal as percent of total assets	8.9%	5.5%
Smallest secured loan – principal	$ 54,091	$ 74,390
Smallest principal as percent of total principal	0.1%	0.1%
Smallest principal as percent of members' capital, net	0.1%	0.1%
Smallest principal as percent of total assets	0.1%	0.1%
Number of California counties where security is located	18	15
Largest percentage of principal in one California county	28.5%	25.0%
Number of secured loans with filed notice of default	—	2
Secured loans in foreclosure – principal	$ —	$ 565,685
Number of secured loans with an interest reserve	—	—
Interest reserves	$ —	$ —
Number of secured loans with prepaid interest	1	—
Prepaid interest	$ 21,000	$ —

As of September 30, 2019, 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, 2019, the company had no loans with filed notices of default. As of September 30, 2019, the company had no construction loans outstanding, no rehabilitation loans outstanding, and no commitments to fund construction or rehabilitation loans.

Lien position

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

	September 30, 2019			December 31, 2018		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	41	$ 42,569,199	58%	41	$ 29,699,888	48%
Second trust deeds	38	31,063,675	42	42	32,415,825	52
Total principal, secured loans	79	73,632,874	100%	83	62,115,713	100%
Liens due other lenders at loan closing		61,149,303			65,941,118	
Total debt		$134,782,177			$128,056,831	
Appraised property value at loan closing		$254,228,000			$240,307,000	
Percent of total debt to appraised values (LTV) at loan closing(1)		56.5%			54.5%	

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

Property type

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

	September 30, 2019			December 31, 2018		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family(2)	53	$33,901,279	46%	60	$42,967,253	69%
Multi-family	9	9,566,559	13	8	8,210,970	13
Commercial	17	30,165,036	41	15	10,937,490	18
Total principal, secured loans	79	$73,632,874	100%	83	$62,115,713	100%

(2) Single family property type as of September 30, 2019 consists of 10 loans with principal of $6,528,442 that are owner occupied and 43 loans with principal of $27,372,837 that are non-owner occupied. At December 31, 2018, single family property consisted of 14 loans with principal of $11,398,869 that are owner occupied and 46 loans with principal of $31,568,384 that are non-owner occupied.

Distribution of loans within California

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

	September 30, 2019		December 31, 2018	
	Principal	Percent	Principal	Percent
San Francisco Bay Area[3]				
Santa Clara	$20,971,193	28.5%	$11,756,695	18.9%
San Mateo	11,964,218	16.2	9,619,609	15.5
San Francisco	6,397,988	8.6	5,238,008	8.4
Alameda	3,794,437	5.2	7,306,779	11.8
Solano	600,000	0.8	—	—
Marin	498,552	0.7	575,000	0.9
Contra Costa	348,000	0.5	725,771	1.2
Santa Cruz	265,000	0.4	—	—
Sonoma	—	—	1,300,000	2.1
	44,839,388	60.9	36,521,862	58.8
Other Northern California				
Sutter	3,815,000	5.2	—	—
Monterey	1,110,000	1.5	322,716	0.5
Placer	628,858	0.9	637,354	1.0
Sacramento	189,863	0.2	822,500	1.3
	5,743,721	7.8	1,782,570	2.8
Northern California Total	50,583,109	68.7	38,304,432	61.6
Los Angeles & Coastal				
Los Angeles	12,435,125	16.9	15,514,789	25.0
San Diego	4,988,294	6.8	5,563,635	9.0
Orange	2,850,595	3.8	1,177,446	1.9
Santa Barbara	498,751	0.7	—	—
	20,772,765	28.2	22,255,870	35.9
Other Southern California				
San Bernardino	1,200,000	1.6	1,200,000	1.9
Riverside	1,077,000	1.5	355,411	0.6
	2,277,000	3.1	1,555,411	2.5
Southern California Total	23,049,765	31.3	23,811,281	38.4
Total principal, secured loans	$73,632,874	100.0%	$62,115,713	100.0%

(3) Includes Silicon Valley

Scheduled maturities

Secured loans are scheduled to mature as presented in the following table as of September 30, 2019.

	Loans	Principal	Percent
2019(4)	7	$ 3,972,546	5%
2020	37	27,512,366	37
2021	23	36,812,129	50
2022	8	3,975,446	5
2023	2	347,494	1
Thereafter	1	247,000	1
Total future maturities	78	72,866,981	99
Matured as of September 30, 2019	1	765,893	1
Total principal, secured loans	79	$73,632,874	100%

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

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

Matured loans

Secured loans past maturity are summarized in the following table as of September 30, 2019.

	September 30, 2019
Number of loans	1
Principal	$ 765,893
Advances	1,653
Accrued interest	21,062
Total recorded investment	$ 788,608
Principal past maturity as percent of total principal	1%

The one loan past maturity at September 30, 2019, was 183 days delinquent and was designated as impaired and in non-accrual status.

Delinquency

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

	September 30, 2019		December 31, 2018	
	Loans	Principal	Loans	Principal
Past Due				
30-89 days	3	$ 3,774,996	5	$ 3,828,975
90-179 days	2	440,398	—	—
180 or more days	1	765,893	2	565,685
Total past due	6	4,981,287	7	4,394,660
Current	73	68,651,587	76	57,721,053
Total principal, secured loans	79	$73,632,874	83	$62,115,713

One loan with principal of approximately $765,800 matured on April 1, 2019 and was 183 days delinquent at September 30, 2019. The company entered into a forbearance agreement with the borrower in August 2019, whereby the borrower agreed to resume monthly payments and RMI IX agreed to forbear collection activity on the past due principal and interest until April 1, 2020.

One loan with a principal balance of approximately $3,331,000 was 61 days delinquent at September 30, 2019. RMI IX entered into a forbearance agreement with the borrower in August 2019, whereby the company agreed to defer the interest payments due August 1, 2019, September 1, 2019 and October 1, 2019 and RMI IX agreed to forbear collection activity on the past due interest until August 1, 2020.

One loan, with principal of approximately $191,000 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 RMI IX. This agreement extend the maturity date through October 1, 2021. The 2016 agreement was the successor to three prior agreements with the borrower, the first of which was dated August 5, 2011. The loan was 92 days delinquent and designated as impaired at September 30, 2019.

One loan with principal of approximately $250,000 was 122 days delinquent, designated as impaired, and was not past maturity nor in non-accrual status at September 30, 2019.

The remaining two delinquent loans, with an aggregate principal of $443,800, were 30 days delinquent and not designated as impaired or in non-accrual status.

Loans in non-accrual status

Secured loans in non-accrual status are summarized in the following table as of September 30, 2019 and December 31, 2018.

	September 30, 2019	December 31, 2018
Number of loans	1	2
Principal	$ 765,893	$ 565,685
Advances	1,653	10,688
Accrued interest	21,062	19,831
Total recorded investment	$ 788,608	$ 596,204
Foregone interest	$ —	$ 33,410

At September 30, 2019, two loans with aggregate principal of approximately $440,000 were 90 or more days delinquent and not in non-accrual status. No loans were 90 or more days delinquent and not in non-accrual status at December 31, 2018.

Impaired loans/allowance for loan losses

	September 30, 2019	December 31, 2018
Principal	$ 4,537,429	$ 3,841,148
Recorded investment(6)	4,664,076	3,950,157
Impaired loans without allowance	4,664,076	3,950,157
Impaired loans with allowance	—	—
Allowance for loan losses, impaired loans(7)	—	—
Number of loans	4	6
LTV	66.1%	54.7%

(6) Recorded investment is the sum of the principal, advances, and interest accrued for financial reporting purposes.
(7) The loans designated impaired for accounting purposes are well collateralized (i.e., their protective equity was such that collection was deemed probable for amounts owing) and there was no allowance for loan losses at September 30, 2019 and December 31, 2018.

Impaired loans had average balances and interest income recognized and received in cash as presented in the following tables as of and for the nine months ended September 30, 2019 and the year ended December 31, 2018.

	September 30, 2019	December 31, 2018
Average recorded investment	$ 4,307,117	$ 2,050,897
Interest income recognized	313,717	23,848
Interest income received in cash	36,943	21,670

No loan payment modifications were made during the three and nine months ended September 30, 2019, and no modifications were in effect at September 30, 2019 and December 31, 2018.

No allowance for loan losses has been recorded as all loans were deemed to have protective equity (i.e., low loan-to-value ratio) such that collection is reasonably assured for all amounts owing.

Fair Value

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

Secured loans, performing (i.e., 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. The fair value of loan balances secured by deeds of trust is deemed to approximate the recorded amount (per the financial statements) as our loans:

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

Secured loans, designated impaired (Level 3) - Secured loans designated impaired are deemed collateral dependent, and the fair value of the loan is the lesser of the fair value of the collateral or the enforceable amount owing under the note. The fair value of the collateral is determined by exercise of judgment based on management's experience informed by appraisals (by licensed appraisers), brokers' opinion of values and publicly available information on in-market transactions (Level 3 inputs).

Loans designated impaired that are deemed collateral dependent are measured at fair value on a non-recurring basis when the net realizable value of the real property collateral is determined to be less than the loan balance.

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

Single family – Management's preferred method for determining the fair market value of its single-family residential assets is the sale comparison method. Management primarily obtains sale comps via its subscription to the RealQuest service, but also uses free online services such as Zillow.com and other available resources to supplement this data. Sale comps are reviewed for similarity to the subject property, examining features such as proximity to subject, number of bedrooms and bathrooms, square footage, sale date, condition and year built. (Note: proceeds for loans secured by owner-occupied single-family residences are required to have been designated by the borrower as being used for business and/or investment purposes).

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

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

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

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

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

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

NOTE 5 – COMMITMENTS AND CONTINGENCIES, OTHER THAN LOAN COMMITMENTS

Commitments

At September 30, 2019, scheduled future redemptions of members' capital was $578,981, all of which is scheduled for payment in 2019.

Legal proceedings

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

NOTE 6 – SUBSEQUENT EVENTS

None.

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

The following discussion and analysis should be read in conjunction with the unaudited financial statements and notes thereto, which are included in Item 1 of this report on Form 10-Q, as well as the audited financial statements and the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the U.S. Securities and Exchange Commission (or SEC). The results of operations for the three and nine months ended September 30, 2019 are not necessarily indicative of the operations results to be expected for the full year.

Forward-Looking Statements

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

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

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

Overview

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

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

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

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

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

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

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

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

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

In April 2018, RMI IX began paying its direct expenses for professional-service fees (legal and audit/tax compliance) and other operating expenses (postage, printing etc.), and in September 2019, and for the nine months year to date, paid fees to an independent service bureau for computer processing services relating to the recordkeeping and reporting for the accounts of individual investors. In June 2019, RMC began collection of the asset management fee of three quarters of one percent annually (0.75%), and plans to commence collection of reimbursements of costs from RMC in 2020.

Critical Accounting Policies

See Part II, Item 7 of the Form 10-K for the year ended December 31, 2018 for a detailed presentation of critical accounting policies which presentation is incorporated by this reference into this Item 2.

Results of Operations

General economic conditions – California

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

In the publication "California Payrolls Jump in August" dated September 20, 2019:

“Total nonfarm employers added 34,500 new jobs during August, more than any other state. Statewide, hiring has picked up a bit with payrolls up 1.8% over the year. The unemployment rate held steady at 4.1%”

“Hiring in California appears to be getting back on track. Total nonfarm employment rose by 34,500 net new jobs during August, the largest gain of any state. After somewhat of a slow start to the year, payroll growth appears to be gaining a bit of momentum and is now up 1.8% over the year. Employers have added an average 27,200 jobs per month so far this year through August, slightly higher than the 22,700 averaged during the same period last year. Furthermore, the unemployment rate held steady at 4.1%, and civilian employment, which is derived from the separate household survey, posted a small gain, rising for the first time since January.”

“Payroll gains were widespread during the month, however it was the public sector which saw the largest increase. Total government payrolls rose by 14,500 jobs during August, mostly owed to a 12,900 job gain at the state & local level. The private sector also performed well, especially service industries. Professional & business, education & healthcare and leisure & hospitality each added over 7,000 new jobs during August.”

“There were a few blemishes amid an otherwise solid employment report. The construction industry shed 1,700 jobs, while hiring in the arts, entertainment & recreation industry cut 400 jobs, the fourth consecutive monthly drop.”

“Not surprisingly, the trade, transportation & utilities also declined by 4,000 jobs. California has been disproportionately impacted by the escalating trade war with China, which has become increasingly apparent in a broad slowdown across the state’s massive transportation and logistics industry. The combined forces of newly imposed tariffs, general trade uncertainty and weakening global growth have led to diminishing traffic at the Ports of Los Angeles and Long Beach, two of the largest and busiest container ports in the country. California’s ports are also losing market share to East Coast rivals, which continue to see container traffic increase.”

“The slowdown in international trade has rippled throughout the state and employment growth in the transportation sector has cooled off substantially. Transportation & warehousing payrolls are still up 2.1% over the year, but that marks the slowest pace of expansions since May 2012 when the state was still emerging from the recession.”

“The slowdown in transportation-related activity is clearly evident in the Inland Empire. Given the robust freight network and easy access to the Los Angeles ports, the Riverside-San Bernardino metro area has seen employment in the transportation & warehousing industry double since 2012. Hiring has slowed more recently, moderating to just a 3.6% pace over the past year.”

“Even with the slowing in the logistics sector, Southern California accounted for the bulk of California’s job growth in August. Los Angeles County added 9,900 jobs and another 2,200 were added in Orange County. The Inland Empire lost 800 jobs in August and payrolls also fell slightly in Ventura County.”

In the publication “California Job Growth Appears to Be Back on Track” dated July 19, 2019:

“After a slow start earlier this year, California’s economy appears to have shifted back into high gear. Nonfarm employment surged during the second quarter, with employers adding 46,200 jobs in June, following gains of 21,600 jobs in May and 48,600 jobs in April. The 116,400 jobs added during the second quarter is two and half times what was added during the first quarter of the year.”

“Construction employment jumped 1.3% in June, as builders and contractors added 11,900 new jobs. Employment is up 4.4% over the past year, with gains evident in residential, commercial and infrastructure projects.”

“Worries that a handful of disappointing initial public offerings might be a precursor of a broader slowdown in California’s tech sector now look incredibly premature. Hiring in the tech sector remains exceptionally strong, particularly anything related to cloud computing, data storage, digital content and internet search. Production of tech hardware also appears to be ramping up, with strong job growth reported at producers of computers and electronic equipment and semiconductor manufacturers.”

“Measuring tech employment from the monthly employment data is somewhat difficult. We often use the sum of professional & technical services and information services as a real-time proxy for California tech employment because these broad industry categories are the closest that we can get to isolating the tech sector in the seasonally adjusted data. Unfortunately, these broad categories include many of the industries being disrupted by new rapidly growing technologies. Employment in the information sector has risen 2.7% over the past year, resulting in a gain of 14,400 jobs.”

“All of the gain in the information sector has come from the tech-driven industries, mostly in the catch-all category labeled other information services. Employment in this sector, which includes many of the jobs in cloud computing, data storage and digital streaming, has surged 13.1% over the past year, resulting in 15,000 net new jobs (600 more than the broader information category). Moreover, hiring continues to rise solidly in other key industry subcategories, including software publishing (+4.3%) and data processing, data hosting and related services (+8.0%), which includes much of social media and internet search.”

“The rapid growth in the tech sector helps explain why so much of California’s job growth continues to be concentrated in the San Francisco Bay area and Los Angeles, particularly West L.A., which is home to a substantial portion of the digital media industry.

Southern California led the state in job growth this past month, with the greater Los Angeles area adding 17,900 jobs. Most of that was in Los Angeles, which added 7,300 jobs. The Inland Empire added 6,200 jobs, and employers added 3,000 jobs in Orange County. The San Francisco Bay area saw a net gain of 12,900 jobs in June and has added 67,500 jobs so far this year, accounting for 40% of the jobs added in California so far this year".

In the publication "FOMC Cuts Rates 25 bps, but Two Members Dissent" dated July 31, 2019:

"As widely expected, the Federal Open Market Committee (FOMC) decided at its meeting today to reduce the range for the federal funds rate 25 bps. That range now spans 2.00% to 2.25%. The committee also decided to end the reduction in its balance sheet in August, which has been underway since October 2017. Previously, the FOMC said that it would end its balance sheet run-off in October."

"But those two actions were essentially the only nods toward a dovish policy action. For starters, the statement that accompanied today's announcement was very similar to that which was released after the last FOMC meeting on June 19. The committee characterized the labor market as "strong" and said that "economic activity has been rising at a moderate rate." The FOMC went on to say that "growth of household spending has picked up from earlier in the year"—an acknowledgement of the 4.3% annualized growth rate in real personal consumption expenditures in Q2—but that "business fixed investment has been soft." The committee views a sustained expansion in economic activity as the most likely outcome, but acknowledged that there are uncertainties associated with this view."

"Regarding inflation, the FOMC said that it is "running below 2 percent," which is the Fed's target, and it stated that "market-based measures of inflation compensation remain low." This undershoot of inflation relative to target and the low level of inflation expectations give the committee room to cut rates further in coming months."

"But lower rates in the future are not necessarily preordained. Kansas City Fed President George and Boston Fed President Rosengren dissented from today's rate-cut decision. Both voting members of the FOMC would have preferred to have kept rates on hold, and there may have been additional non-voting members who would have preferred no action as well. (We will get more color on what members thought when the minutes of the meeting are released in a few weeks.) The FOMC is a consensus-driven body, and it will become harder to convince a "critical mass" of committee members to continue easing policy the lower rates go. That said, the FOMC stated that it will be observing a whole range of incoming information as it "contemplates the future path of the fed funds rate."

"We continue to look for one additional 25 bps rate cut, probably at the October 30 policy meeting. Today's policy action should be viewed as an "insurance" rate cut. In the context of uncertainties about the economic outlook and below-target inflation, easier policy seems to be warranted. In our view, another 25 bps rate cut would constitute additional "insurance" against a more pronounced slowdown."

Key Performance Indicators

The table below shows key performance indicators at and for the nine months ended September 30.

	2019	2018
Secured loans principal – end of period balance	$ 73,632,874	$ 66,199,542
Secured loans principal– average daily balance	$ 65,317,000	$ 59,808,000
Interest on loans, gross	$ 4,405,007	$ 3,803,221
Portfolio interest rate(1)	8.8%	8.5%
Effective yield rate(2)	9.0%	8.5%
Amortization of loan administrative fees, net(7)	$ —	$ 4,530
Interest on loans, net	$ 4,405,007	$ 3,798,691
Percent of average daily balance(2)	9.0%	8.5%
Provision for loan losses	$ —	$ —
Percent of average daily balance(2)	0.0%	0.0%
Total operations expense(7)	$ 710,610	$ 299,938
Net Income(7)	$ 3,760,019	$ 3,528,014
Percent of average members' capital(3)(4)	6.1%	6.4%
Member Distributions, net	$ 3,375,675	$ 3,315,986
Percent of average members' capital(3)(5)	5.5%	6.1%
Members' capital, gross – end of period balance	$ 81,759,674	$ 78,072,973
Members' capital, gross – average daily balance	$ 81,149,000	$ 72,907,000
Member Redemptions(6)	$ 2,676,906	$ 1,490,164

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

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

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

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

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

(6) Scheduled member redemptions as of September 30, 2019 were $578,981 payable in 2019. Scheduled member redemptions as of September 30, 2018 were $1,481,056.

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

The table below shows key performance indicators at and for the three months ended September 30.

		2019		2018
Secured loans principal – end of period balance	$	73,632,874	$	66,199,542
Secured loans principal– average daily balance	$	64,968,000	$	60,743,000
Interest on loans, gross	$	1,526,142	$	1,306,320
Portfolio interest rate(1)		8.9%		8.5%
Effective yield rate(2)		9.4%		8.6%
Amortization of loan administrative fees, net(7)		—		1,276
Interest on loans, net	$	1,526,142	$	1,305,044
Percent of average daily balance(2)		9.4%		8.6%
Provision for loan losses	$	—	$	—
Percent of average daily balance(2)		0.0%		0.0%
Total operations expense(7)	$	338,408	$	128,665
Net Income(7)	$	1,226,729	$	1,181,152
Percent of average members' capital(3)(4)		5.9%		6.1%
Member Distributions, net	$	1,147,807	$	1,137,066
Percent of average members' capital(3)(5)		5.6%		5.9%
Members' capital, gross – end of period balance	$	81,759,674	$	78,072,973
Members' capital, gross – average daily balance	$	82,080,000	$	76,549,000
Member Redemptions(6)	$	760,856	$	787,524

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

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

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

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

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

(6) Scheduled member redemptions as of September 30, 2019 were $578,981 payable in 2019. Scheduled member redemptions as of September 30, 2018 were $1,481,056.

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

Secured loans

The secured loan principal – end of period at September 30, 2019 of $73,632,874 was an increase of approximately 11.2% ($7.4 million) over the September 30, 2018 secured loan principal of $66,199,542. The increase in the secured loan principal is consistent with the increased members' capital from approximately $78.1 million at September 30, 2018, to approximately $81.8 million at September 30, 2019, an increase of approximately 4.7% ($3.7 million). New loans originated were approximately $22.2 million for the three months ended September 30, 2019. Members' capital decreased approximately $175,000 for the three months ended September 30, 2019 as units sold through the DRIP were offset by units redeemed. Secured loans as a percent of members' capital (based on average balances) was 79.2% and 79.4% for three months ended September 30, 2019 and 2018, respectively.

We have sought to exercise strong discipline in underwriting loan applications and lending against collateral at amounts that create a mortgage portfolio that has substantial protective equity (i.e., safety margins to outstanding debt) as indicated by the overall conservative weighted average loan-to-value ratio (LTV) which at September 30, 2019 was approximately 56.5%. Per the appraisal-based valuations at the time of loan inception, borrowers have, in the aggregate, equity of 43.5% in the property, and we as lenders have lent in the aggregate 56.5% (including other senior liens on the property) against the properties we hold as collateral for the repayment of our loans.

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

Performance overview

Revenue from the interest on loans, net for the nine months ended September 30, 2019 increased by approximately $606,000, over the same period in 2018, due to the increased average secured loan principal, approximately $64,000 in default interest collected on loans that had been designated impaired, and an increase in the average portfolio interest rate (8.8% in 2019 and 8.5% in 2018). Operations expense for the nine months ended September 30, 2019 increased by approximately $411,000, over the same period in 2018 due primarily to the termination of financial support from RMC of our direct operating expenses (e.g. professional services and other direct operating expenses) beginning April 1, 2018, an increase in mortgage servicing fees due to an increased loan portfolio, fees to an independent service bureau for computer processing services related to recordkeeping and reporting for the accounts of individual investors which had previously been included in Costs from RMC, and RMC, at its sole discretion, electing to begin collecting asset management fees in June 2019. The annualized net distribution rate for the nine months ended September 30, 2019, was 5.5%. In all periods presented, the manager, at its sole discretion, provided financial support that increased net income and the return to investors.

RMC support provided, as detailed below, totaled approximately $373,000 and $532,000 for the three months ended, and $1,247,000 and $1,586,000 for the nine months ended September 30, 2019 and 2018, respectively. Mortgage servicing fees and asset management fees which could have been collected increased during the three and nine months ended September 30, 2019 compared to the same period in 2018 due to increased loan and capital balances. Beginning April 1, 2018, RMI IX paid all direct operating expenses (i.e., professional services and other direct operating expenses) resulting in an increase in professional services and other expense during the nine months ended September 30, 2019 compared to the same period in 2018. Prior to April 1, 2018, RMC, at its sole discretion, had elected to absorb some or all of RMI IX's professional services and other direct expenses. The secured loan, and members' capital balances are used as a base for the calculation for fees charged by RMC, and increases or decreases in the balances will have a similar effect on the total amount chargeable by RMC. The decision to waive all or a portion of these fees is made by RMC, in its sole discretion. RMC began the collection of the asset management fees in June 2019. See Note 3 (Manager and Other Related Parties) to the financial statements included in Part I, Item I of this report for a detailed discussion on fees waived and costs absorbed by the manager, which presentation is incorporated by this reference into this Item 2.

Analysis and Discussion of income from operations 2019 v. 2018 (nine months ended)

Significant changes to revenue and expenses during the nine months ended September 30, 2019 and 2018 are summarized in the following table.

	Interest on loans, net	Provision For Loan Losses	Operations Expense	Net Income
For the nine months ended				
September 30, 2019	$ 4,405,007	—	710,610	3,760,019
September 30, 2018	3,798,691	—	299,938	3,528,014
Change	$ 606,316	—	410,672	232,005
Change				
Loan balance increase	238,931	—	11,866	227,065
Loan portfolio effective yield rate	367,385	—	—	367,385
Gain on sale, loans	—	—	—	6,587
Late fees	—	—	—	29,774
Capital balance increase	—	—	20,315	(20,315)
RMC fees/costs waived	—	—	143,094	(143,094)
Reduced support from RMC	—	—	157,399	(157,399)
Allocation of computer processing services costs	—	—	87,795	(87,795)
Cost allocated from RMC	—	—	(4,493)	4,493
California tax payment	—	—	11,790	(11,790)
Other	—	—	(17,094)	17,094
Change	$ 606,316	—	410,672	232,005

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

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

Interest on Loans, net

Interest on loans increased due to growth of the secured loan portfolio, approximately $64,000 in default interest collected on loans that had been designated impaired during the nine months ended September 30, 2019, and an increase in the average portfolio interest rate (8.8% in 2019 and 8.5% in 2018). The secured loan portfolio has strong payment history with one loan (representing 1.0% of the aggregate principal balance of the company’s loan portfolio) currently designated as non-accrual at September 30, 2019. The secured loans – average daily balance at September 30, 2019 was $65.3 million, an increase of approximately $5.5 million, or 9.2% over the average daily balance at September 30, 2018 of approximately $59.8 million.

Provision for loan losses

At September 30, 2019 and 2018, the company had not recorded an allowance for loan losses as all loans had protective equity such that at September 30, 2019 and 2018, collection was deemed probable for amounts owed by the borrowers.

Total principal amounts past due more than 90 days at September 30, 2019 and 2018 were $1,206,291 and $1,070,243 (representing 1.6% and 1.6% of the aggregate principal balance of the company’s loan portfolio), respectively.

Operations expense

Operations expense as a percent of interest on loans, net was approximately 16.1% and 7.9% for the nine months ended September 30, 2019 and 2018, respectively. The increase in operations expense was due primarily to RMC ceasing to absorb our direct operating expenses (e.g. professional service expense and other direct operating expenses), beginning April 1, 2018, an increase in mortgage servicing fees due to an increase average daily balance in the secured loan portfolio, fees paid to an independent service bureau for computer processing services related to recordkeeping and reporting for the accounts of individual investors which fees had previously been included in Costs from RMC, and RMC, in its sole discretion, electing to collect asset management fees commencing June 1, 2019 and ongoing.

Significant changes to operations expense during the nine months ended September 30, 2019 and 2018, are summarized in the following table.

	Mortgage Servicing Fees	Asset Management Fees, net	Costs From RMC, net	Professional Services, net	Other	Total
For the nine months ended						
September 30, 2019	$ 122,010	158,916	—	404,927	24,757	710,610
September 30, 2018	110,144	—	—	179,855	9,939	299,938
Change	$ 11,866	158,916	—	225,072	14,818	410,672
Change						
Loan balance increase	$ 11,866	—	—	—	—	11,866
Capital balance increase	—	42,696	(22,381)	—	—	20,315
RMC fees/costs waived	—	116,220	22,381	—	—	138,601
Reduced support from RMC	—	—	—	143,152	14,247	157,399
Allocation of computer processing services costs	—	—	—	87,795	—	87,795
California tax payment	—	—	—	—	11,790	11,790
Other	—	—	—	(5,875)	(11,219)	(17,094)
Change	$ 11,866	158,916	—	225,072	14,818	410,672

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

Mortgage Servicing fees

The increase in mortgage servicing fees of $11,866 was attributed to the increase in the average daily secured loan portfolio from approximately $59,808,000 for the nine months ended September 30, 2018 to $65,317,000 for the nine months ended September 30, 2019, at the annual rate of 0.25%.

Asset management fee

The total amount of asset management fees chargeable were $357,561 and $314,865 for the nine months ended September 30, 2019 and 2018, respectively. The increase in asset management fees chargeable was due to the increase in total capital under management. Total members capital at September 30, 2019 and 2018 was approximately $81,760,000 and $78,073,000, respectively. RMC, at its sole discretion, elected to begin collecting asset management fees in June 2019. Of the total asset management fees chargeable, RMC, at its sole discretion, waived $198,645 and $314,865 during the nine months ended September 30, 2019 and 2018, respectively. The asset management fee is chargeable in an amount up to three-quarters of one percent (0.75%) annually of the portion of the capital originally committed to investment in mortgages, not including leverage, and including up to two percent (2%) of working capital reserves. This amount is to be recomputed annually after the second full year of operations by subtracting from the then fair value of the company’s loans plus working capital reserves, an amount equal to the outstanding debt.

Costs from RMC, net

Cost incurred by RMC, for which reimbursement could have been requested were $517,163 and $548,530 for the nine months ended September 30, 2019 and 2018, respectively. RMC, at its sole discretion, waived all reimbursements for the nine months ended September 30, 2019 and 2018. The decrease in costs from RMC, net chargeable was due primarily to a decrease in allocable expenses incurred by RMC, specifically relating to payroll and consultant expenses. The Operating Agreement provides that RMC may request reimbursement from the company for operations expense incurred on behalf of the company, including without limitation, the cost of preparation of reports to members and out-of-pocket general and administration expenses. Certain of these qualifying costs (e.g. postage) can be tracked by RMC as specifically attributable to the company. Other costs (e.g. RMC’s accounting and audit fees, legal fees and expenses, qualifying payroll expenses, occupancy, and insurance premium) are allocated on a pro-rata basis based on the company’s percentage of total capital of all mortgage funds managed by RMC. Payroll and consulting fees are allocated based on activity, and then allocated to the company pro-rata, based on percentage of capital to the total capital of all affiliated mortgage funds managed by RMC. Increases or decreases in members’ capital or secured loan principal will have a similar effect on the total amount chargeable by RMC. The decision to waive all or a portion of fees otherwise payable to RMCs is made by RMC, in its sole discretion.

Professional Services

Professional services consist primarily of legal, audit and tax compliance, computer processing related to recordkeeping and reporting for individual investor accounts, and regulatory (including SEC/FINRA compliance) expenses. Professional service expense incurred during the nine months ended September 30, 2019 and 2018 was $404,927 and $323,007, respectively. Beginning April 1, 2018, RMI IX paid for all professional service expenses directly. Prior to April 1, 2018, RMC, at its sole discretion, had elected to absorb some or all of RMI IX's expenses for professional services. During the nine months ended September 30, 2019, RMC, in its sole discretions, reimbursed $143,152 of professional service expense.

Analysis and Discussion of income from operations 2019 v. 2018 (three months ended)

Significant changes to revenue and expenses during the three months ended September 30, 2019 and 2018 are summarized in the following table.

	Interest on loans, net	Provision For Loan Losses	Operations Expense	Net Income
For the three months ended				
September 30, 2019	$ 1,526,142	—	338,408	1,226,729
September 30, 2018	1,305,044	—	128,665	1,181,152
Change	$ 221,098	—	209,743	45,577
Change				
Loan balance increase	$ 95,009	—	4,184	90,825
Loan portfolio effective yield rate	126,089	—	—	126,089
Gain on sale, loans	—	—	—	20,833
Late fees	—	—	—	13,389
Capital balance increase	—	—	(21,230)	21,230
RMC fees/costs waived	—	—	140,417	(140,417)
Allocation of computer processing services costs	—	—	87,795	(87,795)
Other	—	—	(1,423)	1,423
Change	$ 221,098	—	209,743	45,577

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

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

Interest on Loans, net

Interest on loans increased approximately $221,000 due to growth of the secured loan portfolio, $34,500 in default interest collected on loans that had been designated as impaired, and an increase in the average portfolio interest rate (8.9% in 2019 and 8.5% in 2018). The portfolio has strong payment history with one loan (representing 1.0% of the aggregate principal balance of the company's loan portfolio) currently designated as non-accrual at September 30, 2019. The Secured loans – average daily balance at September 30, 2019 was $64.9 million, an increase of approximately $4.2 million, or 7.0% over the average daily balance at September 30, 2018 of approximately $60.7 million.

Provision for loan losses

At September 30, 2019 and 2018, the company had not recorded an allowance for loan losses as all loans had protective equity such that at September 30, 2019 and 2018, collection was deemed probable for amounts owed by the borrowers.

Total principal amounts past due more than 90 days at September 30, 2019 and 2018 were $1,206,291 and $1,070,243 (representing 1.6% and 1.6% of the aggregate principal balance of the company's loan portfolio), respectively.

Operations expense

Operations expense as a percent of interest on loans, net was approximately 22.2% and 9.9% for the three months ended September 30, 2019 and 2018, respectively. The increase in operations expense was due primarily to RMC ceasing to absorb our direct operating expenses (e.g. professional service expense and other direct operating expenses), beginning April 1, 2018, an increase in mortgage servicing fees due to an increase average daily balance in the secured loan portfolio, the company paying fees to an independent service bureau for computer processing services related to recordkeeping and reporting for the accounts of individual investors which had previously been included in Costs from RMC, and RMC, in its sole discretion, electing to collect asset management fees beginning in June 2019.

Significant changes to operations expense during the three months ended September 30, 2019 and 2018, are summarized in the following table.

	Mortgage Servicing Fees	Asset Management Fees, net	Costs From RMC, net	Professional Services, net	Other	Total
For the three months ended						
September 30, 2019	$ 40,450	119,187	—	178,752	19	338,408
September 30, 2018	36,266	—	—	90,957	1,442	128,665
Change	$ 4,184	119,187	—	87,795	(1,423)	209,743
Change						
Loan balance increase	$ 4,184	—	—	—	—	4,184
Capital balance increase	—	14,232	(35,462)	—	—	(21,230)
RMC fees/costs waived	—	104,955	35,462	—	—	140,417
Allocation of computer processing services costs	—	—	—	87,795	—	87,795
Other	—	—	—	—	(1,423)	(1,423)
Change	$ 4,184	119,187	—	87,795	(1,423)	209,743

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

Mortgage Servicing fees

The increase in mortgage servicing fees of $4,184 was attributed to the increase in the average daily secured loan portfolio from $60,743,000 for the three months ended September 30, 2018 to $64,968,000 for the three months ended September 30, 2019, at the annual rate of 0.25%.

Asset management fee

The total amount of asset management fees chargeable were $119,187 and $104,955 for the three months ended September 30, 2019 and 2018, respectively. The increase in asset management fees chargeable was due to the increase in total capital under management. Total members capital at September 30, 2019 and 2018 was approximately $81,760,000 and $78,073,000, respectively. No asset management fees were waived during the three months ended September 30, 2019. Of the total asset management fees chargeable, RMC, at its sole discretion, waived $104,955 during the three months ended September 30, 2018. The asset management fee is chargeable in an amount up to three-quarters of one percent (0.75%) annually of the portion of the capital originally committed to investment in mortgages, not including leverage, and including up to two percent (2%) of working capital reserves. This amount will be recomputed annually after the second full year of operations by subtracting from the then fair value of the company's loans plus working capital reserves, an amount equal to the outstanding debt.

Costs from RMC, net

Cost incurred by RMC, for which reimbursement could have been requested were $151,061 and $186,523 for the three months ended September 30, 2019 and 2018, respectively. RMC, at its sole discretion, waived all reimbursements for the three months ended September 30, 2019 and 2018. The Operating Agreement provides that RMC may request reimbursement from the company for operations expense incurred on behalf of the company, including without limitation, the cost of preparation of reports to members and out-of-pocket general and administration expenses. Certain of these qualifying costs (e.g. postage) can be tracked by RMC as specifically attributable to the company. Other costs (e.g. RMC's accounting and audit fees, legal fees and expenses, qualifying payroll expenses, occupancy, and insurance premium) are allocated on a pro-rata basis based on the company's percentage of total capital of all mortgage funds managed by RMC. Payroll and consulting fees are allocated based on activity, and then allocated to the company pro-rata, based on percentage of capital to the total capital of all affiliated mortgage funds managed by RMC. Increases or decreases in members' capital or secured loan principal will have a similar effect on the total amount chargeable by RMC. The decision to waive all or a portion of fees otherwise payable to RMCs is made by RMC, in its sole discretion.

Professional Services

Professional services consist primarily of legal, audit and tax compliance, computer processing related to recordkeeping and reporting for individual investor accounts, and regulatory (including SEC/FINRA compliance) expenses. Professional service expense incurred during the three months ended September 30, 2019 and 2018 was $178,752 and $90,957, respectively. No professional services were reimbursed by RMC during the three months ended September 30, 2019 and 2018, respectively.

Members' capital, cash flows and liquidity

The table below shows Cash flows by business activity for the three and nine months ended September 30.

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Members' capital				
Contributions by members	$ —	$ 1,999,333	$ 2,682,154	$ 9,449,325
Organization and offering costs, net	17,423	(73,936)	(105,410)	(474,996)
Formation loan, net	—	(138,420)	(186,656)	(707,941)
Redemptions, net	(754,245)	(787,524)	(2,609,211)	(1,490,164)
Earnings distributed to members	(542,993)	(523,896)	(1,566,680)	(1,553,746)
Cash – members' capital, net	(1,279,815)	475,557	(1,785,803)	5,222,478
Loan principal/advances/interest				
Principal collected	14,667,857	11,412,938	36,646,053	31,007,578
Loans sold to non-affiliate, net	4,851,818	—	4,994,818	14,163,158
Interest received, net	1,545,537	1,225,095	4,307,297	3,614,044
Other loan income	18,412	4,923	45,289	14,267
Loan funding & advances, net	(22,146,050)	(24,073,918)	(53,072,582)	(50,616,501)
Loans transferred from affiliates	—	—	—	(5,889,819)
Cash – loans, net	(1,062,426)	(11,430,962)	(7,079,125)	(7,707,273)
Operations expense	(265,578)	(109,456)	(635,059)	(275,295)
Net change in cash	$ (2,607,819)	$ (11,064,861)	$ (9,499,987)	$ (2,760,090)

The table below shows the company's unit redemptions for the three and nine months ended September 30, 2019 and 2018.

	Three months ended		Nine months ended	
	2019	2018	2019	2018
Capital redemptions-without penalty	$ 445,485	$ 635,218	$ 1,187,961	$ 1,211,085
Capital redemptions-subject to penalty	315,371	152,306	1,488,945	279,079
Total	$ 760,856	$ 787,524	$ 2,676,906	$ 1,490,164
Early withdrawal penalties	$ 6,611	$ 10,175	$ 67,695	$ 14,143

Distribution reinvestment plan (DRIP)/ Unit sales

Members of record as of April 30, 2019, that previously elected to participate in the DRIP or that provide written notice to the manager may elect to participate in the DRIP, in those states in which approval has been obtained.

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. The Registration Statement on Form S-3 became effective on May 9, 2019.

As of September 30, 2019, the gross proceeds from sales of units to our members under our DRIP pursuant to the May 9, 2019 Form S-3 registration statement was approximately $1,008,000.

The company's Registration Statement on Form S-11 filed with the SEC in June 2016 (SEC File No. 333-208315) to offer up to 120,000,000 units ($120,000,000) to the public and 20,000,000 units ($20,000,000) to its members pursuant to the DRIP, was not renewed in 2019 and the offering expired April 30, 2019. 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 units to:

- make additional loans;
- fund working capital reserves;
- pay RMC up to 4.5% of proceeds from sale of units for organization and offering expenses, excluding units sold in the DRIP; and

- fund a formation loan to RMC at up to 7% of proceeds from sale of units, excluding units sold in the DRIP

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

Generally, within a broad range, the company’s rates on mortgage loans is not affected by market movements in interest rates. If, as expected, we continue to make and invest primarily in fixed rate loans, a rise in interest rates could result in lower amounts and numbers of the company’s loans which are prepaid. This increase in the length of time that loans remain outstanding may reduce overall liquidity, which itself could reduce the company’s ability to invest in new loans at higher interest rates. Conversely, if interest rates of the loan portfolio decrease, we could experience a significant increase in loan prepayments by borrowers. If we use this capital to invest in new loans at lower rates of interest, it will result in a lower yield.

Contractual obligations

At September 30, 2019, scheduled redemptions of members' capital equaled $578,981, all of which is scheduled to be paid in 2019.

At September 30, 2019, the company had no construction or rehabilitation loans outstanding.

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not included because the company is a smaller reporting company.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

As a limited liability company, we do not have a board of directors, nor, therefore, do we have an audit committee of the board of directors. 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, 2019, the company was not involved in any legal proceedings other than those that would be considered part of the normal course of business.

ITEM 1A. **Risk Factors**

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

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

Recent Sales of Unregistered Securities

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

Use of Proceeds from Registered Securities

The company's Registration Statement on Form S-11 filed with the SEC in June 2016 (SEC File No. 333-208315) to offer up to 120,000,000 units ($120,000,000) to the public and 20,000,000 units ($20,000,000) to its members pursuant to the DRIP, was not renewed in 2019 and the offering expired April 30, 2019. 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.

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. The Registration Statement on Form S-3 became effective on May 9, 2019.

As of September 30, 2019, the gross proceeds from sales of units to members under our DRIP pursuant to the May 9, 2019 Form S-3 Registration Statement was approximately $1,008,000.

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

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

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

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

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

Redemptions are made once a quarter, on the last business day of the quarter. Redemptions for the three months ended September 30, 2019 were $760,856. The unit redemption program is ongoing and available to members beginning one year after the purchase of the units. The maximum number of units that may be redeemed in any year and the maximum amount of redemption available in any period to members are subject to certain limitations.

ITEM 3. **Defaults Upon Senior Securities**

Not Applicable.

ITEM 4. **Mine Safety Disclosures**

Not Applicable.

ITEM 5. **Other Information**

None.

ITEM 6. **Exhibits**

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

SIGNATURES

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

REDWOOD MORTGAGE INVESTORS IX, LLC
(Registrant)

Date: November 13, 2019

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

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