REDWOOD MORTGAGE INVESTORS X, LLC

ANNUAL FINANCIAL STATEMENTS AND NOTES
December 31, 2023

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Independent Auditor's Report

To the Members and Manager
Redwood Mortgage Investors X, LLC
San Mateo, California

Opinion

We have audited the financial statements of Redwood Mortgage Investors X, LLC (the Company), which comprise the balance sheet as of December 31, 2023, and the related statements of income, changes in members' capital, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, P.C.

March 26, 2025

REDWOOD MORTGAGE INVESTORS X, LLC
Balance Sheet
December 31, 2023

		December 31, 2023
ASSETS		
Cash in banks	$	1,270,172
Loans		
Principal		7,043,218
Accrued interest		70,315
Prepaid interest		(4,225)
Loan balances secured by deeds of trust		7,109,308
Total assets	$	8,379,480
LIABILITIES AND MEMBERS' CAPITAL		
Accounts payable and accrued liabilities	$	8,995
Total liabilities		8,995
Members' capital		8,894,004
Syndication cost advance		(523,519)
Total members' capital		8,370,485
Total liabilities and members' capital	$	8,379,480

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

REDWOOD MORTGAGE INVESTORS X, LLC
Statement of Income
For the Years Ended December 31, 2023

		For the Year Ended December 31, 2023
Revenues		
Interest income	$	671,006
Late fees		2,367
Gain on sale, loans		1,734
Total revenues		675,107
Operations expense:		
Asset management fees to Redwood Mortgage Corp.		84,954
Mortgage servicing fees to Redwood Mortgage Corp.		18,294
Professional services		84,756
Administrative costs, net		6,588
Total operations expense		194,592
Financial support from Redwood Mortgage Corp. (Note 3)		(84,954)
Total operations expense, net		109,638
Net income	$	565,469

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

REDWOOD MORTGAGE INVESTORS X, LLC
Statement of Changes in Members' Capital
For the Years Ended December 31, 2023

	Members' Capital	Syndication Cost Advance	Members' Capital, net
Balance at December 31, 2022	$ 8,738,848	$ (567,538)	$ 8,171,310
Syndication cost paid	—	(3,574)	(3,574)
Syndication cost advance deduction	—	47,593	47,593
Net income	565,469	—	565,469
Distributions to members	(410,313)	—	(410,313)
Balance at December 31, 2023	$ 8,894,004	$ (523,519)	$ 8,370,485

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

REDWOOD MORTGAGE INVESTORS X, LLC
Statement of Cash Flows
For the Years Ended December 31, 2023

		For the Year Ended December 31, 2023
Operating Activities		
Interest received	$	631,861
Late fees		2,367
Operations expense		(143,212)
Redwood Mortgage Corp. support		25,083
Total cash provided by operating activities		516,099
Investing Activities		
Loans funded		(2,700,500)
Principal collected		2,655,233
Loans sold		696,126
Loans transferred from related mortgage fund		(2,255,884)
Loans transferred to related mortgage fund		550,915
Total cash used in investing activities		(1,054,110)
Financing Activities		
Syndication cost paid		(34,566)
Earning distribution		(362,720)
Total cash used in members' capital		(397,286)
Net decrease in cash		(935,297)
Cash, beginning of year		2,205,469
Cash, end of year	$	1,270,172

		For the Year Ended December 31, 2023
Reconciliation of net income to net cash provided by operating activities:		
Net income	$	565,469
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale, loans		(1,734)
Change in operating assets and liabilities		
Accrued interest		(35,993)
Accounts payable and accrued liabilities		(27,575)
Prepaid interest		(3,151)
Receivable from related party		38,458
Payable to related parties		(19,375)
Total adjustments		(47,636)
Total cash provided by operations	$	516,099

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

NOTE 1 – ORGANIZATION AND GENERAL

Redwood Mortgage Investors X, LLC ("RMI X" or "the company") is a Delaware limited liability company formed in September 2019 to engage in business as a mortgage lender and investor by making and holding-for-investment mortgage loans secured by California real estate, primarily through first and second deeds of trust.

The company is externally managed by Redwood Mortgage Corp. ("RMC" or "the manager"). RMC provides the personnel and services necessary for the company to conduct its business as the company has no employees of its own. The mortgage loans that the company funds and invests in are arranged and generally are serviced by RMC. The manager is solely responsible for managing the business and affairs of the company, subject to the voting rights of the members on specified matters. The manager acting alone has the power and authority to act for and bind the company.

The rights, duties and powers of the members and manager of the company are governed by the Limited Liability Company Operating Agreement of RMI X (the "Operating Agreement"), the Delaware Limited Liability Company Act, and the California Revised Uniform 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 one or all of the managers. Where there is only one manager, a majority in interest of the members is required to elect a new manager to continue the company business after a manager ceases to be a manager due to its withdrawal.

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

The company's primary investment objectives are to:

- yield a favorable rate of return from the company's business of making and or investing in loans;
- preserve and protect the company's capital by making and or investing in loans secured by real estate and,
- generate and distribute cash flow from these activities to the members.

Net income of RMI X is calculated quarterly by the manager in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and is allocated among the members based on the member's percentage interest in RMI X (i.e., the member's original capital investment less the amount yet to be reimbursed on the member's syndication cost advance).

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

- loan origination volume and the balance of capital available to lend;
- the current and future interest rates negotiated with borrowers;
- loan sales to unaffiliated third parties, and any gains received thereon;
- the timing and amount of other operations expense, including expenses for professional services; and
- fee and or cost reimbursements waived, if any, from RMC.

Membership interests in RMI X are comprised of two tiers: (i) tier broker-dealer interests ("Tier BD Interests"), and (ii) tier registered investment advisors interests ("Tier RIA Interests"). Membership interest tiers are designated for the purpose of allocating syndication costs among the members based upon the relative costs payable in connection with their corresponding units (i.e., BD Units and RIA Units).

- Tier BD Interests were issued to members that acquire BD Units through a registered broker-dealer and were allocated syndication costs consisting of: (i) each BD Member's pro rata share of RMI X's Organization and Offering ("O&O") Expenses, up to a maximum amount of 2.0% of the gross purchase price paid by each BD Member for their BD Units; and (ii) underwriting compensation to broker-dealers of up to 7.0% of the gross purchase price paid by each BD member for their BD Units.

- Tier RIA Interests were issued to members that acquire RIA units through a registered investment advisor or directly from RMI X and were allocated syndication costs consisting solely of each RIA member's pro rata share of the O&O Expenses, up to a maximum amount of 2.0% of the gross purchase price paid by each RIA member for their RIA units.

BD units totaled 5,730,480 at December 31, 2023. RIA units totaled 2,768,428 at December 31, 2023.

Syndication costs attributable to each membership tier are deemed advanced by the company on behalf of members and the advance is reimbursed by the members through quarterly syndication cost reimbursements. Syndication costs advanced on behalf of a member, less all quarterly syndication cost reimbursements (i.e., the amount yet to be reimbursed on the member's syndication cost advance), are deducted from a member's capital account balance for the purposes of determining a member's percentage interest. The amount to be deducted will be higher on a per unit basis for BD members than RIA members due to the securities underwriting compensation included in the syndication costs attributable to the Tier BD Interests. Tier BD Interests and Tier RIA Interests are also subject to differing "surrender charges" in the event of early withdrawal, a portion of which will be retained by the company in satisfaction of a member's unpaid syndication cost advance amount.

Federal and state income taxes are the obligation of the members, other than the annual California franchise tax and the California LLC gross receipts tax.

The ongoing sources of funds for loans are the proceeds (net of redemption of members' capital, earnings distributions to members, and operations expense) from:

- loan payoffs;
- borrowers' monthly principal and interest payments;
- line of credit advances, if any; and
- loan sales to unaffiliated third parties, if any.

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

The company's business is neither dependent on any one, nor concentrated with a few, major borrowers, investors, or lenders.

Distribution

Cash distributions are made to members electing such distributions on a quarterly basis unless monthly distributions are requested by a member and approved by the manager. Cash distributions to electing members are made within fifteen (15) days after the last day of each quarter or month, as applicable. An investor may elect to switch from receiving distributions to compounding, or vice versa, by giving the manager notice fifteen (15) days prior to the last day of any calendar quarter.

Members electing to receive quarterly cash distributions of their share of net income will receive distributions net of their quarterly syndication cost reimbursement. Members electing to receive monthly distributions will have the proportionate amount of their quarterly syndication cost deductions (i.e., 1/3rd of the quarterly amount) deducted from each monthly distribution.

Liquidity and Unit Redemption Program

There are substantial restrictions on transferability of units, and there is no established public trading or secondary market for the units, and none is expected to develop. In order to provide liquidity to members, the Operating Agreement includes a unit redemption program, whereby a member may redeem all or part of their units, subject to certain limitations. RMI X's Operating Agreement makes no provision for members to withdraw or to obtain the return of their invested capital for ninety (90) days from the date of the purchase of units. Thereafter, a member may request the withdrawal of all or a portion of a member's capital. However, withdrawals requested prior to the scheduled dissolution date are subject to a surrender charge based upon when a member's withdrawal notice is received, as well as other withdrawal limitations described in the Operating Agreement and further below.

Amounts distributable to withdrawing members (after deduction of the applicable surrender charge) will be distributed in one or more quarterly withdrawal distributions, subject to certain limitations (including cash available for withdrawals) provided in the Operating Agreement. The dollar amount that may be redeemed per quarter per individual member is subject to a maximum of the greater of $100,000 or 25% of the member's capital account balance. For withdrawal requests requiring more than one quarter to redeem fully, the surrender charge percentage that applies when the redemption payments begin continues to apply throughout the redemption period. Aggregate withdrawals in any calendar quarter are limited to two and one-half percent (2.5%) of the total of the members' capital account balances outstanding at the beginning of the quarter and aggregate withdrawals in any calendar year are limited to ten percent (10%) of the total of the members' capital account balances outstanding at the beginning of the year. A withdrawing member's capital account balance after deduction of the applicable surrender charge will be distributed to a requesting member commencing on the last day of the calendar quarter following the calendar quarter in which the withdrawal notice is received.

The surrender charges are presented in the following table.

Date Withdrawal Notice Received	BD Surrender Charge	RIA Surrender Charge
2023	10.00%	4.00%
2024	9.00%	3.75%
2025	8.00%	3.50%
2026	7.00%	3.25%
2027	6.00%	3.00%
2028	5.00%	2.75%
2029	4.00%	2.50%
2030	3.00%	2.25%
2031	2.00%	2.00%
Following Scheduled Dissolution Date	0.00%	0.00%

In the event a member requests the withdrawal of less than all of such member's invested capital, the surrender charge otherwise applicable to the withdrawal shall be reduced by the same ratio the amount requested for withdrawal bears to the member's total capital account balance as of the withdrawal determination date.

Syndication Cost Advances

Syndication costs incurred by the company are deemed advanced by the company on behalf of the members and will be reimbursed by the members over the nine years following the offering period and include:

- "Organization & Offering ("O&O") Expenses": O&O expenses (applicable to both BD and RIA tier investors) including, without limitation, costs and expenses (including all legal and accounting fees and expenses) incurred in connection with: (i) preparing and filing the company's Certificate of Formation; (ii) preparing the Operating Agreement, the private placement memorandum, the subscription agreement and all other offering documents together with any amendments or supplements thereto; (iii) issuing units to members; (iv) marketing and the sale of units (including printing, mailing, regulatory review of state and federal filings, and distributing sales materials); (v) reimbursing the manager and associates of the manager for registration, sponsorship, travel and other costs of participating in conferences and making sales presentations; (vi) reimbursing participating broker-dealers and registered investment advisors for bona fide due diligence expenses payable under any broker agreements or registered investment advisor agreements between the company and participating broker-dealers and registered investment advisors; and (vii) all other syndication expenses incurred by the company other than those attributable to underwriting compensation. Syndication costs attributable to O&O expenses were allocated to all members up to a maximum amount equal to 2.0% of the gross purchase price paid by each member for their units.

- Broker-dealer commissions: Syndication costs attributable to securities underwriting compensation payable to broker-dealers were allocated to Tier BD Interests, only for sales commissions and marketing fees not to exceed seven percent (7.0%) of the gross purchase price paid for BD units sold in the offering by participating broker-dealers.

Beginning on January 1, 2023 (the "Deduction Commencement Date") and continuing thereafter on each quarterly deduction date during the deduction period, each member shall be subject to quarterly capital account deductions made in accordance with the provisions of the Operating Agreement.

Term of the Company

RMI X is expected to have a term of approximately nine (9) years followed by dissolution and a wind-down period of approximately two (2) years (the "Dissolution Period").

The term of the company will terminate on December 31, 2031 ("Scheduled Dissolution Date") unless: (i) the Scheduled Dissolution Date is extended by the Manager with the affirmative consent of Majority I of the Members; or (ii) the Company is dissolved prior to the Scheduled Dissolution Date by the Manager pursuant to this Agreement or by operation of law.

Risks Related to Ownership of Units

Units of membership interest are not listed on an exchange or quoted through a quotation system, and will not be for the foreseeable future, if ever, and there are substantial restrictions on the transferability of units. Units are not freely transferable, and they may not be acceptable by a lender as security for borrowing. The Operating Agreement imposes substantial restrictions upon the ability to transfer units. Therefore, an investment in the units is not suitable for investors who require short-term liquidity from their investments.

The Operating Agreement does not require RMI X to meet a specific or minimum level of distributions to members. The amount of distributions to members is determined by the manager based on the financial results and cash available. The manager has broad discretion to establish reserves and maintain adequate cash balances to support ongoing operations. In the event the company does not have sufficient cash available to fund distributions, RMI X may need to defer or reduce distributions.

In the normal course of its business, the company is exposed to default risk related to its investment loan portfolio. In the event a borrower defaults on a RMI X loan, RMI X is normally able to foreclose on the loan, receive title to the underlying property and attempt to sell the property to recover its investment. However, there is no guarantee that the original investment will be recovered.

Legal Proceedings

As of December 31, 2023, the company is not involved in any legal proceedings other than those that would be considered part of the normal course of business.

In the normal course of its business, the company may become involved in legal proceedings (such as bankruptcy proceedings, judicial foreclosures, appointment of receivers, assignment of rents, unlawful detainers, etc.) to collect the debt owed under the promissory notes, to enforce the provisions of the deeds of trust, to protect its interest in the real property subject to the deeds of trust and to resolve disputes with borrowers, lenders, lien holders and mechanics. None of these actions, in and of themselves, typically would be of any material financial impact to the net income or balance sheet of the company.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Management Estimates

The preparation of financial statements in conformity with U.S. 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 involve a significant level of uncertainty and have had or are reasonably likely to have a material impact on the company's financial condition or results of operations. Such estimates relate principally to the determination of the allowance for credit losses (including the fair value of the collateral), and the valuation of real estate owned ("REO") at acquisition and subsequently. RMI X has not acquired REO since it commenced operations in 2019. Actual results could differ materially from these estimates.

Fair Value Estimates

The fair value of real property (as to loan collateral and REO) is determined by exercise of judgment based on RMC's management's experience informed by appraisals (by licensed appraisers), brokers' opinion of values, and publicly available information on in-market transactions. Appraisals of commercial real property generally present three approaches to estimating value: 1) market-comparables or sales approach; 2) cost to replace; and 3) capitalized cash flows or income approach.

These approaches may or may not result in a common, single value. The market-comparables approach may yield different values depending on certain basic assumptions, including the consideration of adjustments made for any attributes specific to the real estate.

Management has the requisite familiarity with the 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, and 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.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the company has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly in active markets and quoted prices for identical assets or liabilities that are not active, and inputs other than quoted prices that are observable, or inputs derived from or corroborated by market data.

- Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the company's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the company's own data.

Cash in Banks

Certain of the company's cash balances in banks exceed federally insured limits of $250,000. The bank or banks in which funds are deposited are reviewed periodically for their general creditworthiness/investment grade credit rating.

Loans and Interest Income

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

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

Payments on loans are applied in the following order: accrued interest, advances, and lastly to principal. Late fees are recognized in the period received. Pursuant to California regulatory requirements, borrower payments are deposited into a trust account established by RMC with an independent bank (and are presented on the balance sheet as "Loan payments in trust"). Funds are disbursed to the company's bank account as collected, which range from same day for wire transfers and to two weeks after deposit for checks. There were no loan payments in trust at December 31, 2023.

Performing loans that are maturing or have matured may be renewed at then current market rates of interest and terms for new loans. (These loan extensions are not reported as new loans for financial reporting purposes.)

Loans with a payment in arrears (i.e., are non-performing) continue to recognize interest income as long as the loan is in the process of collection with the borrower and the loan balance (i.e., the sum of the unpaid principal, advances and accrued interest) is considered to be well-secured. Loans are placed on non-accrual status if management determines that the primary source of repayment will come from the acquisition by foreclosure (or acquisition by deed in lieu of foreclosure) and subsequent sale of the collateral securing the loan (e.g., a notice of sale is filed and/or when a borrower files for bankruptcy) or when the loan balance is no longer considered well-secured (i.e., the LTV for the loan based on the estimated net realizable value of the collateral and the total principal, advances and accrued interest (at the note rate) is at or greater than eighty percent (80%), seventy-five percent (75%) for lands outside of metropolitan areas) and the borrower has payments in arrears. When a loan is placed on non-accrual status, the accrual of interest is discontinued – beginning with the then current month – for accounting purposes only; previously recorded interest is not reversed. A loan may return to accrual status when all delinquent loan payments are cured and the loan becomes current in accordance with the terms of the loan agreement and the loan balance is considered well collateralized.

Note: In periods prior to January 1, 2023, loans with a payment in arrears were placed on non-accrual status if 180 days delinquent or earlier if management determined that the primary source of repayment would 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 was no longer considered well-secured. (See Allowance for Credit Losses below.)

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

The company funds loans with the intent to hold the loans until maturity. From time to time, the company may sell certain loans when the manager determines it to be in the best interest of the company. Loans are classified as held-for-sale once a decision has been made to sell loans and the loans to be held-for-sale have been identified. Loans classified as held-for-sale are carried at the lower of amortized cost or fair value.

Allowance for Credit Losses

Loans balances are analyzed on a periodic basis for ultimate recoverability. In conjunction therewith, collateral fair values are re-assessed periodically and the protective equity for each loan is determined. As used herein, “protective equity” is the dollar amount by which the net realizable value (i.e., fair value less the cost to sell) of the collateral, net of any senior liens, exceeds the loan balance.

For a loan that is deemed collateral dependent for repayment, a provision for credit losses is recorded to adjust the allowance for credit losses to an amount such that the net carrying amount (the loan balance, net of foregone interest for loans in non-accrual status) is reduced to the lower of the loan balance or the net realizable value of the related collateral, net of any senior liens.

As of January 1, 2023, the company adopted Accounting Standards Codification 326, Financial Instruments – Credit Losses (“ASC 326”) using the modified retrospective approach, which requires a lifetime, current expected credit loss (“CECL”) measurement objective for the recognition of credit losses at the time a loan is originated or acquired. The allowance for credit losses is adjusted each period for changes in expected lifetime credit losses for loans and accrued interest. The determination of the amount of the allowance for credit losses considers historical loss experience, current fair value of collateral and the resultant LTV, current real estate and financial markets, as well as reasonable and supportable forecasts about future economic scenarios. The forward-looking estimates consider the likelihood that any combination of events would adversely impact economic conditions and real estate markets in California such that the substantial protective equity existing for the loans would no longer be sufficient to collect the recorded amounts of principal, advances and accrued interest due on the loan.

ASC 326 states that an entity ought to measure expected credit losses of loans on a collective (pool) basis when similar risk characteristic(s) exist. If an entity determines that a financial asset does not share risk characteristics with other loans, the entity ought to evaluate the loan for expected credit losses on an individual basis. When determining risk characteristics to include in its pooling assessment, the company has determined the following are most determinant.

- Loan to value ("LTV"): The ratio of the outstanding loan balance to the fair value of the underlying collateral, and thereby the amount of protective equity of the company's loans, is the most determinant attribute at inception of the loan and ongoing in estimating incurred and lifetime expected credit losses. Further to reducing the risk of loss, the company's loans are predominantly first mortgages, but second lien deeds of trust are not infrequent nor insignificant.

- Term: The duration (or expected term) of a loan is a determinant attribute as the duration of the company's loans are less than those of other conventional commercial real estate lenders (e.g., institutions, such as banks, insurance companies, private equity firms), typically in the range of one to three years. The expected duration of the loans (and thereby the forecast period) is shortened further as the loans are written without a prepayment penalty.

- Geographical location: The company's loans are secured by real estate in coastal California metropolitan areas, typically in the Bay Area (including Silicon Valley) but also elsewhere in northern and southern California.

ASC 326-20-30-3 does not require reporting entities to use a specific method to calculate the allowance for credit losses, instead, various methods can be used, including discounted cash flow ("DCF"), loss-rate, and probability-of-default/loss given default, among others. Of these, the probability-of-default/loss given default is most determinant for the company given the low LTVs at origination, the predominance of first lien loans and the relatively short duration of the loans. When a reporting entity, such as the company uses a measurement technique other than a DCF approach, the allowance ought to reflect the expected credit losses of the amortized cost basis. Therefore, non-DCF methods ought to incorporate the impact of accrued interest (but not future interest /payments that have not yet been accrued) and advances, if any, into the estimate of expected credit losses. No prepayment assumption is factored into the company's estimate of credit losses as it is not a significant determinant of the amount of reserve.

Given the limited number of loans and the short terms for which the loans are written (and the potentially even shorter duration given that the loans are written without a prepayment penalty), at each reporting date the company performs a risk analysis as to real estate market conditions in the California areas in which loan collateral is located and performs a loan-by-loan analysis to determine the current fair value of the real property collateral and the remaining time to maturity. The results are accumulated and the LTVs in forward periods are forecasted – by lien position – for those loans expected (on a contractual maturity basis) to be then outstanding. No expected extensions, renewals, or modifications are factored in as the company's loans do not contain renewal options that can be unconditionally exercised by the borrowers. This methodology/analysis determines if there is any future period in the lifetime of the loan in which a real estate market decline in values is expected to occur that would be sufficient to put at risk the full collection of amounts owed, including accrued interest and advances, if any secured by the deeds of trust. In arriving at the determination, the manager consulted a range of banking/industry and academic studies and forecasts.

If foreclosure (or negotiation of a deed in lieu of foreclosure) is concluded to be probable, the loan is considered to be collateral-dependent and the company uses the practical expedient to reduce its recorded investment in the loan to the net realizable value of the real estate and other assets to be acquired, net of the liabilities to be assumed. The determination of whether a loan is determined to be collateral-dependent requires judgment and considers both the current LTV and the financial condition of the borrower, which is monitored by the manager.

Prior to the adoption of ASC 326 (the "CECL model"), the company followed the incurred loss model for recognition of credit losses. Loans and the related accrued interest and advances (i.e., the loan balance) were analyzed on a periodic basis for ultimate recoverability. Collateral fair values were reviewed quarterly and the protective equity for each loan was computed. If based upon current information and events, it was deemed probable the company will be unable to collect all amounts due according to the contractual terms of the loan agreement, then a loan would be designated as impaired. An insignificant delay or insignificant shortfall in the amount of payments did not constitute non-performance with the contractual terms of the original loan agreement if the manager expected to collect the amounts due including interest accrued at the contractual interest rate for the period of delay. In determining the probability that the borrower would not substantially perform according to the terms of the original loan agreement, the manager considered the following:

- payment status - if payments were in arrears 90+ days (typically 3 payments past due), loans were designated impaired unless resolution of the delinquency was forthcoming without significant delay;
- bankruptcy - if the borrower filed bankruptcy, the loan was designated impaired
- notice of sale - if the company filed a notice of sale, the loan was designated impaired.

Payments on loans designated impaired were applied to late fees, then to the accrued interest, then to advances, and lastly to principal.

For loans that were deemed to be collateral dependent for repayment, a provision for loan losses was recorded to adjust the allowance for loan losses (principal and/or recorded interest) in an amount such that the net carrying amount (unpaid principal less the specific allowance) was reduced to the lower of the loan balance or the estimated fair value of the related collateral, net of any costs to sell and net of any senior debt and claims.

For a loan that was deemed collateral dependent for repayment, a provision for credit losses was recorded to adjust the allowance for credit losses by an amount such that the net carrying amount (unpaid principal, plus interest accrued, i.e., interest owed net of foregone interest for loans in non-accrual status, plus advances) was reduced to the lower of the amortized cost (i.e., the loan balance) or the estimated fair value of the related collateral, net of any senior debt and claims and costs to sell.

The company charged off uncollectible loans directly to the allowance account once it was determined the full amount was not collectible. Any amounts collected after a charge off were deemed a recovery of loan losses. If the loan went to foreclosure, an updated appraisal was ordered and the recorded investment in the loan was adjusted to the net realizable value of the REO to be acquired. The adjustment was made to a specific reserve in the allowance for loan losses by a charge or a credit to the provision for loan losses.

Accounting Pronouncements Recently Adopted

As of January 1, 2023, the company adopted Accounting Standards Codification 326, Financial Instruments – Credit Losses. See Allowance for Credit Losses above and Note 4 “Loans” for details of implementation.

As of January 1, 2023, the company adopted Accounting Standards Update (“ASU”) 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures (“ASU 2022-02”). This ASU eliminates the accounting guidance for troubled debt restructurings by creditors while adding disclosures for certain loan restructurings by creditors when a borrower is experiencing financial difficulty. This guidance requires an entity to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the ASU requires disclosure of current period gross write-offs by year of origination for financing receivables. The adoption of this ASU did not have a material impact on the company’s financial results and accompanying disclosures, as there were no modifications to borrowers experiencing financial difficulty. Prior to the adoption of ASU 2022-02, if a loan modification was agreed to and was to result in an economic concession to the borrower (i.e., a significant delay or reduction in cash flows compared to the original note), the modification would have been deemed to be a troubled debt restructuring (“TDR”).

NOTE 3 – MANAGER AND OTHER RELATED PARTIES

RMC as the manager shall be entitled to receive an annual asset management fee in an amount equal to 1.25% of the company’s assets under management (“asset management fee”) payable monthly (i.e., 0.104% per month), of which approximately 0.021% monthly (0.25% annually) of beginning monthly loan principal will be deemed to be a loan servicing fee for purposes of the manager’s accounting and the remainder shall be compensation for management of the company’s loan portfolio and general company operations. Asset management fees shall be payable to the manager on the first day of each calendar month based upon the total outstanding assets under management of the company as of each such date.

Origination fees and extension fees charged to the borrower on each RMI X loan shall be determined by the manager on a case-by-case basis and paid to the extent collected, 90% to the manager and 10% to the company. The origination fees paid to RMI X from the borrowers were $7,768 for 2023 and are included as interest income. The manager shall have the right to retain 100% of all reconveyance fees, assumption fees, escrow and processing fees, and other miscellaneous transactions fee, which shall be charged to borrowers in amounts equal to the fees customarily charged for comparable services in the geographical area where the property securing each loan is located.

Financial Support from RMC

Since inception, RMC, in its sole discretion, has provided significant financial support to the company which increased the net income, cash available for distribution, and the net-distribution rate, by:

- charging less than the maximum allowable fees; and
- absorbing some - and in certain periods, all - of the company's direct expenses, such as professional fees.

Fees waived and operations expense absorbed by RMC for the year ended December 31, 2023 are presented as follows:

	For the Year Ended December 31, 2023				
	Operations Expense				
	Mortgage Servicing Fees	Asset Management Fee	Professional Services	Administrative costs, net	Total
Chargeable or reimbursable	$ 18,294	$ 84,954	$ 84,756	$ 6,588	$ 194,592
Redwood Mortgage Corp. ("RMC") support					
Waived fees	—	(84,954)	—	—	(84,954)
Total RMC support	—	(84,954)	—	—	(84,954)
Operations expense, net	$ 18,294	$ —	$ 84,756	$ 6,588	$ 109,638

Such fee waivers and the absorption of the company's expenses by RMC were not made for the purpose of providing the company with sufficient funds to satisfy any required level of distributions, as the Operating Agreement has no such required level of distributions, nor to meet withdrawal requests. Any decision to waive fees and or to absorb direct expenses, and the amount, if any, to be waived or absorbed, is made by RMC in its sole discretion.

Loan Transactions with Related Parties

In the ordinary course of business, performing loans may be transferred by executed assignment, in-part or in-full, between the RMC managed mortgage funds at par which approximates market value.

In 2023, a related mortgage fund transferred to RMI X six performing loans with an aggregate principal of $2,255,884 in-full at par value, which approximates fair value. RMI X paid cash for the loans and the related mortgage fund has no continuing obligation or involvement with the loans.

In 2023, RMI X transferred to a related mortgage fund two performing loans with an aggregate principal of $550,915 in-full at par value, which approximates fair value. The related mortgage fund paid cash for the loans and RMI X has no continuing obligation or involvement with the loans.

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 are purchased at par value, which approximates fair value. Refer to Note 3, "Manager and Other Related Parties" for a description of loans transferred by executed assignments between the related mortgage funds.

The company's loans are secured by real estate in coastal California metropolitan areas. The portfolio segments are first and second trust deeds mortgages and the key credit quality indicator is the LTV. First mortgages are predominant, but second lien deeds of trust are not infrequent nor insignificant. First-mortgage loans comprised 64% of the portfolio at December 31, 2023.

Secured Loans Unpaid Principal Balance

Secured loan transactions for the year ended December 31, 2023 are summarized in the following table:

	2023		
	Total	**First Trust Deeds**	**Second Trust Deeds**
Principal, beginning of period	$ 5,987,374	$ 3,504,689	$ 2,482,685
Loans funded	2,700,500	2,120,500	580,000
Principal collected	(2,655,233)	(1,951,375)	(703,858)
Loans transferred from related mortgage fund	2,255,884	2,110,275	145,609
Loans transferred to related mortgage funds	(550,915)	(550,915)	—
Loans sold to non-affiliate	(694,392)	(694,392)	—
Principal, December 31	$ 7,043,218	$ 4,538,782	$ 2,504,436

In 2023, the company extended three maturing loans with aggregated principal of approximately $2,312,680, which are not included in the table above. The loans had an average extension period of 10 months. The loans were current and deemed well collateralized (i.e., the LTV was within the company's lending guidelines) at the time of extension.

Pursuant to California regulatory requirements, borrower payments are deposited into a trust account established by RMC with an independent bank (and are presented on the balance sheet as "Loan payments in trust"). Funds are disbursed to the company as collected, which can range from same day for wire transfers and up to two weeks after deposit for checks.

Loan Characteristics

Secured loans had the characteristics presented in the following table:

		December 31, 2023
Number of secured loans		18
First trust deeds		8
Second trust deeds		10
Secured loans – principal	$	7,043,218
First trust deeds	$	4,538,782
Second trust deeds	$	2,504,436
Secured loans – lowest interest rate (fixed)		7.3%
Secured loans – highest interest rate (fixed)		11.5%
Average secured loan – principal	$	391,290
Average principal as percent of total principal		5.6%
Average principal as percent of members' capital		4.7%
Average principal as percent of total assets		4.7%
Largest secured loan – principal	$	885,000
Largest principal as percent of total principal		12.6%
Largest principal as percent of members' capital		10.6%
Largest principal as percent of total assets		10.6%
Smallest secured loan – principal	$	141,313
Smallest principal as percent of total principal		2.0%
Smallest principal as percent of members' capital		1.7%
Smallest principal as percent of total assets		1.7%
Number of California counties where security is located		9
Largest percentage of principal in one California county		30.2%

As of December 31, 2023, the company's largest loan with principal of $885,000 is secured and in first lien position by an office located in Los Angeles County, bears an interest rate of 10.25%, and matures on December 1, 2024. As of December 31, 2023, the loan was performing.

As of December 31, 2023, the company had no commitments to lend outstanding and had no construction or rehabilitation loans outstanding.

Lien Position/OLTV

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

	December 31, 2023		
	Loans	Principal	Percent
First trust deeds	8	$ 4,538,782	64%
Second trust deeds	10	2,504,436	36%
Total principal, secured loans	18	7,043,218	100%
Liens due other lenders at loan closing		5,540,248	
Total debt		$ 12,583,466	
Appraised property value at loan closing		$ 26,415,000	
Percent of total debt to appraised values (LTV at loan closing[(1)]		54.5%	

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

The LTVs shown in this table use the appraisals at origination of the loans.

	Secured loans, principal							
LTV[(2)]	First trust deeds	Percent	Count	Second trust deeds	Percent	Count	Total principal	Percent
<40%	$ 1,487,741	21%	4	$ 193,540	3%	1	$ 1,681,281	24%
40-49%	—	—	0	579,918	8	2	579,918	8
50-59%	885,000	13	1	632,423	9	2	1,517,423	22
60-69%	1,288,501	18	2	267,549	4	1	1,556,050	22
Subtotal <70%	3,661,242	52	7	1,673,430	24	6	5,334,672	76
70-79%	877,540	12	1	831,006	12	4	1,708,546	24
Subtotal <80%	4,538,782	64	8	2,504,436	36	10	7,043,218	100
≥80%	—	—	—	—	—	—	—	—
Total	$ 4,538,782	64%	8	$ 2,504,436	36%	10	$ 7,043,218	100%

(2) LTV classifications in the table above are based on principal, advances and interest unpaid at December 31, 2023.

Scheduled Maturities/Secured loans - Principal

Secured loans scheduled to mature as of December 31, 2023 are presented in the following table:

				First Trust Deeds		Second Trust Deeds	
	Loans	**Principal**	**Percent**	**Loans**	**Principal**	**Loans**	**Principal**
2024	8	$ 3,376,017	48%	3	$ 2,173,501	5	$ 1,202,516
2025	6	2,104,808	30%	3	1,346,428	3	758,380
2026	—	—	0%	—	—	—	—
2027	2	543,540	8%	—	—	2	543,540
2028	—	—	0%	—	—	—	—
Thereafter	1	141,313	2%	1	141,313	—	—
Total scheduled maturities	17	6,165,678	88%	7	3,661,242	10	2,504,436
Matured as of December 31, 2023	1	877,540	12%	1	877,540	—	—
Total principal, secured loans	18	$ 7,043,218	100%	8	$ 4,538,782	10	$ 2,504,436

Scheduled maturities are presented based on the most recent in-effect agreement with the borrower, including forbearance agreements. As a result, matured loans at December 31, 2023, for the scheduled maturities table above may differ from the same captions in the tables of delinquencies and payment in arrears presented below that do not consider forbearance agreements. For matured loans, the company may continue to accept payments while pursuing collection of principal or while negotiating an extension of the loan's maturity date. It is the company's experience that the timing of future cash receipts from secured loans will differ from scheduled maturities.

Delinquent Secured Loans

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

	December 31, 2023	
	Loans	**Principal**
Current	14	$ 5,455,444
Past Due		
30-89 days	3	710,234
90-179 days	—	—
180 or more days	1	877,540
Total past due	4	1,587,774
Total principal, secured loans	18	$ 7,043,218

One loan past due at December 31, 2023 was in first lien position and had principal payments in arrears of $877,540. Three loans past due at December 31, 2023 were in second lien position and had principal monthly payments in arrears of less than $1,000.

Delinquency/Secured Loans with Payments in Arrears

Payments in arrears for secured loans at December 31, 2023 are presented in the following table:

	Loans		Principal		Interest(3)		
At December 31, 2023	Past maturity	Monthly payments	Past maturity	Monthly payments	Past maturity	Monthly payments	Total payments in arrears
Past due							
30-89 days (1-3 payments)	—	3	$ —	$ 398	$ —	$ 5,597	$ 5,995
90-179 days (4-6 payments)	—	—	—	—	—	—	—
180 or more days (more than 6 payments)	1	—	877,540	—	17,002	—	894,542
Total past due	1	3	$ 877,540	$ 398	$ 17,002	$ 5,597	$ 900,537

(3) December 2023 interest is due January 1, 2024 and is not included in the payments in arrears at December 31, 2023.

Provision/Allowance for Credit Losses

There was no activity in the allowance for loan losses in 2023. The balance of the allowance for loan losses at December 31, 2023 was $0.

Each secured loan is reviewed quarterly for its delinquency, LTV adjusted for the most recent valuation of the underlying collateral, remaining term to maturity, borrower's payment history and other factors.

Secured loans count, principal and weighted average OLTV at December 31, 2023 and the projected year-end count, principal and weighted average OLTV based on contractual maturities (by lien position) are presented in the following table:

				First Trust Deeds			Second Trust Deeds		
	Loans	Principal	LTV	Loans	Principal	LTV	Loans	Principal	LTV
December 31, 2023	18	$ 7,043,218	54.5%	8	$ 4,538,782	52.2%	10	$ 2,504,436	58.7%
December 31,									
2024	9	2,789,662	36.7%	4	1,487,741	25.2%	5	1,301,921	49.9%
2025	3	684,853	33.1%	1	141,313	8.4%	2	543,540	39.6%
2026	3	684,853	33.1%	1	141,313	8.4%	2	543,540	39.6%
2027	1	141,313	8.4%	1	141,313	8.4%	—	—	0.0%
2037	—	—	0.0%	—	—	0.0%	—	—	0.0%

This does not include any forward period extensions, renewals or modifications that the company may undertake at its discretion, which could extend the contractual maturities into future years.

As indicated by the table above, there is no future period covered in the analysis - nor is there any individual loan - in which a real estate market decline in values is expected to occur that would be sufficient to offset the substantial protective equity in the secured-loan portfolio (and in the individual loans) sufficient to put at risk collection of amounts owed under the notes, secured by the deeds of trust. In arriving at the determination, the manager consulted a range of banking/industry and academic studies and forecasts.

Fair Value of Secured Loans

The following methods and assumptions are used when estimating fair value (Level 3 inputs):

Secured Loans, Performing

The fair value of the company's secured loan balances is deemed to approximate the amortized cost.

- Terms to maturity are typically one to five years at origination and are shorter than commercial real estate loans by conventional/institutional lenders and conventional single-family home mortgage lenders;
- Loans are written without prepayment penalty causing uncertainty and a lack of predictability as to the expected duration; and
- Interest rates are at a premium to rates charged by conventional lenders.

NOTE 5 – SUBSEQUENT EVENTS

In June 2024, RMI X lent a total of $800,000 to a related mortgage fund pursuant to an unsecured promissory note issued by RMI X to the affiliate. The loan evidenced by the note was an unsecured obligation of the related mortgage fund with an interest rate of 10%. The loan was repaid in-full in September 2024.

The manager evaluated events occurring subsequent to December 31, 2023 and through March 26, 2025 and determined that there were no additional events or transactions occurring during this reporting period that require recognition or disclosure in the audited financial statements.