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

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2015

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

For the transition period from ___________ to _____________

Commission file number: **333-155428**

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

Delaware	**26-3541068**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1825 S. Grant Street, Suite 250, San Mateo, CA	**94402-2678**
(Address of principal executive offices)	(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. [X] YES [ ] NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
[X] YES [ ] NO

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

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

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

Part I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

REDWOOD MORTGAGE INVESTORS IX, LLC
Balance Sheets
June 30, 2015 (unaudited) and December 31, 2014 (audited)

ASSETS

	June 30, 2015	December 31, 2014
Cash, in banks	$ 1,842,881	$ 1,264,314
Loans, secured by deeds of trust		
Principal	22,158,204	19,185,660
Advances	12,542	12,307
Accrued interest	165,737	144,277
Allowance for loan losses	—	—
Loans, net	22,336,483	19,342,244
Other assets, net	133,643	195,033
Total assets	$ 24,313,007	$ 20,801,591

LIABILITIES, INVESTORS IN APPLICANT STATUS, AND MEMBERS' CAPITAL

Liabilities – accrued fees & other accounts payable	$ 147	$ 319
Investors in applicant status	1,402,150	1,257,000
Members' capital		
Members' capital, subject to redemption	22,889,428	19,521,537
Managers' capital, net	21,282	22,735
Total members' capital	22,910,710	19,544,272
Total liabilities, investors in applicant status, and members' capital	$ 24,313,007	$ 20,801,591

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Income Statements
For the Three and Six Months Ended June 30, 2015 and 2014 (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues, net				
Loans				
Interest income	$ 411,164	$ 333,001	$ 809,631	$ 648,179
Late fees	3,072	3,058	5,332	4,277
Revenue, loans	414,236	336,059	814,963	652,456
Provision for (recovery of) loan losses	—	—	—	—
Loans, net	414,236	336,059	814,963	652,456
Formation loan imputed interest	5,520	4,096	11,644	7,918
Amortization of discount on formation loan	(5,520)	(4,096)	(11,644)	(7,918)
Total revenues, net	414,236	336,059	814,963	652,456
Operations Expense				
Mortgage servicing fees	13,053	9,789	25,213	18,802
Asset management fees	—	18,031	—	18,031
Costs from Redwood Mortgage Corp.	—	10,596	36,286	52,179
Professional services	7,716	20,954	8,359	81,687
Other	12,491	14,742	14,067	17,963
Total operations expense	33,260	74,112	83,925	188,662
Net income	$ 380,976	$ 261,947	$ 731,038	$ 463,794
Members (99%)	$ 377,167	$ 259,328	$ 723,728	$ 459,156
Managers (1%)	3,809	2,619	7,310	4,638
	$ 380,976	$ 261,947	$ 731,038	$ 463,794

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Changes in Members' Capital
For the Six Months Ended June 30, 2015 (unaudited)

	Investors In Applicant Status	Members			
		Capital	Unallocated Syndication Costs	Formation Loan	Capital, net
Balances at December 31, 2014	$ 1,257,000	$ 21,720,875	$ (943,738)	$ (1,255,600)	$ 19,521,537
Contributions on application	4,085,987	—	—	—	—
Contributions admitted to members' capital	(3,935,937)	3,935,937	—	—	3,935,937
Premiums paid on application by RMC	4,270	—	—	—	—
Premiums admitted to members' capital	(9,170)	9,170	—	—	9,170
Net income	—	723,728	—	—	723,728
Earnings distributed to members	—	(806,668)	—	—	(806,668)
Earnings distributed used in DRIP	—	460,304	—	—	460,304
Member's redemptions	—	(501,840)	—	—	(501,840)
Formation loan funding	—	—	—	(286,019)	(286,019)
Formation loan payments received	—	—	—	8,366	8,366
Syndication costs incurred	—	—	(175,545)	—	(175,545)
Early withdrawal penalties	—	—	199	259	458
Balances at June 30, 2015	$ 1,402,150	$ 25,541,506	$ (1,119,084)	$ (1,532,994)	$ 22,889,428

	Managers			Total Members' Capital
	Capital	Unallocated Syndication Costs	Capital, net	
Balances at December 31, 2014	$ 32,268	$ (9,533)	$ 22,735	$ 19,544,272
Contributions on application	—	—	—	—
Contributions admitted to members' capital	3,945	—	3,945	3,939,882
Premiums paid on application by RMC	—	—	—	—
Premiums admitted to members' capital	—	—	—	9,170
Net income	7,310	—	7,310	731,038
Earnings distributed to members	(10,937)	—	(10,937)	(817,605)
Earnings distributed used in DRIP	—	—	—	460,304
Members' redemptions	—	—	—	(501,840)
Formation loan funding	—	—	—	(286,019)
Formation loan payments received	—	—	—	8,366
Syndication costs incurred	—	(1,773)	(1,773)	(177,318)
Early withdrawal penalties	—	2	2	460
Balances at June 30, 2015	$ 32,586	$ (11,304)	$ 21,282	$ 22,910,710

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Changes in Members’ Capital
For the Three Months Ended June 30, 2015 (unaudited)

	Investors In Applicant Status	Members			
		Capital	Unallocated Syndication Costs	Formation Loan	Capital, net
Balances at March 31, 2015	$ 658,500	$ 24,525,148	$ (1,066,971)	$ (1,399,535)	$ 22,058,642
Contributions on application	1,906,550	—	—	—	—
Contributions admitted to members' capital	(1,165,000)	1,165,000	—	—	1,165,000
Premiums paid on application by RMC	2,520	—	—	—	—
Premiums admitted to members' capital	(420)	420	—	—	420
Net income	—	377,167	—	—	377,167
Earnings distributed to members	—	(419,418)	—	—	(419,418)
Earnings distributed used in DRIP	—	241,555	—	—	241,555
Member's redemptions	—	(348,366)	—	—	(348,366)
Formation loan funding	—	—	—	(133,458)	(133,458)
Formation loan payments received	—	—	—	—	—
Syndication costs incurred	—	—	(52,113)	—	(52,113)
Early withdrawal penalties	—	—	—	(1)	(1)
Balances at June 30, 2015	$ 1,402,150	$ 25,541,506	$ (1,119,084)	$ (1,532,994)	$ 22,889,428

	Managers			Total Members’ Capital
	Capital	Unallocated Syndication Costs	Capital, net	
Balances at March 31, 2015	$ 27,612	$ (10,778)	$ 16,834	$ 22,075,476
Contributions on application	—	—	—	—
Contributions admitted to members' capital	1,165	—	1,165	1,166,165
Premiums paid on application by RMC	—	—	—	—
Premiums admitted to members' capital	—	—	—	420
Net income	3,809	—	3,809	380,976
Earnings distributed to members	—	—	—	(419,418)
Earnings distributed used in DRIP	—	—	—	241,555
Members’ redemptions	—	—	—	(348,366)
Formation loan funding	—	—	—	(133,458)
Formation loan payments received	—	—	—	—
Syndication costs incurred	—	(526)	(526)	(52,639)
Early withdrawal penalties	—	—	—	(1)
Balances at June 30, 2015	$ 32,586	$ (11,304)	$ 21,282	$ 22,910,710

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Cash Flows
For the Six Months Ended June 30, 2015 and 2014 (unaudited)

	2015	2014
Operations		
Interest received	$ 862,388	$ 681,255
Other loan income	5,432	4,326
Loan administration fee paid	(90,174)	(74,262)
Operations expense	(6,217)	129,186
Cash from operations	771,429	740,505
Investing – loan principal/advances		
Principal collected on loans	6,044,849	4,999,640
Loans originated	(9,017,393)	(7,656,250)
Advances on loans	(235)	(9,773)
Cash used in loan principal/advances, net	(2,972,779)	(2,666,383)
Financing – members' capital		
Contributions by members	4,094,029	2,156,219
Syndication costs paid, net	(177,318)	(96,611)
Formation loan funding	(286,019)	(155,790)
Formation loan collected	8,366	—
Cash from members' capital	3,639,058	1,903,818
Net cash increase(decrease) before distributions to members	1,437,708	(22,060)
Distributions to members		
Earnings distributed	(357,301)	(281,575)
Redemptions	(501,840)	—
Cash distributions to members	(859,141)	(281,575)
Net increase(decrease) in cash	578,567	(303,635)
Cash, beginning of period	1,264,314	1,176,630
Cash, end of period	$ 1,842,881	$ 872,995

Reconciliation of net income to net cash provided by (used in) operations:

	2015	2014
Net income	$ 731,038	$ 463,794
Adjustments to reconcile net income to net cash provided by (used in) operations		
Amortization of loan administration fees	74,217	55,752
Interest income, imputed on formation loan	(11,644)	(7,918)
Amortization of discount on formation loan	11,644	7,918
Change in operation assets and liabilities	—	
Accrued interest	(21,460)	(22,677)
Receivable from affiliate	77,347	(19,422)
Prepaid Expenses	—	25,000
Loan administration fees	(90,174)	(74,262)
Accounts payable	—	(62)
Payable to affiliate	—	312,382
Other	461	—
Total adjustments	40,391	276,711
Net cash provided by (used in) operations	$ 771,429	$ 740,505

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Cash Flows
For the Three Months Ended June 30, 2015 and 2014 (unaudited)

	2015	2014
Operations		
Interest received	$ 452,636	$ 340,032
Other loan income	3,122	3,057
Loan administration fee paid	(53,574)	(43,385)
Operations expense	(33,310)	192,380
Cash from operations	368,874	492,084
Investing – loan principal/advances		
Principal collected on loans	4,499,415	2,034,305
Loans originated	(5,357,393)	(4,383,500)
Advances on loans	(81)	(9,773)
Cash used in loan principal/advances, net	(858,059)	(2,358,968)
Financing – members' capital		
Contributions by members	1,910,220	1,213,198
Syndication costs paid, net	(52,639)	(64,182)
Formation loan funding	(133,458)	(89,829)
Formation loan collected	—	—
Cash from members' capital	1,724,123	1,059,187
Net cash increase(decrease) before distributions to members	1,234,938	(807,697)
Distributions to members		
Earnings distributed	(177,863)	(143,064)
Redemptions	(348,366)	—
Cash distributions to members	(526,229)	(143,064)
Net increase(decrease) in cash	708,709	(950,761)
Cash, beginning of period	1,134,172	1,823,756
Cash, end of period	$ 1,842,881	$ 872,995

Reconciliation of net income to net cash provided by (used in) operations:

	2015	2014
Net income	$ 380,976	$ 261,947
Adjustments to reconcile net income to net cash provided by (used in) operations		
Amortization of loan administration fees	42,526	24,243
Interest income, imputed on formation loan	(5,520)	(4,096)
Amortization of discount on formation loan	5,520	4,096
Change in operation assets and liabilities		
Accrued interest	(1,053)	(17,216)
Receivable from affiliate	—	(34,459)
Prepaid Expenses	—	—
Loan administration fees	(53,574)	(43,385)
Accounts payable	—	(27,078)
Payable to affiliate	—	328,032
Other	(1)	—
Total adjustments	(12,102)	230,137
Net cash provided by (used in) operations	$ 368,874	$ 492,084

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

NOTE 1 – ORGANIZATION AND GENERAL

In the opinion of the manager, the accompanying unaudited financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary to present fairly the financial information included therein. These financial statements should be read in conjunction with the audited financial statements included in the company's Form 10-K for the fiscal year ended December 31, 2014 filed with the Securities and Exchange Commission (SEC). The results of operations for the six month period ended June 30, 2015 are not necessarily indicative of the operations results to be expected for the full year.

Redwood Mortgage Investors IX, LLC (the company) is a Delaware limited liability company formed in October 2008 to make loans secured primarily by first and second deeds of trust on California real estate.

Redwood Mortgage Corp. (RMC) is the manager of the company (RMC's wholly-owned subsidiary Gymno LLC (Gymno) was a manager prior to its merger into RMC effective June 30, 2015). The mortgage loans the company invests in are arranged and are generally serviced by RMC. The manager is solely responsible for managing the business and affairs of the company, subject to the voting rights of the members on specified matters. The manager acting alone has the power and authority to act for and bind the company.

The rights, duties and powers of the manager and members of the company are governed by the company's operating agreement and the Delaware Limited Liability Company Act.

Members representing a majority of the outstanding units may, without the concurrence of the manager, 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 the manager.

A majority in interest of the members is required to elect a new manager to continue the company business after a manager ceases to be a manager due to its withdrawal.

Profits and losses are allocated among the members according to their respective capital accounts monthly after 1% of the profits and losses are allocated to the manager. The allocation to the manager may not exceed 1%. 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.

There are substantial restrictions on transferability of units and accordingly an investment in the company is non-liquid. Members have no right to withdraw from the company or to obtain the return of their capital account for at least one year from the date of purchase of units. In order to provide a certain degree of liquidity, we have adopted a unit redemption program, whereby after the one year period, a member may redeem all or part of their units, subject to certain limitations.

The description of the company's operating agreement contained in these financial statements notes provides only general information. Members should refer to the company's operating agreement for a more complete description of the provisions.

<u>NOTE 1 – ORGANIZATION AND GENERAL</u> (continued)

Distribution reinvestment plan

Members may elect to have all or a portion of their monthly distributions reinvested in additional units, subject to the availability of units under the distribution reinvestment plan. Members may withdraw from the distribution reinvestment plan with written notice.

Liquidity and unit redemption program

There are substantial restrictions on transferability of company units and accordingly an investment in the company is non-liquid. There is no public or secondary market for the units and none is expected to develop. Members have no right to withdraw from the company or to obtain the return of their capital account for at least one year from the date of purchase of units.

In order to provide a certain degree of liquidity, after the one-year period, a member may redeem all or part of their units, subject to certain limitations. The price paid for redeemed units will be based on the lesser of the purchase price paid by the redeeming member or the member's capital account balance as of the date of each redemption payment. Redemption value will be calculated as follows:

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

The company will attempt to redeem units quarterly, subject to certain limitations.

Notwithstanding the foregoing, with respect to any redemption, the number of units that may be redeemed per quarter per individual member will be subject to a maximum of the greater of 100,000 units or 25% of the member's units outstanding. For redemption requests requiring more than one quarter to fully redeem, the percentage discount amount that applies when the redemption payments begin will continue to apply throughout the entire redemption period and will apply to all units covered by such redemption request regardless of when the final redemption payment is made.

The company will not establish a reserve from which to fund redemptions. The company's capacity to redeem member units upon request is restricted to the availability of company cash flow. The company will not, in any calendar year, redeem more than 5% of the weighted average number of units outstanding during the twelve-month period immediately prior to the date of the redemption.

NOTE 1 – ORGANIZATION AND GENERAL (continued)

Contributed capital

The manager is required to contribute to capital 1/10 of 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.

Syndication costs

The company bears its own syndication costs, other than certain sales commissions, including legal and accounting expenses, printing costs, selling expenses and filing fees. Syndication costs are charged against members' capital and will be allocated to individual members consistent with the company's operating agreement.

Formation loans

Sales commissions are not paid directly by the company out of the offering proceeds. Instead, the company loans to RMC, amounts to pay all sales commissions and amounts payable in connection with unsolicited orders. This loan is unsecured and non-interest bearing and is referred to as the "formation loan." During the offering period, RMC will repay annually, one tenth of the principal balance of the formation loan as of December 31 of the prior year. Upon completion of the offering, the formation loan will be amortized over 10 years and is expected to be repaid in 10 equal annual installments. The formation loan has been deducted from members' capital in the balance sheets. As amounts are received from RMC as payments on the loan, the deduction from capital will be reduced. Interest has been imputed at the market rate of interest in effect at the end of each quarter for the new additions to the loan. If the manager is removed and RMC is no longer receiving payments for services rendered, the formation loan is forgiven.

Income taxes and Members' capital – tax basis

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

Term of the Company

The company is scheduled to terminate in 2028, unless sooner terminated as provided in the operating agreement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions about the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Such estimates relate principally to the determination of the valuation of impaired loans, if any, (which itself requires determining the fair value of the collateral), and the valuation of real estate owned, if any, at acquisition and subsequently. Actual results could differ significantly from these estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management estimates (continued)

-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.
- 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management estimates (continued)

-Earnings estimates

Since inception through June 30, 2015, the company has distributed cash of $4,868,260 (which includes $2,344,150 reinvested in DRIP units) to the members, based upon the managers' projections of net income using several variables which included but were not limited to, an average rate of return for the loan portfolio, turnover rate of the loan portfolio, and the availability of quality loans for investment. The company's net income, applicable to members, during this period has been $3,993,355. As the company's capital increases, and provided the company becomes and remains fully invested in quality mortgage loans, this difference of $874,905 should diminish. In the six months ended June 30, 2015, cash distributed to members was $806,668 and net income attributed to members was $723,728.

Cash and cash equivalents

The company considers all highly liquid financial instruments with maturities of three months or less at the time of purchase to be cash equivalents. Periodically, company cash balances in banks exceed federally insured limits.

Loans and interest income

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

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

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

From time to time, the company negotiates and enters into loan modifications with borrowers whose loans are delinquent. If the loan modification results in a significant reduction in the cash flow compared to the original note, the modification is deemed a troubled debt restructuring and a loss is recognized. In the normal course of the company's operations, loans that mature may be renewed at then current market rates and terms for new loans. Such renewals are not designated as impaired, unless the renewed loan was previously designated as impaired.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and interest income (continued)

Loan administration fees are capitalized and amortized over the life of the loan on a straight-line method which approximates the effective interest method.

Allowance for loan losses

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

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

Loans determined not to be individually impaired are grouped by the property type of the underlying collateral, and for each loan and for the total by property type, the amount of protective equity or amount of exposure to loss (*i.e.*, the dollar amount of the deficiency of the fair value of the underlying collateral to the loan balance) is computed.

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

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

Real estate owned (REO)

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

Recently issued accounting pronouncements

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

NOTE 3 – MANAGER AND OTHER RELATED PARTIES

RMC is allocated one percent of the profits and losses, which amounted to $3,809 and $2,619 for the three months ended, and $7,310 and $4,638 for the six months ended June, 30, 2015 and 2014, respectively.

Formation loan

Formation loan transactions are presented in the following table at June 30, 2015.

	Six months ended	Since Inception
Balance, January 1	$ 1,255,600	$ —
Formation loan made	286,020	1,864,435
Unamortized discount on imputed interest	(12,425)	(170,500)
	1,529,195	1,693,935
Repayments received from RMC	(8,366)	(326,558)
Early withdrawal penalties applied	(260)	(4,883)
Formation loan, net	1,520,569	1,362,494
Unamortized discount on imputed interest	12,425	170,500
Balance, June 30	$ 1,532,994	$ 1,532,994
Subscription proceeds to date	$ 26,519,785	$ 26,519,785

The formation loan has been deducted from members' capital in the balance sheets. As amounts are collected from RMC, the deduction from capital will be reduced. Interest has been imputed at the market rate of interest in effect at the end of each quarter for the new additions to the loan.

The future minimum payments on the formation loan are presented in the following table.

2015	$ 125,560
2016	125,560
2017	125,560
2018	125,560
2019	125,560
Thereafter	905,194
Total	$ 1,532,994

RMC is required to repay the formation loan. During the offering period, RMC is expected to repay annually, one tenth of the principal balance of the formation loan as of December 31 of the prior year. Upon completion of the offering, the formation loan is expected to be amortized over 10 years and repaid in 10 equal annual installments. If the manager is removed and RMC is no longer receiving payments for services rendered, the formation loan is forgiven.

The following commissions and fees are paid by the borrowers.

-Brokerage commissions, loan originations

For fees in connection with the review, selection, evaluation, negotiation and extension of loans, RMC may collect a loan brokerage commission that is expected to range from approximately 1.5% to 5% of the principal amount of each loan made during the year. Total loan brokerage commissions are limited to an amount not to exceed 4% of the total company assets per year. The loan brokerage commissions are paid by the borrowers, and thus, are not an expense of the company. These fees totaled $71,603 and $59,288 for the three months ended, and $99,528 and $111,989 for the six months ended, June 30, 2015 and 2014, respectively.

NOTE 3 – MANAGER AND OTHER RELATED PARTIES (continued)

-Other fees

RMC receives fees for processing, notary, document preparation, credit investigation, reconveyance, and other mortgage related fees. The amounts received are customary for comparable services in the geographical area where the property securing the loan is located, payable solely by the borrower and not by the company. These fees totaled $12,273 and $6,451 for the three months ended, and $16,595 and $14,590 for the six months ended June 30, 2015 and 2014, respectively.

The following fees are paid by the company to RMC.

-Loan administrative fees

RMC will receive a loan administrative fee in an amount up to 1% of the principal amount of each new loan originated or acquired on the company's behalf by RMC for services rendered in connection with the selection and underwriting of potential loans. Such fees are payable by the company upon the closing or acquisition of each loan. The loan administration fees paid by the company to RMC were $53,574 and $43,385 for the three months ended, and $90,174 and $74,262 for the six months ended June 30, 2015 and 2014, respectively.

-Mortgage servicing fees

RMC earns mortgage servicing fees from the company of up to one-quarter of one percent (0.25%) annually of the unpaid principal balance of the loan portfolio or such lesser amount as is reasonable and customary in the geographic area where the property securing the mortgage is located. RMC is entitled to receive these fees regardless of whether specific mortgage payments are collected. The mortgage servicing fees are accrued monthly on all loans. Remittance to RMC is made monthly unless the loan has been assigned a specific loss reserve, at which point remittance is deferred until the specific loss reserve is no longer required, or the property has been acquired by the company. To enhance the earnings of the company, RMC, in its sole discretion, may elect to accept less than the maximum amount of the mortgage servicing fee. An increase or decrease in this fee within the limits set by the operating agreement directly impacts the yield to the members. Mortgage servicing fees incurred and paid were $13,053 and $9,789 for the three months ended, and $25,213 and $18,802 for the six months ended June 30, 2015 and 2014, respectively. RMC did not waive any mortgage servicing fees during 2015 and 2014.

-Asset management fees

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

RMC, at its sole discretion, may elect to accept less than the maximum amount of the asset management fee. An increase or decrease in this fee within the limits set by the operating agreement directly impacts the yield to the members. RMC at its sole discretion, waived asset management fees during the six months ended June 30, 2015 and 2014, of $92,337 and $52,295, respectively. There is no assurance RMC will decrease or waive these fees in the future.

Asset management fees paid to RMC are presented in the following table for the three and six months ended June 30.

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Maximum chargeable by RMC	$ 48,188	$ 36,063	$ 92,337	$ 70,326
Waived by RMC	(48,188)	(18,032)	(92,337)	(52,295)
Charged	$ —	$ 18,031	$ —	$ 18,031

NOTE 3 – MANAGER AND OTHER RELATED PARTIES (continued)

-Costs through RMC

RMC, per the operating agreement, may request reimbursement by the company for operations expense incurred on behalf of the company, including without limitation, accounting and audit fees, legal fees and expenses, postage and preparation of reports to members, and out-of-pocket general and administration expenses. Certain costs (e.g. postage) can be allocated specifically to the company. Other costs are allocated on a pro-rata basis (e.g. by the company's percentage of total capital of all mortgage funds managed by RMC). Payroll and consulting fees are broken out first based on activity, and then allocated to the company on a pro-rata basis based on percentage of capital to the total capital of all mortgage funds. The decision to request reimbursement of any qualifying charges is made by RMC in its sole discretion. For the six months ending June 30, 2015 and 2014, costs incurred by RMC, for which reimbursement could have been requested, were $70,654 and $52,179. For the three and six months ending June 30, 2015, $34,368 of this was waived. For the three and six months ending June 30, 2014, all qualifying charges were collected by RMC.

In addition, RMC, at its sole discretion, may elect to reimburse the company for professional services (primarily audit and tax expense). An increase or decrease in reimbursements from RMC directly impacts the yield to the members. RMC reimbursed the company for professional services of $24,010 and $57,542 for the three and six months ended, June 30, 2015, respectively. There is no assurance that RMC will reimburse these expenses in the future.

-Syndication costs

Syndication costs (all expenses incurred in connection with the start-up of the company or ongoing offering of the units, including legal and accounting fees, printing, mailing, distribution costs, filing fees, reimbursements to participating broker-dealers for due diligence expenses, reimbursements for training and education meetings for associated persons of a FINRA member, marketing reallowances of up to 1% of gross offering proceeds [gross offering proceeds is sale of units, excluding DRIP and premium units]) up to 4.5% of the gross proceeds, are reimbursed to RMC until RMC is repaid in full, and then the company will pay any additional costs directly. The syndication costs are substantially front-ended, and RMC is reimbursed for these expenses quarterly up to 4.5% of the cumulative-to-date gross offering proceeds.

	2015	2014
Balance, January 1	$ 953,271	$ 754,491
Costs reimbursed to RMC (1)	177,318	96,094
Costs paid by the company	—	517
Early withdrawal penalties applied (3)	(201)	—
Allocated to date (2)	—	—
Balance, June 30	$ 1,130,388	$ 851,102
Gross offering proceeds	$ 25,119,735	$ 18,913,387
Percent reimbursed to RMC	4.5%	4.5%

(1) As of June 30, 2015, RMC had incurred approximately $3,215,000 of syndication costs for the company and approximately $2,085,000 remains to be reimbursed by the company to RMC. As of June 30, 2014, RMC had incurred approximately $2,932,000 of syndication costs for the company and approximately $2,081,000 remained to be reimbursed to RMC.

(2) Allocation of the syndication costs to the individual investors' capital accounts begins after the company's fifth full fiscal year, in accordance with the terms of the company's operating agreement and IRS Code Section 709.

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

NOTE 4 – LOANS

Loans generally are funded 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 June 30, 2015, 52 of the company's 59 loans (representing 88% of the aggregate principal of the company's loan portfolio) have a loan term up to five years or less from loan inception. The remaining loans have terms longer than five years. Substantially all loans are written without a prepayment-penalty provision. As of June 30, 2015, 24 loans outstanding (representing 60% of the aggregate principal balance of the company's loan portfolio) provide for monthly payments of interest only, with the principal due in full at maturity. The remaining loans require monthly payments of principal and interest, typically calculated on a 30 year amortization, with the remaining principal balance due at maturity.

Secured loans unpaid principal balance (principal)

Secured loan transactions are summarized in the following table for the six months ended June 30.

	2015	2014
Principal, January 1	$ 19,185,660	$ 14,698,430
Loans Funded	—	736,000
Loans acquired from affiliates	9,017,393	6,920,250
Principal payments received	(6,044,849)	(4,999,640)
Principal, June 30	$ 22,158,204	$ 17,355,040

Loan characteristics

Secured loans had the characteristics presented in the following table.

	June 30, 2015	December 31, 2014
Number of secured loans	59	52
Secured loans – principal	$ 22,158,204	$ 19,185,660
Secured loans – lowest interest rate (fixed)	7.3%	7.3%
Secured loans – highest interest rate (fixed)	10.0%	10.0%
Average secured loan – principal	$ 375,563	$ 368,955
Average principal as percent of total principal	1.7%	1.9%
Average principal as percent of members' capital	1.6%	1.9%
Average principal as percent of total assets	1.5%	1.8%
Largest secured loan – principal	$ 1,500,000	$ 1,600,000
Largest principal as percent of total principal	6.8%	8.3%
Largest principal as percent of members' capital	6.6%	8.2%
Largest principal as percent of total assets	6.2%	7.7%
Smallest secured loan – principal	$ 12,791	$ 66,278
Smallest principal as percent of total principal	0.1%	0.4%
Smallest principal as percent of members' capital	0.1%	0.3%
Smallest principal as percent of total assets	0.1%	0.3%
Number of counties where security is located (all California)	14	13
Largest percentage of principal in one county	29.1%	25.2%
Number of secured loans in foreclosure	1	1
Secured loans in foreclosure – principal	191,772	193,893
Number of secured loans with an interest reserve	—	—
Interest reserves	$ —	$ —

NOTE 4 – LOANS (continued)

Loan characteristics (continued)

As of June 30, 2015, the company's two largest loans, both with the principal of $1,500,000, each individually represent 6.8% of outstanding secured loans, and 6.2% of company assets. One loan is secured by a residential property located in San Francisco, California, bears an interest rate of 8.9% and matures on August 1, 2015. The second loan is secured by a commercial property located in San Francisco, California, bears an interest rate of 8.0% and matures on October 1, 2019.

Larger loans sometimes increase above 10% of the secured loan portfolio or company assets as these amounts decrease due to member withdrawals, loan payoffs, or due to restructuring of existing loans.

Distribution of loans within California

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

	June 30, 2015		December 31, 2014	
	Unpaid Principal Balance	Percent	Unpaid Principal Balance	Percent
San Francisco Bay Area				
San Francisco	$ 6,444,267	29.1%	$ 4,584,854	23.9%
Alameda	3,134,099	14.1	2,322,907	12.1
San Mateo	1,479,470	6.7	1,554,577	8.1
Santa Clara	2,043,091	9.2	891,674	4.7
Contra Costa	1,009,746	4.6	1,186,371	6.2
Sonoma	57,980	0.3	67,146	0.4
	14,168,653	64.0	10,607,529	55.4
Other Northern California				
Santa Cruz	—	—	2,320,000	12.1
Monterey	180,144	0.8	180,897	1.0
Yolo	180,000	0.8	—	—
San Joaquin	160,000	0.7	—	—
	520,144	2.3	2,500,897	13.1
Northern California Total	14,688,797	66.3	13,108,426	68.5
Los Angeles & Coastal				
Los Angeles	5,604,835	25.3	4,840,941	25.2
Orange	342,386	1.5	432,828	2.2
San Diego	387,791	1.7	66,278	0.3
	6,335,012	28.5	5,340,047	27.7
Other Southern California				
San Bernardino	633,956	2.9	635,768	3.3
Riverside	500,439	2.3	101,419	0.5
	1,134,395	5.2	737,187	3.8
Southern California Total	7,469,407	33.7	6,077,234	31.5
Total Secured Loans	$ 22,158,204	100.0%	$ 19,185,660	100.0%

NOTE 4 – LOANS (continued)

Commitments/loan disbursements/construction and rehabilitation loans

The company may make construction loans that are not fully disbursed at loan inception. Construction loans are determined by the managers to be those loans made to borrowers for the construction of entirely new structures or dwellings, whether residential, commercial or multi-family properties. The company will approve and fund the construction loan up to a maximum loan balance. Disbursements will be made periodically as phases of the construction are completed or at such other times as the loan documents may require. Undisbursed construction funds will be held in escrow pending disbursement. Upon project completion, construction loans are reclassified as permanent loans. Funding of construction loans is limited to 10% of the loan portfolio. At June 30, 2015, the company had no construction loans outstanding.

The company may also make rehabilitation loans. A rehabilitation loan will be approved up to a maximum principal balance and, at loan inception, will be either fully or partially disbursed. If fully disbursed, a rehabilitation escrow account is established and advanced periodically as phases of the rehabilitation are completed or at such other times as the loan documents may require. If not fully disbursed, the rehabilitation loan will be funded from available cash balances and future cash receipts. The company does not maintain a separate cash reserve to fund undisbursed rehabilitation loan obligations. Rehabilitation loan proceeds are generally used to acquire and remodel single family homes for future sale or rental. Upon project completion, rehabilitation loans are reclassified as permanent loans. Funding of rehabilitation loans is limited to 15% of the loan portfolio. At June 30, 2015, the company had no rehabilitation loans outstanding.

Lien position

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

	June 30, 2015			December 31, 2014		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	51	$ 20,083,044	91%	44	$ 17,114,452	89%
Second trust deeds	8	2,075,160	9	8	2,071,208	11
Total secured loans	59	22,158,204	100%	52	19,185,660	100%
Liens due other lenders at loan closing		4,221,930			4,773,151	
Total debt		$ 26,380,134			$ 23,958,811	
Appraised property value at loan closing		$ 52,205,357			$ 44,552,048	
Percent of total debt to appraised values (LTV) at loan closing(1)		50.5%			53.8%	

(1) Based on appraised values and liens due other lenders at loan closing. The loan-to-value (LTV) computation does not take into account subsequent increases or decreases in security property values following the loan closing nor does it include decreases or increases of the amount owing on senior liens to other lenders by payments or interest accruals, if any.

NOTE 4 – LOANS (continued)

Property type

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

	June 30, 2015			December 31, 2014		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family(2)	45	$ 15,126,961	68%	40	$ 14,512,116	76%
Multi-family	4	1,956,346	9	3	1,272,724	6
Commercial	10	5,074,897	23	9	3,400,820	18
Total secured loan balance	59	$ 22,158,204	100%	52	$ 19,185,660	100%

(2) Single family property type as of June 30, 2015 consists of six loans with principal of $1,419,330 that are owner occupied and 39 loans with principal of $13,707,631 that are non-owner occupied. At December 31, 2014, single family property consisted of five loans with principal of $1,318,743 that were owner occupied and 35 loans with principal of $13,193,373 that were non-owner occupied.

Scheduled maturities

Secured loans are scheduled to mature as presented in the following table.

Scheduled maturities, as of June 30, 2015	Loans	Principal	Percent
2015(3)	5	$ 3,404,777	15%
2016	15	5,403,447	24
2017	12	4,915,002	22
2018	5	1,127,508	5
2019	12	4,641,585	21
2020	9	2,600,293	12
Thereafter	1	65,592	1
Total future maturities	59	22,158,204	100
Matured as of June 30, 2015	—	—	—
Total secured loan balance	59	$ 22,158,204	100%

(3) Loans maturing in 2015 from July 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.

The company reports maturity data based upon the most recent contractual agreement with the borrower. There was 1 renewal for the six months ended June 30, 2015.

NOTE 4 – LOANS (continued)

Delinquency

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

	June 30, 2015	December 31, 2014
Past Due		
30-89 days	$ —	$ 448,930
90-179 days	—	514,791
180 or more days	—	—
Total past due	—	963,721
Current	22,158,204	18,221,939
Total secured loan balance	$ 22,158,204	$ 19,185,660

Modifications and troubled debt restructurings

There were no loan modifications made during the six months ended June 30, 2015, and no modifications were in effect as of June 30, 2015 or December 31, 2014.

Loans in non-accrual status

At June 30, 2015 and December 31, 2014, there were no loans designated in non-accrual status.

Impaired loans/allowance for loan losses

At June 30, 2015 and December 31, 2014, the company had not designated any loans as impaired, and had not recorded an allowance for loan losses as all loans were deemed to have protective equity (*i.e.*, low loan-to-value ratio) such that collection is reasonably assured for amounts owing.

Fair Value

The company does not record its loans at fair value on a recurring basis. The recorded amount of the performing loans (i.e. the loan balance) is deemed to approximate the fair value. Loans designated impaired (i.e. that are collateral dependent) are measured at fair value on a non-recurring basis. The company did not have any loans designated impaired at June 30, 2015 or December 31, 2014.

- *Secured loans, performing (i.e. not designated as impaired) (Level 2)* - Each loan is reviewed for its delinquency, LTV adjusted for the most recent valuation of the underlying collateral, remaining term to maturity, borrower's payment history and other factors. Also considered is the limited resale market for the loans. Most companies or individuals making similar loans as the partnership intend to hold the loans until maturity as the average contractual term of the loans (and the historical experience of the time the loan is outstanding due to pre-payments) is shorter than conventional mortgages. As there are no prepayment penalties to be collected, loan buyers would be hesitant to risk paying above par. Due to these factors, sales of the loans are infrequent and an active market does not exist.

- *Secured loans, designated impaired (Level 2)* – Secured loans designated impaired are deemed collateral dependent, and the fair value of the loan is the lesser of the fair value of the collateral or the enforceable amount owing under the note. The fair value of the collateral is determined by exercise of judgment based on management's experience informed by appraisals (by licensed appraisers), brokers' opinion of values, and publicly available information on in-market transactions (Level 2 inputs).

<u>NOTE 4 – LOANS</u> (continued)

Fair Value (continued)

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

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

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

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

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

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

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

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

NOTE 5 – COMMITMENTS AND CONTINGENCIES, OTHER THAN LOAN COMMITMENTS AND SYNDICATION COSTS

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 to 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 June 30, 2015, the company is not involved in any legal proceedings other than those that would be considered part of the normal course of business.

Commitments

There were no commitments other than those disclosed in Note 4.

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, 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, 2014.

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, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the company's expectations, hopes, intentions, beliefs and strategies regarding the future. Forward-looking statements include statements regarding future interest rates and economic conditions and their effect on the company and its assets, that the difference between net income recorded and cash distributed to members will diminish in the future, trends in the California real estate market, estimates as to the allowance for loan losses, estimates of future member redemptions, the company's full investment of cash, future funding of loans by the company, and beliefs relating to how the company will be affected by current economic conditions and trends in the financial and credit markets. Actual results may be materially different from what is projected by such forward-looking statements. Factors that might cause such a difference include unexpected changes in economic conditions and interest rates, the effect of competition and competitive pricing and downturns in the real estate markets in which the company has made loans. 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 (the company) is a Delaware limited liability company, qualified to conduct business in California, formed in October 2008 to make loans secured primarily by first and second deeds of trust on California real estate. Redwood Mortgage Corp. (RMC) is the manager of the company (RMC's wholly-owned subsidiary Gymno LLC (Gymno) was a manager prior to its merger into RMC effective June 30, 2015). The address of the company and its manager is 1825 South Grant Street, Suite 250, San Mateo, CA 94402. The mortgage loans the company invests in are arranged and are generally serviced by RMC. Michael Burwell is the president and majority shareholder (through his holdings and beneficial interests in certain trusts) of RMC.

In December 2012, the first follow-on offering was declared effective by the Securities and Exchange Commission. The same number of units are being offered in the follow-on offering (150,000,000 primary units and 37,500,000 units under the distribution reinvestment plan) as were offered in the initial public offering that commenced in June 2009.

Offering proceeds are released to the company and applied to investments in mortgage loans and the payment or reimbursement of organization and offering expenses. The amount of loans the company funds or acquires will depend upon the number of units sold in the public offering and the resulting amount of the net proceeds available for investment in loans.

The company will experience a relative increase in liquidity if and when additional subscriptions for units are received and a relative decrease in liquidity as net offering proceeds are expended in connection with the funding and acquisition of loans and the payment or reimbursement of organization and offering expenses.

Critical Accounting Policies

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

Manager and Other Related Parties

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 presentation of the company activities for which related parties are compensated and related transactions, including the formation loan to RMC, which presentation is incorporated by this reference into this Item 2.

Results of Operations

General Economic Conditions

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

"California's economy maintained strong momentum through the first few months of 2015, even though the state continues to be affected by a whole host of challenges ranging from the unending drought to work stoppages at its major ports. The rising value of the U.S dollar and the slowing growth in China and much of the developing world are also weighing on growth. Despite these challenges, most measures of economic activity show that California's economy continues to charge ahead. The Golden State has added 475,000 net new jobs over the past year, and the unemployment rate has tumbled 1.5 percentage points to 6.3 percent. Income growth has also picked up and state tax receipts are running well ahead of expectations.

"Trade figures for all of 2014 show that California's exports rose 3.6 percent to $174.1 billion. Computers and electronic components accounted for $42.7 billion of California's total merchandise exports, or 24.5% of the total. Other major merchandise exports included transportation equipment, which totaled $18.7 billion; non-electrical machinery, $14.9 billion; miscellaneous manufacturers, $14.6 billion and chemicals, $14.0 billion. California's agricultural exports totaled $13.6 billion in 2014, a drop of 1.3 percent."

In the publication 'California Employment Conditions: June 2015' the Wells Fargo Economics Group notes: "California Adds 22,900 Nonfarm Jobs in June.

"California continues to add jobs at a solid pace. Nonfarm employment increased 0.1 percent in June, as 22,900 jobs were added across the state. Employment increased in most major industry categories and continues to be driven higher primarily by strong gains in the state's large information technology and life sciences sectors. As such, the strongest job growth is coming from the Bay Area.

"Employment conditions were generally soft throughout most of Southern California during June. Overall nonfarm employment declined by 3,700 jobs for the month but remains up solidly on a year-to-year basis. Most of June's weakness was in Orange County… The Los Angeles metropolitan division added 900 jobs in June and the Inland Empire added just 800 jobs. Nonfarm payrolls in Ventura County rose by 700 jobs, while employment in Bakersfield fell by 200 jobs. All four areas show strong growth on a year-to-year basis and the seasonally adjusted data through the first six months of the year suggest that June's soft readings may be simply some statistical payback for unusually strong gains earlier this year. Data for the first half of 2015 show that the Los Angeles metropolitan area division added nearly 100,000 net new jobs over the past year, or a gain of 2.4 percent. Employment in the Inland Empire rose 3.7 percent, a gain of 47,400 jobs, while Orange County added 45,800 new jobs, which translates into a 3.0 percent gain. Employment in Bakersfield and Ventura counties through the first half of 2015 is up 1.6 percent and 1.2 percent, respectively, from 2014.

"The San Diego-Carlsbad metropolitan area lost 1,700 jobs in June but has seen solid job growth over the past year. Nonfarm employment during the first half of 2015 is running 2.8 percent ahead of its year-ago pace, producing a net gain of 35,700 new jobs. The San Diego area continues to enjoy exceptionally strong growth in life sciences, communications, and new wearable technologies. June's weakness appears to be tied to the end of the school year."

The Conclusion and Outlook of the publication 'California Economic Outlook: June 2015' notes: "California's economy should continue to outperform the national average over the next couple of years, led by continued gains in the state's technology sector and stronger growth in residential and commercial construction. We look for the Golden State to again add close to a half million net new jobs this year, which is a pace 1.5 times that of the nation as a whole."

Performance Highlights

Since the inception of operations in the fourth quarter of 2009, the company has raised member capital at a moderate, steady pace. Members' capital at June 30, 2015, was approximately $25,542,000, an increase of $3,821,000 since December 31, 2014 ($2,328,000 for 2014 to 2013). Our investment in mortgage loans is increasing steadily since commencement of operations. Mortgage loan balances grew to approximately $22,158,000 at June 30, 2015, an increase of $2,973,000 since December 31, 2014 ($2,637,000 for 2014 to 2013).

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 loan to value ratio (LTV) which at June 30, 2015 was 50%. Thus per the appraisal-based valuations at the time of loan inception, borrowers have in the aggregate, equity of 50% in the property, and we as lenders have lent in the aggregate, 50% (including other senior liens on the property) against the properties we hold as collateral for the repayment of our loans.

Net income for the three and six months ended June 30, 2015 was $380,976 and $731,038, an increase of approximately $119,000 and $267,000, respectively, over the same periods in 2014. Revenue from the collection of interest on loans, net for the three and six months ended June 30, 2015 increased by approximately $78,000 and $163,000 respectively, over the same periods ended 2014, due to the growth of the secured loan portfolio. Operations expense for the three and six months ended June 30, 2015 decreased by approximately $41,000 and $105,000, respectively, over the same periods in 2014 due primarily to an increase in manager reimbursements and waived fees.

Key Performance Indicators

The table below shows key performance indicators for the six months ended June 30.

	For the six months ended June 30,		
	2015	2014	2013
Secured loans – end of period balance	$ 22,158,204	$ 17,355,040	$ 11,065,367
Secured loans – average daily balance	20,545,412	15,487,164	12,262,812
Members' capital, gross – end of period balance	$ 25,541,506	$ 19,690,065	$ 16,049,995
Members' capital, gross – average balance	23,929,175	18,398,721	15,677,760
Interest on loans, gross	$ 883,848	$ 703,931	$ 585,941
Portfolio interest rate(1)	8.6%	9.1%	9.6%
Effective yield rate(2)	8.6%	9.1%	9.6%
Percent of average members capital(4)(5)	7.3%	7.6%	7.4%
Amortization of loan administration fees	$ 74,217	$ 55,752	$ 71,195
Percent of average daily balance(3)	0.7%	0.7%	1.2%
Percent of average members capital(4)(5)	0.6%	0.6%	0.9%
Interest on loans, net	$ 809,631	$ 648,179	$ 514,746
Percent of average daily balance(3)	7.9%	8.4%	8.4%
Percent of average members capital(4)(5)	6.7%	7.0%	6.5%
Provision for loan losses	$ —	$ —	$ —
Percent of average daily balance(3)	—%	—%	—%
Total operations expense	$ 83,925	$ 188,662	$ 105,164
Percent of average daily balance(3)	0.8%	2.4%	1.7%
Percent of average members capital(4)(5)	0.7%	2.0%	1.3%
Net Income	$ 731,038	$ 463,794	$ 413,012
Percent of average daily balance(3)	7.1%	6.0%	6.7%
Percent of average members capital(4)(5)	6.0%	5.0%	5.2%
Member Distributions	$ 806,668	$ 612,449	$ 523,287
Percent of average daily balance(3)	7.9%	7.9%	8.5%
Percent(6)	6.5%	6.5%	6.5%
Member Redemptions	$ 501,840	$ —	$ 15,000

(1) Stated note interest rate, weighted daily average
(2) Yield rate of interest on loans, annualized
(3) Percent of secured loans – average daily balance, annualized
(4) Percent of members' capital, gross – average balance, annualized
(5) Percent based on the net income available to members (excluding 1% of profits and losses allocated to managers)
(6) Percent credited to and distributed from members' capital accounts on members' statements

Key Performance Indicators (continued)

The table below shows key performance indicators for the three months ended June 30.

	For the three months ended June 30,		
	2015	2014	2013
Secured loans – end of period balance	$ 22,158,204	$ 17,355,040	$ 11,065,367
Secured loans – average daily balance	21,119,788	15,778,659	12,374,287
Members' capital, gross – end of period balance	$ 25,541,506	$ 19,690,065	$ 16,049,995
Members' capital, gross – average balance	25,033,327	18,917,049	15,900,070
Interest on loans, gross	$ 453,689	$ 357,245	$ 296,805
Portfolio interest rate(1)	8.6%	9.0%	9.6%
Effective yield rate(2)	8.6%	9.1%	9.6%
Percent of average members capital(4)(5)	7.2%	7.5%	7.4%
Amortization of loan administration fees	$ 42,525	$ 24,244	$ 43,355
Percent of average daily balance(3)	0.8%	0.6%	1.4%
Percent of average members capital(4)(5)	0.7%	0.5%	1.1%
Interest on loans, net	$ 411,164	$ 333,001	$ 253,450
Percent of average daily balance(3)	7.8%	8.4%	8.2%
Percent of average members capital(4)(5)	6.5%	7.0%	6.3%
Provision for loan losses	$ —	$ —	$ —
Percent of average daily balance(3)	—%	—%	—%
Total operations expense	$ 33,260	$ 74,112	$ 64,710
Percent of average daily balance(3)	0.6%	1.9%	2.1%
Percent of average members capital(4)(5)	0.5%	1.6%	1.6%
Net Income	$ 380,976	$ 261,947	$ 189,221
Percent of average daily balance(3)	7.2%	6.6%	6.1%
Percent of average members capital(4)(5)	6.0%	5.5%	4.7%
Member Distributions	$ 419,418	$ 314,533	$ 257,733
Percent of average daily balance(3)	7.9%	8.0%	8.3%
Percent(6)	6.5%	6.5%	6.5%
Member Redemptions	$ 348,366	$ —	$ —

(1) Stated note interest rate, weighted daily average
(2) Yield rate of interest on loans, annualized
(3) Percent of secured loans – average daily balance, annualized
(4) Percent of members' capital, gross – average balance, annualized
(5) Percent based on the net income available to members (excluding 1% of profits and losses allocated to managers)
(6) Percent credited to and distributed from members' capital accounts on members' statements

-Loans – end-of-period balance

The June 30, end of period secured loan balance for 2015 of $22,158,204 was an increase of approximately 28% ($4.8 million) over 2014's $17,355,040, which was up approximately 57% ($6.3 million) from 2013's $11,065,367. The increases in the balance of the secured loan portfolio are due to increased members' capital available for lending and increased investment in California real estate markets, which expands the market for new loans. Secured loans as a percent of members' capital (based on average daily balances) were 86%, 84%, and 78% for the six months ended June 30, 2015, 2014, and 2013, respectively.

-Loans – end-of-period balance (continued)

The effective yield rate of the portfolio decreased 0.5% for the six months ended June 30, 2015 compared to June 30, 2014 (decreased 0.5% for June 30, 2014 to June 30, 2013) as the company funded longer term, lower interest rate loans. The longer term and lower interest rates resulted from exiting a program in which RMC arranged for the purchase of loans from an unaffiliated lender who was the servicer of the loans. These loans generally were secured by first deeds of trust on single-family real property located in California, were short term (5-11 months) and carried a note rate of 7.25% to 10%.

-Members' capital, gross – end of period balance

The end of period gross members' capital balance at June 30, 2015 was $25,541,506, up 30% ($5.9 million) from 2014's $19,690,065, which was up 23% ($3.6 million) from 2013's $16,049,995.

Analysis and discussion of income/(loss) from operations

Significant changes to income or expense areas for the six month period ended June 30, 2015 compared to the same period in 2014 are summarized in the following table.

	Interest Income Loans	Provision/ allowance for loan losses	Other Income	Operations Expense	Net Income
For the six months ended					
June 30, 2015	$ 809,631	$ —	$ 5,332	$ 83,925	$ 731,038
June 30, 2014	648,179	—	4,277	188,662	463,794
Change	161,452	—	1,055	(104,737)	267,244
Change					
Loan Balance Increase	236,735	—	—	6,411	230,324
Loan Portfolio Effective Yield Rate	(75,283)	—	—	—	(75,283)
Late Fees	—	—	1,055	—	1,055
Capital Balance Increase	—	—	—	40,487	40,487
Managers Fees Waived	—	—	—	(74,411)	74,411
Manager Expense Reimbursements	—	—	—	(57,540)	57,540
Cost Allocation Adjustments	—	—	—	—	—
Expense Recognition Timing	—	—	—	(12,728)	12,728
Other	—	—	—	(6,956)	6,956
Change	$ 161,452	$ —	$ 1,055	$ (104,737)	$ 267,244

Interest on loans, net increased $161,452 (25%) and Net Income increased $267,224 (58%). Operations expense as a percent of interest on loans, net was 10%, 29% and 18% for the six months ended June 30, 2015, 2014, and 2013, respectively. As loan balances continue to increase, operations expense as a percent of interest on loans, net will likewise decline (even with reduced levels of expense support from RMC).

Revenue – Interest on loans

Interest on loans increased due to growth of the secured loan portfolio and secured loan portfolio's strong payment history to date, which has resulted in no loans being designated non-accrual. The Secured loans – average daily balance at June 30, 2015 increased approximately $5,058,000, or approximately 33% over the average daily balance at June 30, 2014.

	For the six months ended June 30,			
Year	Average Daily Secured Loan Balance	Gross Interest Income	Effective Yield Rate	Stated Average Yield Rate
2015	$ 20,545,412	$ 883,848	8.6%	8.6%
2014	$ 15,487,164	$ 703,931	9.1%	9.1%

Provision for loan losses/allowance for loan losses

At June 30, 2015 and 2014, the company had not recorded an allowance for loan losses as no loans were designated as impaired, and all loans had protective equity such that at June 30, 2015 and 2014, collection was deemed probable for amounts owing.

Operations Expense

Operations expense as a percent of "Total revenues, net" for the six months ended June 30, 2015, and 2014 were 10% and 29%, respectively.

Significant changes to operating expense areas for the six month period ended June 30, 2015 compared to the same period in 2014 are summarized in the following table.

	Mortgage Servicing Fees	Asset Management Fees	Costs Through RMC	Professional Services	Other	Total
For the six months ended						
June 30, 2015	$ 25,213	$ —	$ 36,286	$ 8,359	$ 14,067	$ 83,925
June 30, 2014	18,802	18,031	52,179	81,687	17,963	188,662
Change	6,411	(18,031)	(15,893)	(73,328)	(3,896)	(104,737)
Change						
Loan Balance Increase	6,411	—	—	—	—	6,411
Capital Balance Increase	—	22,012	18,475	—	—	40,487
Managers Fees Waived	—	(40,043)	(34,368)	—	—	(74,411)
Manager Expense Reimbursements	—	—	—	(57,540)	—	(57,540)
Cost Allocation Adjustments	—	—	—	—	—	—
Expense Recognition Timing	—	—	—	(9,228)	(3,500)	(12,728)
Other	—	—	—	(6,560)	(396)	(6,956)
Change	$ 6,411	$ (18,031)	$ (15,893)	$ (73,328)	$ (3,896)	$ (104,737)

– Mortgage servicing fees

The increase in mortgage servicing fees of $6,411 is consistent with the increases in the average daily secured loan portfolio of $5,058,248, noted above in Revenue – Interest on loans, at the annual rate of 0.25%.

– Asset management fees

For the six months ended June 30, 2015 and 2014, the total amount of asset management fees chargeable was $92,338 and $70,326, respectively. Of the total amount chargeable, RMC at its sole discretion, waived asset management fees of $92,338 and $52,295, respectively. There is no assurance RMC will waive its right to receive such fees in future periods.

– Costs through RMC

For the six months ended June 30, 2015 and 2014, operating expense for which reimbursement could have been requested was $70,654 and $52,179, respectively. Of the total amount chargeable, RMC at its sole discretion, waived reimbursements of $34,368 and $0, respectively. There is no assurance RMC will waive its right to receive such reimbursements in future periods.

– Professional services

Professional fees consists primarily of legal, audit, and tax expenses. The decrease in professional services for the six months ended June 30, 2015, was due primarily to expense reimbursements by RMC, at their sole discretion, of $57,540. No reimbursements for professional fees were provided during the same period in 2014. In addition, overall Audit & Tax fees decreased due to changes in expense recognition timing, and overall cost reductions due to increased efficiency in the reporting process.

Significant changes to income or expense areas for the three month period ended June 30, 2015 compared to the same period in 2014 are summarized in the following table.

	Interest Income Loans	Provision/ allowance for loan losses	Other Income	Operations Expense	Net Income
For the three months ended					
June 30, 2015	$ 411,164	$ —	$ 3,072	$ 33,260	$ 380,976
June 30, 2014	333,001	—	3,058	74,112	261,947
Change	78,163	—	14	(40,852)	119,029
Change					
Loan Balance Increase	151,883	—	—	3,264	148,619
Loan Portfolio Effective Yield Rate	(73,720)	—	—	—	(73,720)
Late Fees	—	—	14	—	14
Capital Balance Increase	—	—	—	18,667	(18,667)
Managers Fees Waived	—	—	—	(64,524)	64,524
Manager Expense Reimbursements	—	—	—	(24,010)	24,010
Cost Allocation Adjustments	—	—	—	17,230	(17,230)
Expense Recognition Timing	—	—	—	7,272	(7,272)
Other	—	—	—	1,249	(1,249)
Change	$ 78,163	$ —	$ 14	$ (40,852)	$ 119,029

Interest on loans, net increased $78,163 (23%) and Net Income increased $119,029 (45%). Operations expense as a percent of interest on loans, net was 8%, 22% and 22% for the three months ended June 30, 2015, 2014, and 2013, respectively. As loan balances continue to increase, operations expense as a percent of interest on loans, net will likewise decline (even with reduced levels of expense support from RMC).

Revenue – Interest on loans

Interest on loans increased due to growth of the secured loan portfolio and secured loan portfolio's strong payment history to date, which has resulted in no loans being designated non-accrual. The Secured loans – average daily balance at June 30, 2015 increased approximately $5,341,129, or approximately 34% over the average daily balance at June 30, 2014.

	For the three months ended June 30,			
Year	Average Daily Secured Loan Balance	Gross Interest Income	Effective Yield Rate	Stated Average Yield Rate
2015	$ 21,119,788	$ 453,689	8.6%	8.6%
2014	$ 15,778,659	$ 357,245	9.1%	9.0%

Provision for loan losses/allowance for loan losses

At June 30, 2015 and 2014, the company had not recorded an allowance for loan losses as no loans were designated as impaired, and all loans had protective equity such that at June 30, 2015 and 2014, collection was deemed probable for amounts owing.

Operations Expense

Operations expense as a percent of "Total revenues, net" for the three months June 30, 2015, and 2014 were 8% and 22%, respectively.

Significant changes to operations expense areas for the three month period ended June 30, 2015 compared to the same period in 2014 are summarized in the following table.

	Mortgage Servicing Fees	Asset Management Fees	Costs Through RMC	Professional Services	Other	Total
For the three months ended						
June 30, 2015	$ 13,053	$ —	$ —	$ 7,716	$ 12,491	$ 33,260
June 30, 2014	9,789	18,031	10,596	20,954	14,742	74,112
Change	3,264	(18,031)	(10,596)	(13,238)	(2,251)	(40,852)
Change						
Loan Balance Increase	3,264	—	—	—	—	3,264
Capital Balance Increase	—	12,125	6,542	—	—	18,667
Managers Fees Waived	—	(30,156)	(34,368)	—	—	(64,524)
Manager Expense Reimbursements	—	—	—	(24,010)	—	(24,010)
Cost Allocation Adjustments	—	—	17,230	—	—	17,230
Expense Recognition Timing	—	—	—	10,772	(3,500)	7,272
Other	—	—	—	—	1,249	1,249
Change	$ 3,624	$ (18,031)	$ (10,596)	$ (13,238)	$ (2,251)	$ (40,852)

– Mortgage servicing fees

The increase in mortgage servicing fees of $3,264 is consistent with the increases in the average daily secured loan portfolio of $5,341,129, noted above in Revenue – Interest on loans, at the annual rate of 0.25%.

– Asset management fees

For the three months ended June 30, 2015 and 2014, the total amount of asset management fees chargeable was $48,188 and $36,063, respectively. Of the total amount chargeable, RMC at its sole discretion, waived asset management fees of $48,188 and $18,032, respectively. There is no assurance RMC will waive its right to receive such fees in future periods.

– Costs through RMC

The decrease in costs reimbursed to RMC of $10,596 was primarily due to the waived reimbursements of $34,368. This decrease was offset by an adjustment made during the second quarter of 2014, part of which related to prior periods. The revision in the managers expense allocation of qualifying charges (includes but is not limited to, salaries, compensation, travel expenses, fringe benefits, rent, insurance, depreciation and outside services), was done in accordance with the operating agreement. There is no assurance RMC will waive its right to receive such reimbursements in future periods.

– Professional services

Professional fees consists primarily of legal, audit, and tax expenses. The decrease in professional services for the three months ended June 30, 2015, was due primarily to expense reimbursements by RMC, at their sole discretion, of $24,010. No reimbursements for professional fees were provided during the same period in 2014. In addition, overall Audit & Tax fees decreased due to changes in expense recognition timing.

Significant changes to income or expense areas for the three month period ended June 30, 2015 compared to the prior three month period ended March 31, 2015 are summarized in the following table.

	Interest Income Loans	Provision/ allowance for loan losses	Other Income	Operations Expense	Net Income
For the three months ended					
June 30, 2015	$ 411,164	$ —	$ 3,072	$ 33,260	$ 380,976
March 31, 2015	398,467	—	2,260	50,665	350,062
Change	12,697	—	812	(17,405)	30,914
Change					
Loan Balance Increase	12,697	—	—	893	11,804
Loan Portfolio Effective Yield Rate	—	—	—	—	—
Late Fees	—	—	812	—	812
Capital Balance Increase	—	—	—	—	—
Managers Fees Waived	—	—	—	—	—
Manager Expense Reimbursements	—	—	—	(36,286)	36,286
Cost Allocation Adjustments	—	—	—	—	—
Expense Recognition Timing	—	—	—	15,073	(15,073)
Other	—	—	—	2,915	(2,915)
Change	$ 12,697	$ —	$ 812	$ (17,405)	$ 30,914

Liquidity and Capital Resources

The company relies upon sales of units, loan payoffs, borrowers' monthly principal and interest payments, and, to a lesser degree and, if obtained, a line of credit for the source of funds for loans. We expect cash generated from borrower payments of principal and interest, as well as, loan payoffs will exceed operations expense, earnings distributed to members and unit redemptions. Excess cash flow, if any, will be invested in new loan opportunities.

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 make primarily fixed rate loans, and interest rates were to rise, a possible result would be a slower prepayment rate for the company's loans. This increase in the duration of the time loans are on the books may reduce overall liquidity, which itself may reduce the company's investment into loans at higher interest rates. Conversely, if interest rates were to decline, we could see a significant increase in borrower prepayments. If we then obtain new loans at lower rates of interest it would possibly result in lower yield to members.

The company's loans generally have shorter maturity terms than typical mortgages. As a result, constraints on the ability of our borrowers to refinance their loans at maturity possibly would have a negative impact on their ability to repay their loans. In the event a borrower is unable to repay at maturity, the company may consider extending the term through a loan modification or foreclosing on the property. As 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.

The company will experience a relative increase in liquidity, if and when additional subscriptions for units are received, and a relative decrease in liquidity as net offering proceeds are expended in connection with the funding and acquisition of loans and the payment or reimbursement of organization and offering expenses.

Contractual Obligations

At June 30, 2015 the company had no contractual obligations, except to reimburse RMC for syndication costs. As of June 30, 2015, approximately $2,085,000 was to be reimbursed to RMC contingent upon future sales of member units. See Note 3 (Manager and Other Related Parties-Syndication Costs) and Note 5 (Commitments and Contingencies, Other Than Loan Commitments and Syndication Costs) to the financial statements included in Part I, Item 1 of this report.

Cash Receipts and Disbursements

Cash receipts and disbursements by business activity are presented in the following table for the six months ended June 30.

	For the six months ended June 30, 2015	2014
Members' capital		
Receipts – Contributions	$ 4,094,029	$ 2,156,219
Disbursement		
Distributions, net	(859,141)	(281,575)
Syndication costs, net	(177,318)	(96,611)
Formation loan, net	(277,653)	(155,790)
	(1,314,112)	(533,976)
Cash – Members' capital, net	2,779,917	1,622,243
Loan principal/advances/interest		
Receipts		
Principal & advances collected	6,044,849	4,999,640
Interest received, net	772,214	606,993
Other loan income	5,432	4,326
	6,822,495	5,610,959
Disbursements		
Loan funding	(9,017,393)	(7,656,250)
Advances made	(235)	(9,773)
	(9,017,628)	(7,666,023)
Cash – loans, net	(2,195,133)	(2,055,064)
Operations expense	(6,217)	129,186
Net change in cash	$ 578,567	$ (303,635)

Cash receipts and disbursements by business activity are presented in the following table for the three months ended June 30.

	For the three months ended June 30, 2015	2014
Members' capital		
Receipts – Contributions	$ 1,910,220	$ 1,213,198
Disbursement		
Distributions, net	(526,229)	(143,064)
Syndication costs, net	(52,639)	(64,182)
Formation loan, net	(133,458)	(89,829)
	(712,326)	(297,075)
Cash – Members' capital, net	1,197,894	916,123
Loan principal/advances/interest		
Receipts		
Principal & advances collected	4,499,415	2,034,305
Interest received, net	399,062	296,647
Other loan income	3,122	3,058
	4,901,599	2,334,010
Disbursements		
Loan funding	(5,357,393)	(4,383,500)
Advances made	(81)	(9,774)
	(5,357,474)	(4,393,274)
Cash – loans, net	(455,875)	(2,059,264)
Operations expense	(33,310)	192,380
Net change in cash	$ 708,709	$ (950,761)

Distribution reinvestment plan

We have adopted a distribution reinvestment plan pursuant to which members may elect to have a portion or all of the full amount of their distributions from us reinvested in additional units. Earnings allocable to members who participate in the distribution reinvestment plan will be retained by the company for making further loans or for other proper company purposes.

We allow members to redeem their units subject to certain limitations and penalties. Once a member's initial five-year holding period has passed, the managers expect to see an increase in redemptions due to the ability of members to redeem units without penalty.

The company allocates its profits, after syndication costs, to member distributions. The table below shows distributions reinvested by members under the distribution reinvestment plan, cash distributions to members, the total distributions to members, and the percent of members' capital electing cash distribution for the six months ended June 30.

	2015	2014
Reinvesting	$ 460,304	$ 330,875
Distributing	346,364	281,574
Total	$ 806,668	$ 612,449
Percent of members' capital, electing distribution	43%	46%

Net Income/Member Distributions

The company's distributed annualized yield was 6.5% for the six months ended June 30, 2015 and 2014. The company's cash distributions for members (excluding redemptions) during the six months ended June 30, 2015 and 2014 were $806,668 and $612,449, respectively. To determine the amount of cash to be distributed in any specific month, the company relies in part on its annual forecast of profits, which takes into account the difference between the forecasted and actual results in the prior year and the requirement to maintain a cash reserve.

In calendar quarters in which we did not generate cash flow from operations sufficient to fully fund distributions, distributions in excess of our cash flow from operations were funded from cash on hand, which includes proceeds from offerings and loan payments from borrowers.

Net income recorded for members was $377,167 and $259,328 for the three months ended, and $723,728 and $459,156 for the six months ended June 30, 2015 and 2014, respectively. The difference between net income and cash distributions was due to the managers' projections of net income using several variables which included but were not limited to an average rate of return for the loan portfolio, turnover rate of the loan portfolio, and the availability of quality loans for investment. Provided the company becomes and remains fully invested in quality mortgage loans, this difference should diminish until eliminated.

Unit redemption program

Members have no right to withdraw from the company or to obtain the return of their capital account for at least one year from the date of purchase of units, with the limited exception in the event of a death of a member. In order to provide our members with a certain degree of liquidity, we have adopted a unit redemption program. Generally, one year after purchasing your units, a member may redeem all or part of its units, subject to certain significant restrictions and limitations. At that time, we may, subject to the significant restrictions and limitations described below, redeem the units presented for redemption to the extent that we have sufficient cash flow available to us to fund such redemption. The price paid for redeemed units will be based on the lesser of the purchase price paid by the redeeming member or the member's capital account balance as of the date of each redemption payment. For redemptions beginning after one year (but before two years), the redemptions will be calculated as 92% of purchase price or 92% of the capital account balance, whichever is less. Beginning after each of the subsequent years, the redemption percentages will increase to 94%, 96%, 98% and 100%, respectively, of the purchase price or capital account balance, whichever is less. Notwithstanding the foregoing, with respect to any redemption, the number of units that may be redeemed per quarter per individual member will be subject to a maximum of the greater of 100,000 units or 25% of the member's units outstanding. For redemption requests requiring more than one quarter to fully redeem, the percentage discount amount that applies when the redemption payments begin will continue to apply throughout the entire redemption period and will apply to all units covered by such redemption request regardless of when the final redemption payment is made. Under our unit redemption program, in the event of an investor's death, his or her heirs are provided with an option to redeem all or a portion of the investor's units without penalty, regardless of the time elapsed since the date of purchase.

The table below sets forth the company's capital redemptions for the six months ended June 30.

	2015	2014
Capital redemptions-without penalty	$ 478,784	$ —
Capital redemptions-subject to penalty	23,056	—
Total	$ 501,840	$ —

While the manager has set an estimated value for the units, such determination may not be representative of the ultimate price realized by a member for such units upon sale. No public trading market exists for the units and none is likely to develop. Thus, there is no certainty the units can be sold, outside the unit redemption program, at a price equal to the stated value of the capital account.

Net cash provided by (used in) operations, net income, and distributions to members, from inception to June 30, 2015, are summarized in the following table:

Quarters ending by Year	Net Cash Provided by (Used In) Operations	Net Income	Distributions To Members	Distributions To Managers	Percent of Distributions Paid From Net Cash Provided by (Used In) Operations	Percent of Net Income Covering Total Distributions
2009-2011	$ 603,570	$ 697,691	$ 818,679	$ 1,797	74%	85 %
2012						
Mar. 31	170,559	159,935	191,236	—	89	84
Jun. 30	114,514	103,257	205,097	5,180	56	50
Sep. 30	92,938	139,090	219,263	—	42	63
Dec. 31	190,706	224,335	239,204	—	80	94
	568,717	626,617	854,800	5,180	67	73
2013						
Mar. 31	198,925	223,791	257,733	—	77	87
Jun. 30	224,856	189,221	265,554	—	85	71
Sep. 30	182,068	186,731	270,505	6,266	67	69
Dec. 31	200,802	284,880	282,603	—	71	101
	806,651	884,623	1,076,395	6,266	75	82
2014						
Mar. 31	248,421	201,846	297,916	—	83	68
Jun. 30	182,097	261,947	314,533	—	58	83
Sep. 30	270,702	266,851	337,647	8,846	80	79
Dec. 31	284,498	363,079	361,622	—	79	100
	985,718	1,093,723	1,311,718	8,846	75	83
2015						
Mar. 31	402,555	350,062	387,250	—	104	90
Jun. 30	368,874	380,976	419,418	—	88	91
	771,429	731,038	806,668	—	96	91
Program to date	$ 3,736,085	$ 4,033,692	$ 4,868,260	$ 22,089	77%	83 %

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

Changes to Internal Control Over Financial Reporting

There have not been any changes in the manager's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, the manager'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 to 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 June 30, 2015, the company is not involved in any legal proceedings other than those that would be considered part of the normal course of business.

ITEM 1A. **Risk Factors**

There have been no material changes to the risk factors set forth in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2014.

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

Use of Proceeds from Registered Securities

On November 18, 2008 and June 7, 2012, the company filed Registration Statements on Form S-11 with the Securities and Exchange Commission (SEC File Nos. 333-155428 and 333-181953) to offer up to 150,000,000 units ($150,000,000) of its membership interests to the public in its primary offering and 37,500,000 units ($37,500,000) to its members pursuant to its distribution reinvestment plan. The 2012 filing was required under applicable SEC rules to enable us to continue to sell units in the offering. The offering is ongoing and will terminate on December 4, 2015, unless prior to such date, we file a new registration statement in which event the offering will continue until the earlier of the effective date of the new registration statement or 180 days after December 4, 2015 (which is June 1, 2016). If a new registration statement is declared effective, the offering will thereafter continue pursuant to such new registration statement.

As of June 30, 2015, we had sold 27,610,339 units in the offering, for gross offering proceeds of $27,610,339 (including units issued under our distribution reinvestment plan). The outstanding units are held by approximately 610 members.

From the total subscription proceeds of $26,519,785, syndication costs (the organizational and offering costs, other than certain sales commissions, including legal and accounting expenses, printing costs, selling expenses, and filing fees) of approximately $1,130,000 have been billed to date. Syndication costs are charged against members' capital, and will be allocated to individual members consistent with the company's operating agreement.

Sales commissions are not paid directly by the company out of offering proceeds. Instead, the company loans to RMC amounts to pay all sales commissions and amounts payable in connection with unsolicited orders. This loan is unsecured, and non-interest bearing and is referred to as the "formation loan." As of June 30, 2015, the company had made formation loans of $1,864,435, of which $1,532,994 remain to be collected. The formation loan has been deducted from members' capital on the balance sheet. As amounts are received from RMC as payments on the loan, the deduction from capital will be reduced.

Recent Sales of Unregistered Securities

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

ITEM 3. **Defaults Upon Senior Securities**

Not Applicable.

ITEM 4. **Mine Safety Disclosures**

Not Applicable.

ITEM 5. **Other Information**

None.

ITEM 6. **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: August 14, 2015

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)

Exhibit 31.1

PRESIDENT’S CERTIFICATION

I, Michael R. Burwell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Redwood Mortgage Investors IX, LLC, a Delaware Limited Liability Company (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

/s/ Michael R. Burwell

Michael R. Burwell, President,
(principal executive officer and principal financial officer)
Redwood Mortgage Corp.,
Manager
August 14, 2015

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Redwood Mortgage Investors IX, LLC (the “company”) on Form 10-Q for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, I, Michael R. Burwell, certify that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company at the dates and for the periods indicated.

A signed original of this written statement required by Section 906 has been provided to Redwood Mortgage Investors IX, LLC and will be retained by Redwood Mortgage Investors IX, LLC and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Michael R. Burwell

Michael R. Burwell, President,
(principal executive officer and principal financial officer)
Redwood Mortgage Corp.,
Manager
August 14, 2015