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

FORM 10-K

(Mark one)

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

For the Year Ended December 31, 2021

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

For the transition period from _________ to

Commission file number: 000-55601

REDWOOD MORTGAGE INVESTORS IX, LLC,
a Delaware Limited Liability Company

(Exact name of registrant as specified in its charter)

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
none		

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under section 404(b) of the Sarbanes Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The registrant's units of limited liability company interests are not publicly traded and therefore have no market value. The registrant is conducting an ongoing offering of its units pursuant to a Registration Statement on Form S-3 (File No. 333-231333), which are being sold at $1.00 per unit. The registrant had 78,350,147 limited liability company interests outstanding as of February 28, 2022.

REDWOOD MORTGAGE INVESTORS IX, LLC
(A Delaware Limited Liability Company)
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December 31, 2021

Forward-Looking Statements

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

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

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

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

Part I

Item 1 – Business

Redwood Mortgage Investors IX, LLC ("we", "RMI IX" or the "company") is a Delaware limited liability company formed in October 2008 to engage in business as a mortgage lender and investor by making and holding-for-investment 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"). The manager is solely responsible for managing the business and affairs of the company, subject to the voting rights of the members on specified matters. The manager acting alone has the power and authority to act for and bind the company. RMC provides the personnel and services necessary to conduct business as the company has no employees of its own. The mortgage loans the company funds and/or invests in are arranged and generally are serviced by RMC.

The rights, duties and powers of the members and manager of the company are governed by the Ninth Amended and Restated Limited Liability Company Operating Agreement of RMI IX (as amended, 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 managers, vote to: (i) dissolve the company, (ii) amend the Operating Agreement, subject to certain limitations, (iii) approve or disapprove the sale of all or substantially all of the assets of the company or (iv) remove or replace one or all of the managers. Where there is only one manager, a majority in interest of the members is required to elect a new manager to continue the company business after a manager ceases to be a manager due to its withdrawal.

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

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

The ongoing sources of funds for loans are the proceeds (net of redemption of members' capital and operating expenses) from:
- loan payoffs;
- borrowers' monthly principal and interest payments;
- line of credit advances;
- loan sales to unaffiliated third parties;
- payments from RMC on the outstanding balance of the formation loan; and
- sale of units to members participating in the dividend reinvestment plan.

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.

Income or loss is allocated among the members according to their respective capital accounts after one percent (1%) of income or loss is allocated to the manager. The monthly results are subject to subsequent adjustment as a result of quarterly and year-end accounting and reporting. The company's net income, cash available for distribution, and net-distribution rate fluctuates depending on:
- loan origination volume and the balance of capital available to lend;
- the current and future interest rates negotiated with borrowers;
- line of credit advances, repayments and the interest rate thereon;
- loan sales to unaffiliated third parties, and any gains received thereon;
- the amount of fees and cost reimbursements to RMC;
- the timing and amount of other operating expenses, including expenses for professional services;
- the timing and amount of payments from RMC on the formation loan; and,
- fee and/or cost reimbursements waived, if any, from RMC.

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 tax basis in the net assets of the company differs from book basis by the amount of the allowance for loan losses.

Distribution policy/Distribution reinvestment plan (DRIP)

Cash available for distribution at the end of each calendar month is allocated ninety-nine percent (99%) to the members and one percent (1%) to the manager. Cash available for distribution means cash flow from operations (excluding repayments for loan principal and other capital transaction proceeds) less amounts set aside for creation or restoration of reserves. The manager may withhold from cash otherwise distributable to the members with respect to any period the respective amounts of O&O expenses allocated to the members' accounts for the applicable period pursuant to the company's reimbursement to RMC and allocation to members' accounts of O&O expenses. The amount otherwise distributable, less the respective amounts of O&O expenses allocated to members, is the net distribution. Per the terms of the company's Operating Agreement, cash available for distribution to the members is allocated among the members in proportion to their percentage interests (except with respect to differences in the amounts of O&O expenses allocated to the respective members during the applicable period) and in proportion to the number of days during the applicable month that they owned such percentage interests.

See Note 3 (Manager and Other Related Parties) to the financial statements included in Part II, Item 8 of this report for a detailed discussion on the allocation of O&O expenses to members' accounts.

Cash available for distributions allocable to members electing such distributions is disbursed at the end of each calendar month. The manager's allocable share of cash available for distribution is also distributed not more frequently than cash distributions to members.

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

The distribution reinvestment plan (DRIP) provision of the Operating Agreement permits members to elect to have all or a portion of their monthly distributions reinvested in the purchase of additional units. Cash available for distributions allocable to members who have elected to participate in the DRIP is distributed and reinvested in units at each month end.

In May 2019, the company filed a Registration Statement on Form S-3 with the SEC (SEC File No. 333-231333) that went effective May 9, 2019, to offer up to 15,000,000 units ($15,000,000) to members of record as of April 30, 2019 who had previously elected to participate in the DRIP or who later provide written notice to the manager electing to participate in the DRIP, in those states in which approval has been obtained. As of December 31, 2021, the aggregate gross proceeds from sales of units to members under the company's DRIP pursuant to the May 2019 Form S-3 Registration Statement is approximately $6,133,000.

Liquidity and unit redemption program

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

The price paid for redeemed units is based on the lesser of the purchase price paid by the redeeming member or the member's capital account balance as of the date of each redemption payment. Redemption value – for other than DRIP units - is calculated based on the period from date of purchase as follows: after one year 92% of the of the purchase price or of the capital balance, whichever is less; after two years 94%; after three years 96%; after four years 98%; and after five years 100%.

The company redeems units quarterly, subject to certain limitations as provided for in the Operating Agreement. The maximum number of units which may be redeemed per quarter per individual member shall not exceed the greater of (i) 100,000 units, or (ii) 25% of the member's total outstanding units. For redemption requests requiring more than one quarter to fully redeem, the percentage discount amount if any, that applies when the redemption payments begin continues to apply throughout the redemption period and applies to all units covered by such redemption request regardless of when the final redemption payment is made.

The company has not established a cash reserve from which to fund redemptions. The company's capacity to redeem units upon request is limited by the availability of cash and the company's cash flow. The Operating Agreement provides that, the company will not, in any calendar year, redeem more than five percent (5%) of the weighted average number of units outstanding during the twelve-month period immediately prior to the date of the redemption. The manager has the right, but not the obligation, to waive these quarterly and annual limitations and other holding periods or penalties related to redemptions in the event of the death of a member or other exigent circumstances or if the manager believes it is in the best interests of the Company. In the event unit withdrawal requests exceed 5% in any calendar year and excess units are retained by the company, units will be redeemed in future periods in the order of priority provided in the Operating Agreement.

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

See the table in "Unit redemption program" under Item 5 - Market for the Registrant's Units, Related Unitholder Matters and Issuer Purchases of Equity Securities in Part II of this annual report for a detailed table showing the amount of units redeemed, which table is incorporated by this reference into this Item 1.

Lending and investment guidelines and criteria

Our loans generally have shorter maturities than typical mortgages. In the event that a loan is performing, and collection is deemed probable at maturity, we may elect to extend the loan's maturity. In the event a loan is not performing and the borrower is unable to repay in full the principal on the loan by the maturity date, we may elect to modify the loan payment terms and designate the loan as impaired or may foreclose on the loan.

Generally, interest rates on our mortgage loans are higher than conventional mortgage loans and have not been affected directly by market movements in interest rates. If, as expected, we continue to make and invest in fixed rate loans primarily, and interest rates were to rise, a possible result would be lower prepayments of the company's loans. This increase in the duration of time loans are on the books may reduce overall liquidity, which itself may reduce our investment into new loans at higher interest rates. Conversely, if interest rates were to decline, we could see a significant increase in borrower prepayments. If we then invest in new loans at lower rates of interest, a lower yield to members may possibly result.

Loans are arranged and generally are serviced by RMC. We generally fund loans at fixed interest rates that provide for:

- monthly payments of either (i) interest only with a balloon payment at maturity or (ii) principal and interest based on a 30-year amortization schedule with a balloon payment at maturity; and
- having maturities of 5 years or less.

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

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

See Results of Operations, Secured Loans included in Part II, Item 7 and Note 4 (Loans) to the financial statements included in Part II, Item 8 of this report for a detailed presentation on the secured loan portfolio.

Competition

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

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

Intellectual Property, Royalty Agreements and Labor Contracts

Neither the company or the manager owns any patents, trademarks, licenses, franchises, or concessions. Neither the company or the manager has entered into any royalty agreements or labor contracts.

Human Capital Resources

The manager provides the personnel and services necessary to conduct business as the company has no employees of its own.

Our manager endeavors to maintain a workplace that is free from discrimination or harassment on the basis of color, race, sex, national origin, ethnicity, religion, age, disability, sexual orientation, gender identification or expression or any other status protected by applicable law. As required by law, our manager regularly conducts training to prevent harassment and discrimination. Our manager bases its criteria for recruitment, hiring, development, training, compensation and advancement of employees on the qualifications, performance, skills and experience and all employees are compensated without regard to gender, race and ethnicity. During the COVID-19 pandemic, the manager provided its employees work-from-home flexibility to enable them to meet their personal and family needs.

Regulations

We are engaged in business as a mortgage lender and investor by making and holding-for-investment loans secured by California real estate, primarily through first and second deeds of trust. We and RMC, which arranges and generally services our loans, are heavily regulated by laws governing lending practices at the federal, state and local levels. In addition, proposals for further regulation of the financial services industry continually are being introduced. The laws and regulations to which we and RMC are subject include rules and restrictions pertaining to:

- the conduct of a mortgage lending business by a licensed California real estate broker or lender under state and federal law;
- real estate settlement procedures;
- fair lending;
- truth in lending;
- federal and state loan disclosure requirements;
- the establishment of maximum interest rates, finance charges and other charges;
- loan-servicing and debt collection procedures and requirements;
- secured transactions and foreclosure proceedings;
- privacy regulations providing for the use and safeguarding of non-public personal financial information of borrowers; and
- with respect to the company and the offering of member units, required filings with the Securities and Exchange Commission (“SEC”) pursuant to federal securities laws, including periodic reports such as Form 10-K and Form 10-Q, and with the States’ securities agencies.

Key federal and state laws, regulations, and rules relating to the conduct of our business include the following:

California Real Estate Law

The California Real Estate Law, codified in California Business and Professions Code Sections 10000 *et seq*., together with the Real Estate Commissioner’s rules thereunder, govern the licensing, administration and activities of licensed real estate brokers (including certain mortgage loan brokers) in the State of California, including rules relating to, among other things, licensing, borrower and investor disclosures, compensation and fees, disciplinary action, and transactions involving trust deeds and real property sale contracts generally. We are not a licensed real estate broker but our manager, RMC, is so licensed and will be subject to those laws and regulations.

RMC’s loan files and other books and records are subject to examination by the California Department of Real Estate. Such examinations, as well as new regulations that may be issued in the future, could ultimately increase RMC’s and our administrative burdens and costs.

Dodd-Frank Wall Street Reform and Consumer Protection Act

This federal law passed in 2010 imposes significant regulatory restrictions on the origination of residential mortgage loans, under sections concerning “Mortgage Reform and Anti-Predatory Lending.” For example, when a consumer loan secured by a dwelling is made, the lender is required to make a reasonable and good faith determination, based on verified and documented information concerning the consumer’s financial situation, as to whether the consumer has a reasonable ability to repay the mortgage loan before extending the loan. The act established regulations prohibiting a creditor from extending credit to a consumer secured by a high-cost mortgage without first receiving certification from an independent counselor approved by a government agency. The act also added new provisions prohibiting balloon payments for defined high-cost mortgages. The act established the Consumer Financial Protection Bureau (“CFPB”), giving it regulatory authority over most federal consumer-lending laws, including those relating to residential mortgage lending, and oversight over companies that provide consumer financial products or services, including us. Many of the federal regulations governing mortgage lending have been significantly amended and expanded through the passage of the Dodd Frank Act.

Real Estate Settlement Procedures Act ("RESPA")
RESPA is a federal law passed in 1974 with the purpose of establishing settlement procedures for consumer real estate purchase and refinance transactions on residential (1-4 unit) properties. It establishes rules relating to affiliated business relationships, escrow accounts for property taxes and hazard insurance and loan servicing, among other things. It prohibits unearned referral fees from being charged in a covered transaction. RESPA and TILA (discussed below) also govern the format of the TILA-RESPA Integrated Disclosure forms, or "TRID" provided to consumers in residential real estate mortgage transactions.

Truth in Lending Act ("TILA")
TILA is a federal law passed in 1968 for the purpose of regulating consumer financing. For real estate lenders, TILA requires, among other things, advance disclosure of certain loan terms, calculation of the costs of the loan as demonstrated through an annual percentage rate, and the right of a consumer in a refinance transaction on their primary residence to rescind their loan within three days following signing of the loan document. TILA and RESPA (discussed above) also govern the format of the TILA-RESPA Integrated Disclosure forms, or "TRID" provided to consumers in residential real estate mortgage transactions.

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

Mortgage Disclosure Improvement Act
This federal law enacted in 2008, regulates the timing and delivery of loan disclosures for all mortgage loan transactions governed under the Real Estate Settlement Procedures Act.

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

Gramm-Leach-Bliley Act (aka Financial Services Modernization Act of 1999)
This federal act passed in 1999 requires all businesses that have access to consumers' personal identification information to implement a plan providing for security measures to protect that information. As part of this program, we provide applicants and borrowers with a copy of our privacy policy.

The California Homeowner Bill of Rights ("HOBR")
This series of state laws, which initially became effective January 1, 2013, with many sections renewed and modified as of January 1, 2019, is intended to ensure fair lending and borrowing practices for California homeowners by guaranteeing basic fairness and transparency during the foreclosure process. Key provisions include restrictions on dual-track foreclosures, a guaranteed single point of contact, civil penalties for lenders filing unverified documents, and protections for tenants of foreclosed properties. HOBR also provides borrowers with the authority to seek redress of material violations of its rules, such as by an injunction (prior to foreclosure sale) or recovery of damages (after foreclosure sale). In 2020, HOBR protections were extended to residential one to four unit properties occupied by tenants as their principal residence.

California Consumer Privacy Act of 2018 ("CCPA") and California Privacy Rights Act of 2020 ("CPRA")
Enacted in 2018 and effective January 1, 2020, the CCPA provides California consumers with broad rights regarding the use and sale of personal information collected by businesses covered by the CCPA. Enacted in 2020 and scheduled to become operative on January 1, 2023, the CPRA expands the scope and applicability of the CCPA while introducing new privacy protections that extend beyond those included in the CCPA and its implementing regulations. The CPRA also established a new enforcement body, the California Privacy Protection Agency ("CPPA") and requires additional rulemaking on a number issues by the CPPA prior to its effective date.

The CCPA generally applies to businesses that both collect personal information from California consumers and either (i) have $25 million or more in annual gross revenues; or (ii) derive more than 50% of their annual revenue from selling consumers' personal information. Covered businesses are required to disclose the categories of personal information collected about consumers and to adopt privacy policies and procedures that, among other things, specifically allow consumers to request the deletion of their information and to exclude their information from sale. The CPRA maintains the CCPA's existing monetary threshold for application to businesses with annual gross revenue over $25 million; however, it modifies the thresholds with respect to businesses that buy and sell personal information and deletes a commercial purpose limitation contained in the CCPA.

Neither the company nor RMC has or will sell information collected from consumers in connection with their lending businesses. RMC does, however, collect personal information from potential borrowers, investors and other parties that constitutes personal information governed by the CCPA and the CPRA. RMC and its loan programs currently do not have $25 million in gross revenues and are not directly subject to the CCPA. However, RMC, the company and RMC's other loan programs may, in the aggregate, exceed this $25 million threshold in the near future and RMC is currently in the process of voluntarily incorporating all or some of the CCPA requirements into its current privacy policies and intends to incorporate some or all of the CPRA requirements into its policies and procedures as implementing regulations and other guidance is released by the CPPA.

COVID-19 Foreclosure & Eviction Moratoriums

In response to the economic hardships caused by the COVID-19 epidemic the federal government, California and some other states as well as localities imposed foreclosure and eviction moratoriums temporarily restricting the ability of lenders and property owners to initiate or continue foreclosure and eviction proceedings against individuals adversely affected by the COVID-19 pandemic. The terms during which such moratoriums were made effective varied and while some have since expired, other have been extended by the applicable enacting governmental bodies and remain effective. While effective, foreclosure moratoriums may restrict our ability to foreclose on certain types of properties securing defaulted loans and increase the overall timeline to resolve these non-performing loans. Eviction moratoriums may also adversely affect the ability of our borrowers to collect rent from their properties which, in turn, may affect their ability to make payments on our loans.

Key federal and state laws, regulations, and rules relating to the offering of our units include the following.

Federal Securities Laws: The Securities Act of 1933 and The Exchange Act of 1934

Because our offering of units has been registered under the Securities Act and we have registered the units pursuant to Section 12(g) of the Exchange Act, we are a public reporting company. As a public reporting company, we are required to file annual, quarterly and other periodic reports with the SEC and comply with applicable provisions of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") and the related rules and regulations promulgated by the SEC. However, as discussed in Item 9A of this report, the company is externally managed by RMC and many of the requirements of Sarbanes-Oxley are not directly applicable to us since we do not have a board of directors, including an independent board member. The registration of our units pursuant to Section 12(g) of the Exchange Act, along with the satisfaction of certain other requirements under the Employee Retirement Income Security Act of 1974 ("ERISA"), enables the units to qualify as "publicly-offered securities" for purposes of ERISA and regulations issued thereunder. See Section 9A of this report.

Sarbanes-Oxley Act of 2002

RMC, as our manager, is responsible for establishing and maintaining adequate internal control over financial reporting with respect to us as required by Section 404 of Sarbanes-Oxley and rules and regulations of the SEC thereunder. RMC is required to review and evaluate on an annual basis our internal control over financial reporting, and on a quarterly basis, to evaluate changes in our internal control over financial reporting.

Financial Industry Regulatory Authority Regulatory Notice 15-02

In 2015 the SEC approved amendments to rules of the Financial Industry Regulatory Authority ("FINRA") applicable to securities of direct participation programs, such as our units and to non-listed real estate investment trusts. The amendments, which became effective on April 11, 2016, provide, among other things, that (i) FINRA members distributing our units must include in customer account statements our per unit estimated value that must be developed using a methodology reasonably designed to ensure our per unit estimated value's reliability; and (ii) our per unit estimated value disclosed from and after 150 days following the second anniversary of the admission of investors in our public offering must be based on an appraised valuation methodology developed by, or with the material assistance of, a third-party expert and updated on at least an annual basis. The rule changes also provide that the account statements must include additional disclosure regarding the sources of our distributions to unit holders.

Blue Sky Laws

We are subject to the state securities laws ("blue sky laws") of the states in which we offer and sell our units. Under some state's blue sky laws, we have to maintain the registration of our offering of units in the state through annual filings and payment of annual fees.

Term of the company

The initial term of the company was scheduled to terminate October 8, 2028, unless sooner terminated as provided in the Operating Agreement or extended by majority vote of the members. In November of 2021, RMC submitted to a vote of the members a proposal to amend the Operating Agreement to extend the term of the company and the term for the repayment of the formation loan to December 31, 2038. On March 11, 2022, following RMC's receipt of approval votes from members holding more than 53% of the total outstanding percentage interests in the Company, RMC's board of directors approved the adoption of the Second Amendment to the Operating Agreement, dated March 11, 2022, extending the stated company term through December 31, 2038. As a result, the term of the Company will terminate on December 31, 2038 unless: (i) the term is further extended by RMC with the affirmative consent of a majority interest of the members; or (ii) the Company is earlier terminated pursuant to the Operating Agreement or by operation of law.

Delivery of Annual Report

The Company will send an annual report to all unit holders and the report will include audited financial statements.

Additional Information

The company does not maintain an Internet site. Additional information regarding the company’s and RMC’s business operations are available free of charge on RMC’s website at www.redwoodmortgageinvestors.com.

The SEC maintains an Internet site that contains reports and other information regarding our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K (and amendments to these reports). These filings are available free of charge on the SEC website at www.sec.gov. The above references to the SEC’s website does not constitute incorporation by reference of the information contained on that website and should not be considered part of this document.

Item 1A – Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered, in addition to the other information presented elsewhere in this report, in evaluating us and our business. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also adversely affect our business operations. If any of the following risks or additional risks and uncertainties actually occur, our business, operating results, and financial condition could be adversely affected.

RISKS RELATED TO OUR BUSINESS

We remain subject to the economic impacts of the COVID-19 pandemic.

The COVID-19 pandemic and the measures taken (and ongoing) to limit to the extent possible the spread of the virus had an impact on various aspects of our investments and business and on the operations and business of our manager. The national, California, and local economies – and the real estate markets - continue to be impacted, often adversely, by COVID-19. Unless and until a significant and sustained broad-based economic recovery occurs there exists greater likelihood that one or more of the business and/or investment risks described in this "Risk Factors" section will have a negative impact on our business and/or investments or could increase the severity of that impact. The continued spread of COVID-19, including additional waves or variants such as the Omicron variant and any other similar outbreaks in the future and the continued impact on social interaction, economies and financial markets may have significant adverse effects on (i) California real estate markets and thereby the company's business, financial condition and result of operations due to the possibility of some borrowers having a reduced capacity and/or commitment to make principal and interest payments (ii) a decrease in the volume of loans funded and (iii) a decline in the values of the California real properties that serve as collateral for the loans. Declines in the value of real estate may lead to increases in the allowance for loan losses. Moreover, the Federal Reserve has taken action to lower the Federal Funds rate, which may lower the interest rate charged by banks and other competitors of the manager for real estate secured loans and which may reduce loan originations and increase loan payoffs. Such outcomes would negatively affect interest income and, therefore, earnings, financial condition and results of operations of the company. The extent of the impact of the COVID-19 pandemic on our capital, liquidity, and other financial positions and on our business, results of operation and prospects will depend on a number of evolving factors, including:

- COVID-19 has not yet been contained and could continue to affect more households and businesses. The development and increasing distribution of vaccines for the virus appear to be having a positive impact on businesses and the economy; however, there is no way to predict when or if an economic recovery from the pandemic will occur and if such a recovery will be sustained over time.
- Many governmental and nongovernmental authorities initially responded to COVID-19 by curtailing household and business activity as a containment measure while simultaneously deploying fiscal and monetary policy measures to partially mitigate the adverse effects on individual households and businesses. Although this response slowed the rate of spread of COVID-19 and supported economic stability, the potential exists for further resurgence to occur. Even with the development and availability of COVID-19 vaccinations, national, California and local economies and real estate markets could suffer further disruptions that are lasting.
- Continued disruptions in the workforce and economy may affect the ability of the borrowers to make loan payments or to otherwise perform in accordance with their loan terms.
- Key personnel of our manager may become incapacitated by the COVID-19 virus and the inability of our manager to recruit, attract and retain skilled personnel may adversely impact our business.
- The ability to enforce loan terms through foreclosure may be adversely effected by limitations or moratoriums on foreclosures enacted by state or local authorities to address the impacts of COVID-19 or the emergence of another future pandemic.
- Loans secured by rental properties may be adversely impacted by restrictions or moratoriums on evictions enacted by federal, state or local authorities to address the impacts of COVID-19.
- The uncertainty of the effects of COVID-19 on borrowers, properties, and the economy generally may result in inaccuracy or delays in the recognition of loan losses or impairments.

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

Changes in interest rates may affect your return on your investment.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control such as the current geopolitical instability in Europe. Rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. Also, rising interest rates reduce the value of our existing loans that do not have adjustable rates. Conversely, we expect that the majority of our loans will not include prepayment penalties for a borrower paying off a loan prior to maturity. The absence of a prepayment penalty may lead borrowers to refinance higher-interest rate loans in a market of falling interest rates. This would then require us to reinvest the prepayment proceeds in loans or alternative short-term investments with lower interest rates and a corresponding lower yield to members.

The values of our loans may decline without any general increase in interest rates for a number of reasons, such as increases or expected increases in defaults, or increases or expected increases in voluntary prepayments for those loans that are subject to prepayment risk or widening of credit spreads.

We expect that our loans will typically have fixed rates and the majority of our loans will be for terms of one to five years. Consequently, if interest rates rapidly increase, such interest rates may exceed the average interest rate earned by our loan portfolio. If prevailing interest rates rise above the average interest rate being earned by our loan portfolio, you may be unable to quickly redeem your units, as our unit redemption program is subject to significant restrictions and limitations, in order to take advantage of higher returns available from other investments. In addition, an increase in interest rates accompanied by a tight supply of mortgage funds may make refinancing by borrowers with balloon payments difficult or impossible and in such event, the property may be foreclosed upon.

RMC's lending decisions are based on the real estate securing the loans. Significant decline in the fair value of the collateral may impact the performance of the loans and their ultimate collectability.

For loans secured by real property other than owner-occupied personal residences, our lending decisions are based primarily on a determination that the value of the real property is sufficient, in and of itself, as a source of repayment. Other considerations such as the cash flow and the income generated by the real property that is to secure the loan and the general creditworthiness, experience and reputation of the borrower are secondary considerations. This may result in a higher incidence of loan payment delinquencies than would be experienced by conventional lenders.

Declines in real estate values may reduce the "protective equity" (the excess of the value of the collateral securing the loan over our secured loan and any senior debt and/or claims on the property) provided by the collateral securing our outstanding loans and were we to foreclose on loans with respect to properties that have declined in value, we may ultimately recover less than the amount of such loans.

A weak economy or real estate market could adversely affect us and your rate of return.

The ability to find suitable loans is more difficult when the economy is weaker and there is less activity in the real estate market. We may be unable to find a sufficient number of suitable loans, which could leave us with uninvested capital. In such event, we will make short-term, interim investments in government obligations, certificates of deposit, money market or other liquid-asset accounts, with the unallocated funds pending investment in suitable loans. Interest returns on these investments are usually lower than on mortgage loans, which would reduce our profits and return to members.

Downturns in the economy and real estate market in the San Francisco Bay Area and the coastal metropolitan regions of Southern California, or on a regional or national scale, or changing conditions affecting the mortgage lending business could adversely affect our business.

RMC expects that most of our loans will continue to be secured by properties located in nine counties that comprise the San Francisco Bay Area (San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa, Marin, Napa, Solano and Sonoma) and the coastal metropolitan regions of Southern California (Los Angeles, Orange, Ventura, and San Diego counties). Our concentration of loans in the San Francisco Bay Area and the coastal metropolitan regions of Southern California exposes us to greater risk of loss if the economy in the San Francisco Bay Area or the coastal metropolitan regions of Southern California weakens than would be the case if our loans were spread throughout California or the U.S. Should a significant economic deterioration occur in the San Francisco Bay Area or the coastal metropolitan regions of Southern California, or regionally or nationally, we could experience increases in loan delinquencies, reduced cash income and possibly loan losses.

If borrowers default, and/or economic circumstances increase defaults, we may have to foreclose on the loan, beginning the legal process of acquiring the collateral property. Foreclosure proceedings and/or workout agreements may slow our collection efforts and delay ultimate satisfaction of the loan.

We are engaged in the business of lending and, as such, are subject to the risk that borrowers may be unable to repay the loans in accordance with the terms of the loan agreement. Mortgage loans are secured by commercial and residential real property and are subject to risks of delinquency, foreclosure and loss.

Our loans are not insured by the Federal Housing Administration or guaranteed by the Veterans Administration or otherwise guaranteed or insured by a government agency. Our loans require monthly interest-only payments or monthly payments of interest and principal. This means:

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

In addition, any litigation instituted by a defaulting borrower or the operation of the federal bankruptcy laws may have the effect of delaying enforcement of the lien on a defaulted loan and may in certain circumstances reduce the amount realizable from the sale of a foreclosed property. A “lien” is a charge against the property of which the holder may cause the property to be sold and use the proceeds in satisfaction of the lien. A judicial foreclosure may be subject to most of the delays and expenses of other litigation, sometimes requiring up to several years to complete. If we acquire a property from a borrower, there are many factors that are beyond our control that affect the real estate market and could affect our ability to sell properties for the price, on the terms or within the time frame that we desire. These factors include general economic conditions, the availability of financing, interest rates and other factors, including supply and demand. Further, before we can sell a property on the terms we want, it may be necessary to expend funds to correct defects or to make improvements. However, we can give no assurance that we will have the funds available to correct such defects or to make such improvements. Our inability to sell properties at the time and on the terms we want could reduce our profitability and cash flow, limit our ability to make distributions and could reduce the value of our units.

RMC relies on appraisals to determine the fair market value (FMV) of the underlying property securing our loans. These appraisals may be inaccurate or not reflect subsequent events affecting FMV which could increase our risk of loss.

RMC relies on appraisals prepared by unrelated third parties to determine the fair market value of real property used to secure our loans. RMC relies on such appraisals for, among other matters, determining our loan-to-value ratio (“LTV”). We cannot guarantee that such appraisals will, in any or all cases, be accurate or that the appraisals will reflect the actual amount buyers will pay for the property. If an appraisal is not accurate, our loan may not be as secure as we anticipated. In the event of foreclosure, we may not be able to recover our entire investment. Additionally, since an appraisal fixes the value of real property at a given point in time, subsequent events could adversely affect the value of the real property used to secure a loan. This would result in a risk of loss for us if the borrower defaults on the loan.

Increased competition and new entrants in the market for mortgage loan originations could adversely impact our ability to originate and acquire real estate-related loans at attractive returns.

New entrants in our target markets for mortgage loan originations could adversely impact our ability to execute our investment strategy on terms consistent with our investment objectives. In originating our loans, we may compete with REITs, regional and community banks, specialty finance companies, savings and loan associations, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, other lenders and other similar entities. An increase in competition for the available supply of loans suitable for investment by us, may cause us to reduce the interest rate that can be charged on our loans. Some competitors may have a lower cost of funds and access to funding sources that may not be available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of real estate-related loans. An increase in competition in our market, may adversely affect our ability to take advantage of attractive lending opportunities that are consist with our investment strategy. These and other competitive pressures may have a material adverse effect on our business, financial condition and results of operations.

Some of our loans are junior in priority to first and second liens that may make it more difficult and costly to protect our junior security interest.

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

- first mortgages – approximately 40% to 60%;
- second mortgages (junior to first mortgages) – approximately 40% to 60%; and
- third mortgages (junior to other two mortgages) – 10% or less

There is no assurance that we will be able to diversify our loans as set forth above or that this diversification strategy, if successfully implemented, will provide us with the best risk adjusted returns and/or decrease our risk of loss.

In the event of foreclosure under a second or third deed of trust, the debt secured by a senior deed(s) of trust must be satisfied before any proceeds from the sale of the property can be applied toward the debt owed to us. As a result, we may not recover some or all of our investment. To protect our junior security interest, we may be required to make substantial cash outlays for such items as loan payments to senior lien holders to prevent their foreclosure, property taxes, insurance, repairs, maintenance and other expenses associated with the property. These expenditures could have an adverse effect on our profitability.

Our interests in our properties may not be insured or may be underinsured against certain types of losses.

We require comprehensive insurance, including fire and extended coverage, which is customarily obtained for or by a lender, on properties in which we acquire a security interest. Generally, such insurance will be obtained by and at the cost of the borrower. However, there are certain types of losses (generally of a catastrophic nature, such as civil disturbances or terrorism and acts of God such as earthquakes, wildfires, floods and land or mud slides) which are either uninsurable or not economically insurable. Should such a disaster occur to, or cause the full or partial destruction of, any property serving as collateral for a loan, we could lose both our invested capital and anticipated profits from such investment, which would adversely affect our profitability.

We may make construction loans which may subject us to greater risks.

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

Owning real estate following foreclosure will subject us to additional risks.

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

- If the property is a rental property we will be required to find and keep tenants.
- We will be required to maintain and oversee and control operating expenses of the property.
- We will be subject to general and local real estate and economic market conditions which could adversely affect the value of the property.
- We will be subject to changes in laws or regulations regarding taxes, use, zoning and environmental protection and hazards.

- We will be required to maintain insurance for property risks and liability exposures.
- We will be subject to state and federal laws and local municipal codes and penalties relating to tenant retention and the maintenance and upkeep of lender-owned properties.
- We may be subject to federal and state tax laws and regulations with respect to the tax treatment of items of our income, gain, loss or deductions for real estate held for investment, rental and/or sale, which in turn may result in federal and state tax payment and filing exposure for our members.
- We will be subject to municipal ordinances, where they have been enacted, applicable to foreclosed and/or distressed properties which require the payment of additional costs and registration fees and may obligate us to secure and maintain, at our expense, real property securing our loans upon the filing of a notice of default or after we acquire ownership of real property through foreclosure.

Bankruptcy and legal limitations on personal judgments may affect our ability to enforce the loans and increase our costs.

Any borrower has the ability to delay a foreclosure sale by us for a period ranging from several months to several years or more by filing a petition in bankruptcy. The filing of a petition in bankruptcy automatically stops or "stays" any actions to enforce the terms of the loan. The length of this delay and the costs associated with it may have an adverse impact on our profitability.

If we make high-cost mortgage loans, we will be required to comply with additional federal and state regulations and our non-compliance could adversely affect us.

Section 1026.32 of Regulation Z defines a "high-cost mortgage" as any consumer loan secured by a primary residence where either (i) the annual percentage rate ("APR"), measured as of the date the rate is set, exceeds the average prime offer rate ("APOR") for a comparable transaction on that date by more than 6.5% on a first mortgage or 8.5% on a junior mortgage; or (ii) the total fees payable by the consumer exceed 5% for a loan of more than or equal to $20,000, or 8.5% or $1,000 (whichever is less) on a loan of less than $20,000.

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

In addition, under California law consumer loans secured by liens on primary residences in amounts less than the Fannie Mae/Freddie Mac conforming loan limit may be considered to be "high-cost loans" under certain circumstances. While it is unlikely that we would make many high-cost loans, the failure to comply with California law regarding such loans could have significant adverse effects on us. The reckless or willful failure to comply with any provision of this law, including the mandatory disclosure provisions, could result in, among other penalties, the imposition of administrative penalties of $25,000, loss or suspension of the offending broker's license, as well as exposure to civil liability to the consumer/borrower (including the imposition of actual and punitive damages).

Larger loans or concentration of loans to one borrower may result in less diversity and may increase risk.

Our manager may decide to invest in fewer, larger loans, thereby decreasing diversification of the portfolio and possibly increasing the risk of credit losses, resulting in a reduction in profits and yield to our members.

We may also invest in multiple secured loans that share a common borrower or principal. The more concentrated our portfolio is with one or a few borrowers, the greater the credit risk we face.

Use of borrowed money to fund loans may reduce our profitability.

We are permitted to borrow funds for the purpose of making loans, for increased liquidity, reducing cash reserve needs, or developing or refinancing property that we acquired through foreclosure or for any other proper purpose on any terms commercially available.

If we have borrowed money to fund loans, a rise in the prevailing interest rate could result in our having to pay more in interest on the borrowed money than we earn on loans to our borrowers. This may reduce our profitability, and, should we default on our debt, may result in additional losses through forced liquidation of loans. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay distributions. Any of these results would have a significant negative impact on your investment.

We may face potential liability for toxic or hazardous substances as a result of our lending activities or as a result of foreclosure on properties that secure loans we make.

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

In addition, we could incur liability to tenants and other users of the affected property, or users of neighboring property, including liability for consequential damages, such as lost profits of a business. We would also be exposed to risk of lost revenues during any cleanup and to the risk of lower lease rates or decreased occupancy if the existence of such substances or sources on the property becomes known.

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

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

Our manager's selection of loans for sale to third parties may involve conflicts of interest between us and our manager.

We may, on occasion, subject to applicable laws and regulations and our operating agreement, sell some of our loans. There is a conflict of interest between us and our manager as to what loans will be sold. For example, the manager may select loans of a higher credit quality or having higher interest rates than the loans funded with the proceeds from the sale. The sale of loans may result in a reduced overall yield of our portfolio. Loans the manager may sell to third parties will enable the manager to re-lend proceeds from the loans sales generating loan origination revenue and fees under the operating agreement, which increases the manager's capital and ability to repay the formation loan.

RISKS RELATED TO OWNERSHIP OF OUR UNITS

Our units 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.

Investors will have limited ability to sell their units. Our units are not listed on an exchange or quoted through a quotation system, and there is no secondary market, nor do we expect that any will develop in the foreseeable future. Units are not freely transferable, and they may not be acceptable by a lender as security for borrowing. Our Operating Agreement imposes substantial restrictions upon your ability to transfer units. Therefore, an investment in our units is not suitable for investors who require short-term liquidity from their investments.

You are limited in your ability to have your units redeemed under our unit redemption program.

The unit redemption program contains significant restrictions and limitations that limit your ability to redeem your units. The number of units you may redeem per quarter is subject to a maximum of the greater of 100,000 units or 25% of your units outstanding. Also, we will limit redemptions from members, in any calendar year, to a total of not more than 5% (or in any calendar quarter, 1.25%) of the weighted average number of units outstanding during the 12-month period immediately prior to the date of the redemption. If the manager determines it is in the best interest of the company, it may elect to waive the foregoing limitations and redeem units in excess of the maximum amounts stated for any applicable period or periods. Such an election, however, in no way, creates an obligation of the company to redeem units in excess of the maximum amounts stated in any future period.

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

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

There is no assurance you will receive cash distributions.

The Operating Agreement does not require us to meet a specific or minimum level of distributions to members. The amount of distributions to members is determined by the manager based on our 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 we do not have sufficient cash available to fund distributions, we may need to defer or reduce distributions.

You will have no control over our operations, including the loans we make or sell; you must rely on the judgment of our manager in making loans.

You have no right or power to take part in our management. All decisions with respect to our management will be made exclusively by our manager. Our success will, to a large extent, depend on the judgment of our manager as it relates to lending decisions and sales of loans to third parties, if any. You should carefully evaluate our manager's capabilities to perform such functions.

Our manager has broad discretion to implement our investment objectives and can change investment strategies without member consent.

The Operating Agreement contains investment objectives, but our manager has broad discretion to implement those objectives. A change in our investment strategy may, among other things, increase our exposure to real estate market fluctuations, default risk and interest rate risk, all of which could materially affect our results of operations and financial condition.

Our manager has various conflicts of interest.

Our manager has various conflicts of interest in connection with its management of us, including but not limited to:

- Operational, legal and financial obligations with respect to other entities that are similar to, or may conflict with, our manager's obligations to us.
- The fees of our manager are not determined based on arm's-length negotiations.
- The same legal counsel currently represents us and the manager.
- Our manager has the right to conduct other business and to compete with our business.
- Our manager is responsible for originating or arranging substantially all of our loans and can place loans in our portfolio or other funds that are also managed by our manager. We anticipate that the loan brokerage commissions charged to borrowers by our manager, which are paid to our manager and not us, will average approximately 2% to 5% of the principal amount of each loan, but may be higher or lower depending upon market conditions. Any increase in the loan brokerage commission charged on loans may have a direct, adverse effect on the interest rates we charge on loans by reducing the interest rate we receive and thus the overall rate of return to you. This conflict of interest exists in connection with every loan transaction and all compensation paid to our manager.
- In the event our manager defaults on the repayment of the formation loan, a conflict of interest would arise on the manager's part in connection with the enforcement of the formation loan and continued payment of other fees and compensation to our manager, including, but not limited to, the loan servicing fees, loan administrative fees and asset management fees, while such default is continuing.

We have no board of directors and are not subject to certain corporate governance rules under the federal securities laws applicable to securities listed on a national securities exchange.

As is customary for a limited liability company, we do not have a board of directors or any independent directors. We are not subject to certain corporate governance rules under the federal securities laws or the rules of any national securities exchanges because our units are not registered for trading under the Exchange Act of 1934.

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

As a public company, we are subject to regulations not applicable to private companies, such as provisions of the Sarbanes-Oxley Act. Efforts to comply with such regulations have and will involve significant expenditures.

As a public company, we are subject to regulations not applicable to private companies, including provisions of the Sarbanes-Oxley Act and the related rules and regulations promulgated by the SEC. Our management is required to report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and rules and regulations of the SEC thereunder. We are required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis, to evaluate and disclose changes in our internal control over financial reporting. We may be required to spend significant amounts in the future to remain in compliance. Such expenditures may reduce amounts available for distribution and may have a material adverse effect on our financial condition and results of operations.

We operate in a heavily regulated industry and compliance with regulations could increase our costs of doing business and lower your return.

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

We established the $1 per unit offering price on an arbitrary basis which may not reflect the amount you will receive upon a redemption of your units.

We arbitrarily determined the $1 per unit price for reinvestment of distributions. Such price is not necessarily the amount you may receive pursuant to your limited right to redeem units, subject to certain requirements. The amount that a redeeming member will receive is the lesser of the purchase price for the redeemed units or the redeeming member's capital account balance as of the date of each redemption payment. The fair market value of your interest in the company will be irrelevant in determining amounts to be paid upon redemption.

Our manager may purchase units which generally will give our manager the same rights as members.

Our manager, in its discretion, may purchase units for its own account. Upon any such purchases of units, our manager will have the same rights as other members in respect of the units owned by them, including the right to vote on matters that are subject to the vote of members, subject to certain exceptions.

You will be bound by the actions taken by the majority voting power.

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

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

If you do not vote with the majority in interest, you nonetheless will be bound by the majority vote.

If payments are not made on the formation loan under certain circumstances, such as our manager's removal, it may reduce your rate of return or affect our capital available to fund new loans.

We have previously advanced to our manager funds in an amount equal to the sales commissions for our units and premiums paid to investors in connection with unsolicited sales of our units. The formation loan is an unsecured loan that does not bear interest and will be repaid in annual or quarterly installments. If the manager is removed, no other manager is elected, the company is liquidated or our manager is no longer receiving payments for services rendered, we will forgive the debt on the formation loan and our manager will be immediately released from any further obligations under the formation loan which could result in a significant loss to the company and have an adverse effect on our profitability.

Upon liquidation, you may experience delays in receiving distributions, you may not be able to fully recover your investment or you may not receive any distributions.

Under our operating agreement, we will continue to operate until December 2038, unless our term is extended by the vote of a majority in interest of the members. We do not currently intend to cease operations prior to the end of our term. We could be dissolved and terminated earlier by operation of law or upon the occurrence of various events described in our operating agreement. Upon our dissolution, our manager will seek to promptly liquidate our assets for the best price reasonably obtainable, use any proceeds to satisfy our debts and distribute any remaining proceeds to our members and manager in accordance with the terms of our operating agreement. Accordingly, your ability to recover all or any portion of your investment under such circumstances will depend on the amount of funds so realized and claims to be satisfied from those proceeds.

Delays in liquidation could arise due to market conditions and other factors beyond the control of our manager. In the event we are unable to liquidate on or prior to the end of our anticipated term and depending on the amount of liquidation proceeds the manager is able to obtain, you may not receive distributions of remaining proceeds, if any, in a timely manner or at all.

Insufficient working capital reserves may require borrowings or liquidating our loans which, if not possible, may adversely affect us.

We intend to maintain a working capital reserve to meet our obligations, including our carrying costs and operating expenses. Our manager believes such reserves are reasonably sufficient for our contingencies. If for any reason those reserves are insufficient, we will have to borrow the required funds or liquidate some or all of our loans. In the event our manager deems it necessary to borrow funds, such borrowings may not be on acceptable terms or even available to us which could materially adversely affect our business.

Conflicts may arise regarding the financial condition of our manager.

Our manager must maintain a sufficient net worth and cash flow in order to continue to provide services to us. This may require our manager to make decisions regarding investments and other aspects of our business to allow it to collect fees and expense reimbursements, which actions could negatively affect our net income and cash available from operations.

Conflicts may arise if we participate in loans with other programs organized by our manager.

In certain limited circumstances and subject to compliance with applicable regulations or guidelines, we may participate in loans or joint ventures with other programs organized by our manager, where we purchase a direct or indirect partial interest in a loan. Our portion of the total loan may be smaller or greater than the portion of the loan made by the other programs. Participating in loans or joint ventures with other programs organized by our manager could result in a conflict of interest between us and our manager as well as between us and such other programs, in the event that the borrower defaults on the loan and our manager protects the interests of other programs, which it has organized, in the loan and in the underlying security.

Certain officers and other key personnel of our manager will face competing demands relating to their time and this may cause our operations and our investors’ investments to suffer.

We rely on the executive officers and key personnel of our manager to provide services to us for the day-to-day operation of our business. In particular, as to Mr. Michael Burwell, President, Director, and Secretary/Treasurer of RMC, if he was to terminate his employment the manager’s capacity/capability to continue business operations and maintain loan origination volumes could be impacted adversely. As a result of our executive officers' and key personnel's interests in other programs and business activities and their obligations to other investors, a failure by these persons or the manager to devote sufficient time or resources to our business, may have an adverse effect on our business and financial results, and the value of our units may decline.

We are dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect our liquidity, financial condition or results of operations.

Our business is dependent on third party communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control, such as:

- sudden electrical or telecommunications outages;
- natural disasters;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the value of our units and our ability to pay distributions.

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our data or confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include:

- disrupted operations;
- misstated or unreliable financial data;
- liability for stolen assets or information;
- increased cybersecurity protection and insurance costs;
- litigation; and
- damage to our investor relationships.

As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those we have outsourced. Third parties with which we do business (including those that provide services to us) also may be targets of cyber-attacks or sources of other technological risks. We outsource certain functions and these relationships allow for the storage and processing of our information and assets, as well as certain investor, counterparty, employee and borrower information. While we engage in actions to reduce our exposure resulting from cyber security risks and outsourcing, these measures may not be sufficient to prevent ongoing threats which may result in unauthorized access, loss, exposure or destruction of data, or other cybersecurity incidents, with increased costs and other consequences, including those described above. Privacy and information security laws and regulation changes, and compliance with those changes, may also result in cost increases due to system changes and the development of new administrative processes.

RISKS RELATED TO TAXES AND ERISA

Your ability to offset income with our losses may be limited.

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

Your tax liability may exceed the cash you receive.

Your tax liabilities associated with an investment in the units for a given year may exceed the amount of cash we distribute to you during such year. As a member, you will be taxed on your allocable share of our taxable income whether or not you actually receive cash distributions from us. Your taxable income could exceed cash distributions you receive, for example, if you elect to reinvest into additional units the cash distributions you would otherwise have received. Taxable income in excess of cash distributions also could result if we were to generate so-called “phantom income” (taxable income without an associated receipt of cash). Phantom income could be recognized from a number of sources, including, without limitation, any established loan loss reserves. Under very limited circumstances, you could receive a special distribution to enable you to pay taxes on specified types of income.

We expect to generate unrelated business taxable income.

Tax-exempt investors (such as an employee pension benefit plan or an IRA) may be subject to tax to the extent that income from the units is treated as unrelated business taxable income, or UBTI. We may realize UBTI from the sale of loans if we are deemed to be a “dealer” in the business of selling loans to customers in the ordinary course of our trade or business and a particular loan or loans are deemed to be “dealer property.” In addition, we borrow funds on a limited basis, which can cause a portion of our income to be treated as UBTI. We may also receive income from services rendered in connection with making or securing loans, which is likely to constitute UBTI. Furthermore, any rental income that we receive from a lease of personal property would constitute UBTI unless the personal property is leased along with real property and the rents received from the personal property are an incidental amount of the total rents received under the lease. While we do not currently intend to own and lease personal property, it is possible we may do so as a result of a foreclosure upon a default. Although we will use reasonable efforts to prevent any borrowings and leases of personal property from causing any significant amount of income from the units to be treated as UBTI, we expect that some portion of our income will be UBTI. Prospective investors that are tax-exempt entities are urged to consult their own tax advisors regarding the suitability of an investment in units. In particular, an investment in units may not be suitable for charitable remainder trusts.

You may be subject to state and local tax laws.

The state in which you reside may impose an income tax upon your share of our taxable income. Furthermore, states such as California, in which we will own property, generally impose income tax upon a member’s share of the company’s taxable income considered allocable to such states, whether or not a member resides in that state. As a result, a nonresident member may be required to file a tax return in California. You are urged to consult with your own tax advisers with respect to state and local tax consequences of an investment in our units.

Changes in tax laws could have an adverse effect on your investment.

Changes in federal, state or local tax law could have an adverse effect on the rate of return on your investment in our units or on the market value of our assets. You are urged to consult with your own tax advisor with respect to the impact of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our units.

Risks of investment by ERISA plan investors and other tax-exempt investors.

If you elect to participate in the DRIP, you should consider the same factors that you had to consider when considering an investment in the units initially, including if you are a Benefit Plan Investor subject to the requirements of the Employee Retirement Income Security Act ("ERISA"), you should consider, among other things, (i) whether the investment satisfies the diversification requirements of Section 404(a)(1)(C) of ERISA; (ii) whether the investment is prudent, since it is not expected that there will be a market created in which you can sell or otherwise dispose of the units. In addition if you are a Benefit Plan Investor that is a tax-qualified pension or 401(k) plan, an IRA or a similar plan, you should consider (i) whether a distribution of units in kind from the plan or IRA would be accepted as a rollover by a trustee or custodian of a successor plan or IRA, and if not accepted, whether the automatic 20% income tax withholding would create the need to effectuate the rollover using assets other than the units; and (ii) whether a required distribution from a tax-qualified pension or 401(k) plan or IRA commencing on the April 1 following the calendar year in which the beneficiary attains age 70 1⁄2 (or if later with respect to a tax-qualified plan distribution, the date the beneficiary retires) could cause the beneficiary to become subject to income tax that the beneficiary would need to satisfy out of assets other than the units if such beneficiary were not able to transfer the units for cash. Finally, all Benefit Plan Investors, including tax-qualified pension and 401(k) plans and IRAs, should consider (i) whether the investment will impair the liquidity of your plan, IRA or other entity; and (ii) whether interests in us or the underlying assets owned by us constitute "plan assets" for purposes of Section 406 of ERISA or Section 4975 of the Code which could cause certain transactions with us to constitute non-exempt prohibited transactions. ERISA requires that the assets of a plan be valued at their fair market value as of the close of the plan year, and it may not be possible to adequately value the units from year to year, since there will not be a market for those units and the appreciation of any property may not be shown in the value of the units until we sell or otherwise dispose of our investments. If you are an employee benefit plan subject to federal, state or local law that is substantially similar to ERISA, you should consider whether an investment in the units would satisfy the requirements of such similar law.

Item 1B – Unresolved Staff Comments

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

Item 2 – Properties

We have not owned any real property since inception.

Our address is RMC's principal office space. RMC is located in a leased space at 177 Bovet Road, Suite 520, San Mateo, CA 94402.

Item 3 – Legal Proceedings

See Note 6 (Commitments and Contingencies, Other Than Loan Commitments) to the financial statements included in Part II, Item 8 of this report for information regarding legal proceedings, which presentation is incorporated by reference into this Item 3.

Item 4 – Mine Safety Disclosures

Not Applicable.

Part II

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

Investors will have limited ability to sell their units. Our units are not listed on an exchange or quoted through a quotation system, and there is no secondary market nor do we expect that any will develop in the foreseeable future. Units are not freely transferable, and they may not be acceptable by a lender as security for borrowing. Our operating agreement also imposes substantial restrictions upon your ability to transfer units. Therefore, an investment in our units is not suitable for investors who expect to require short-term liquidity from their investments. See "Liquidity and unit redemptions program" in Part I of this Report. As of February 28, 2022, we had approximately 1,300 unit holders, who held approximately 78,350,000 units.

Recent sales of unregistered securities

All sales of our units within the past three years were registered under the Securities Act.

DRIP/ SEC registrations

In May 2019, the company filed a Registration Statement on Form S-3 with the SEC (SEC File No. 333-231333) that went effective May 9, 2019 to offer up to 15,000,000 units ($15,000,000) to members of record as of April 30, 2019 who previously elected to participate in the DRIP or who later provide written notice to the manager electing to participate in the DRIP, and who reside in those states in which approval to sell has been obtained.

As of December 31, 2021, the aggregate gross proceeds from sales of units to members under our DRIP pursuant to the May 2019 Form S-3 Registration Statement is approximately $6,133,000. Earnings distributed and reinvested in our DRIP were approximately $2.2 million and $2.3 million in 2021 and 2020, respectively.

Redemption of units

Redemptions are made once a quarter, on the last business day of the quarter. The unit redemption program is ongoing and available to members beginning one year after the purchase of the units.

The maximum number of units that may be redeemed in any year and the maximum amount of redemption available in any period to members are subject to certain limitations including, but limited to, the company will not:

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

In addition, the manager may, in its sole discretion, further limit the percentage of the total members' units that may be redeemed or may adjust the timing of scheduled redemptions (including deferring withdrawals indefinitely), to the extent that such redemption would cause the company to be treated as a "publicly traded partnership" within the meaning of Section 7704 of the Code or any Treasury Regulations promulgated thereunder (determined without reference to Code Section 469(i)). The manager is also granted the right, in its sole discretion, at any time, to reject any request for redemption, or to suspend or terminate the acceptance of new redemption requests without prior notice, or to terminate, suspend or amend the unit redemption program upon 30-day notice.

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

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

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

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

The price paid for redeemed units is based on the lesser of the purchase price paid by the redeeming member or the member's capital account balance as of the date of each redemption payment. Redemption value – for other than DRIP units - is calculated based on the period from date of purchase as follows: after one year 92% of the of the purchase price or of the capital balance, whichever is less; after two years 94%; after three years 96%; after four years 98%; and after five years 100%.

The Manager may, in its sole discretion, waive any of the above holding periods or penalties applicable to redemptions in the event of the death of a member or other exigent circumstances or if the manager believes such wavier is in the best interests of the company. Waiver of any provision applicable to redemptions in any period or with respect to any member, in no way, affects the ability of the company to enforce that provision in any other period or with respect to any other member.

Proceeds from sale of DRIP units

Proceeds from the sale of the DRIP units are used to make additional loans and fund working capital reserves.

Commissions for unit sales to new members paid to broker-dealers/formation loan

Commissions for unit sales to new members paid to broker-dealers ("B/D sales commissions") and premiums paid to certain investors upon the purchase of units were paid by RMC and were not paid directly by us out of unit-sales proceeds. Instead, the company advanced to RMC amounts sufficient to pay the B/D sales commissions and premiums to be paid to investors. Such advances in total were not to exceed seven percent (7%) of offering proceeds. The receivable arising from the advances is unsecured and non-interest bearing and is referred to as the "formation loan." As of December 31, 2021, (offerings of units to new members ended April 30, 2019) such advances totaled approximately $5,627,000, of which $3,388,000 remains outstanding (the "Current Formation Loan Balance"). Please refer to the information under "—Formation loan" and "—Organization and offering expenses" in Note 3 (Manager and Other Related Parties) to the financial statements included in Part II, Item 8 of this report for a discussion of the formation loan and organization and offering expenses, which discussions are incorporated herein by this reference.

In March 2022, the Operating Agreement was amended to extend the term of repayment of the formation loan to December 31, 2038 to coincide with the extended term of the company. The Current Formation Loan Balance is repayable by RMC in annual installments of approximately $208,000 which may be paid by RMC either in full on December 31 of each calendar year during the term of the company (each, an "Annual Payment Date") or in four equal quarterly installments beginning on the Annual Payment Date and continuing thereafter on the last day of each calendar quarter in the following year. Any amount of the formation loan balance remaining unpaid on the last day of the company term, if any, is payable in full on that date.

Distributions

Distributions to members' totaled approximately $4,418,000 and $4,469,000 in 2021 and 2020, respectively. We expect to make comparable distributions in 2022. See "Distribution policy" under Item 1- Business in Part I of this annual report, which discussion is incorporated by reference herein.

Distribution reinvestment plan

The DRIP provision of the Operating Agreement permits members to elect to have all or a portion of their monthly distributions reinvested in additional units. Members of record as of April 30, 2019, that previously elected to participate in the DRIP or that later provide written notice to the manager, and who reside in those states in which approval to offer the units has been obtained, may elect to participate in the DRIP.

Unit redemption program

To provide liquidity to members, the company's Operating Agreement includes a unit redemption program, whereby beginning one year from the date of purchase of the units, a member may redeem all or part of their units, subject to certain limitations.

Units redeemed in 2021 and 2020 by quarter are presented in the following table ($ in thousands). All redemptions are made on the last business day of the quarter and valued at $1 per unit.

For the quarterly period ended	2021	2020
March 31	$ 927	$ 488
June 30	1,774	699
September 30	1,151	867
December 31	1,009	1,216
Total	$ 4,861	$ 3,270
Total withdrawals since formation	$ 18,099	

In 2021, the units redeemed was approximately $4,861,000, which exceeded the annual redemption limitation of $4,037,000. The manager has no obligation to exercise its discretionary power to waive or to otherwise modify the annual redemption limitation in any future period.

Fair market value / unit value

In compliance with FINRA Rule 2310 concerning direct-participation-program value per unit estimates, RMC obtained information regarding fair market valuations of the net assets and unit value as of December 31, 2021, for RMI IX. The valuations were performed with the assistance of an independent valuation firm that provides asset valuations to retirement plan sponsors, plan administrators, banking and trust companies, and ERISA plans. The fair values of the individual properties were taken from appraisals which referenced the most current available market information such as listing agreements, offers, and pending and closed sales. Industry standard valuation approaches, including the Income Approach, were utilized in deriving the fair values, as appropriate. There is no assurance that this estimated fair value of the membership units is or will remain accurate, and it does not determine the amount that a member is entitled to receive upon redemption of units. The redemption amount is determined by the applicable provisions of the Operating Agreement.

The fair value of a unit of RMI IX was determined to be $1.00, after consideration of the fair values of the net assets held, the restrictions in the unit redemption program in the Operating Agreement and the restrictions on transferability of units with consideration to the expected net distribution rate on the units.

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

- are of shorter terms at origination than commercial real estate loans by institutional lenders and conventional single-family home mortgage lenders;
- are written without a prepayment penalty; and
- are not yet sellable into an established secondary market as companies or individuals originating loans similar to those originated by RMC on behalf of the company typically intend to hold the loans until maturity.

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

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

The primary purpose of the valuation was to determine the fair value of a unit of membership interest in RMI IX. There is no assurance that this estimated value is or will remain accurate, and it does not determine the amount that a member is entitled to receive upon withdrawal of units. RMC makes no representation, express or implied, that a unit of RMI IX could or would be transferred by an investor for the stated fair value.

Item 6 – [Reserved.]

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

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

Manager and Other Related Parties

Note 1 (Organization and General) and Note 3 (Manager and Other Related Parties) to the financial statements included in Part II, Item 8 of this report present details as to the company activities for which related parties are compensated and related transactions, including the formation loan to RMC, which presentation is incorporated by this reference into this Item 7.

Critical Accounting Policies and 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 allowance for loan losses, including, when applicable, the valuation of non-performing secured loans (which itself requires determining the fair value of the collateral), and the valuation of real estate owned, at acquisition and subsequently. Actual results could differ significantly from these estimates.

Allowance for loan losses

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

In determining the probability that a borrower may not ultimately perform according to the terms of the original loan agreement - and further that a credit loss may have been incurred, the manager considers the following:

- payment status – loans with payments in arrears 90+ days (typically 3 payments past due) unless resolution of the delinquency is forthcoming without significant delay;
- lien position; and
- loans with an LTV above lending guidelines.

See Results of Operations, Secured Loans included in Part II, Item 7 of this report for a detailed presentation on the LTV by lien position for non-performing and performing loans.

Fair value estimates

The fair value of the collateral is determined by exercise of judgment based on management's experience informed by appraisals (by licensed appraisers), brokers' opinion of values and publicly available information on in-market transactions. Appraisals of commercial real property generally present three approaches to estimating value: 1) market comparables or sales approach; 2) cost to replace; and 3) capitalized cash flows or income approach. These approaches may or may not result in a common, single value. The market-comparables approach may yield several different values depending on certain basic assumptions, including adjustments made for any attributes specific to the real estate property.

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

Results of Operations

The following discussion describes our results of operations for 2021 and 2020.

General economic conditions – California

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

In the publication "California Job Growth is Ramping Back Up" dated March 25, 2022:

Hiring Ramps Up in February

With COVID fears subsiding, California's economy is reopening and hiring is ramping back up. Employers added 138,100 jobs in February, and the state's unemployment rate fell 0.3 percentage points to 5.4%. January job growth was also revised up by 6,700 to 60,300 jobs. With nearly 200,000 jobs added in just the past two months, California is finally making some headway in recovering the jobs it lost at the onset of the pandemic. The state has now recovered 87.2% of the 2,758,900 jobs lost at the onset of the pandemic, from February to April 2020.

California imposed heavy lockdown restrictions early in the pandemic and has been slower to reopen its economy. As a result, the employment recovery has been particularly drawn out. The pace of job growth has picked up since last fall, however, once the federal government's expanded unemployment compensation program ended in September. January's employment report provided annual benchmark revisions to prior years' data. The revisions showed that employers in California ramped up hiring last year at a faster pace than initially thought. Prior to the revisions, the Bureau of Labor Statistics had reported that employers had recouped about 71.2% of the jobs lost from February to April 2020. The benchmark revisions show that California regained 80% of the lost jobs by the end of 2021. Furthermore, the job gains registered in January and February 2022 brought the recovery rate up to 87.2%. State payrolls are still 491.1K short of the pre-pandemic peak, however.

With job growth ramping up, California has reclaimed its position as the nation's largest job creator. California's Employment Development Department (EDD) notes that of the 678,000 jobs the nation gained in February, California accounted for 20.4% of them. The state's 6.8% year-over-year job growth considerably outpaced the nation's 4.6% gain. It's important to note that California's lockdown in December 2020 and January 2021 set it up for a big year-over-year gain. States that did not lockdown did not see job growth slow nearly as much during that same period.

Strong Payroll Gains Carried by Southern California

- Employers added 138,100 jobs in February. The state's unemployment rate fell 0.3 percentage points to 5.4%. January job growth was revised up by 6,700 to +60,300 jobs. Together, California added nearly 200,000 jobs to start the year.
- California is finally making some headway in recovering the jobs it lost at the onset of the pandemic. The state has now recovered 87.2% of the 2,758,900 jobs lost at the onset of the pandemic, from February to April 2020.
- Nonfarm employment has risen by an average of 76,860 a month since September, which is a modest upshift compared to the same period a year ago. The pace improvement coincides with the end of the federal government's expanded unemployment compensation program.
- Civilian employment (+98,300) rose nearly three times faster than the labor force (+32,600) during February, resulting in 65,700 fewer unemployed Californians.
- Payrolls increased in all of the major metros in February. Overall, Southern California was a primary driver of the overall employment climb. Los Angeles had the largest increase with a gain of 31,500. Payrolls in Riverside-San Bernardino (+12,200), Anaheim-Santa Ana (+11,000) and San Diego (+7,200) also saw expansions.
- Elsewhere, the Bay Area also saw hiring pick up. The San Francisco and Oakland metro areas posted a 7,700 and 6,800 job gain, respectively. San Jose gained 4,800 jobs. Meanwhile, Sacramento payrolls rose by 7,300.

Industries Expanded Across the Board in February

- Job growth was broad based in February with leisure & hospitality (+30,400) posting the largest increase with large gains in limited-service eating places providing a boost.
- Other industries that suffered outsized job losses during the pandemic also added back jobs at an accelerated pace in February, including health care & social assistance (+19,100), administrative & support services (+14,000) and retail trade (+13,400).
- Construction (+22,100) posted its largest gain since June 2020. This past month's gain was due, in part, to strength in specialty trade contractors, reflecting recent gains in home building.
- Transportation & warehousing (+13,300) continues to post impressive gains, reflecting the continued strong volume of goods transiting through California's major ports.

- Hiring in the tech sector was relatively light in February. Employment in professional, scientific & technical services fell by 800 jobs and employment in the information sector added just 300 jobs in February.
- Census Bureau estimates of county and metro population for the period between July 2020 and July 2021 were published this week. Several California counties registered a sharp decline in overall population during the period. In relative terms, San Francisco County declined by 6.7%, the second most acute contraction of any county in the country. The drop translates to a loss of 58,764 residents, bringing the county's population from 870.0K to 815.2K.
- Southern California similarly posted sharp declines. Los Angeles County shrunk by 184,465 residents. At 9.8 million residents, Los Angeles remained as the largest county in the nation, however. The net decline is likely the result of the massive outflow of residents to more affordable areas of California and other states.
- On the other hand, Riverside County gained 35,631 new residents, the third largest gain in the country in terms of numeric growth.

In the publication "California Payrolls Climb Higher in December" dated January 21, 2022:

Strong Job Gain to End 2021

The California economy ended 2021 with a solid pickup in hiring. Nonfarm employers added 50,700 jobs during December, the 11th consecutive increase in overall headcounts. While the monthly gain is certainly another step in the right direction, hiring appears to be losing a bit of momentum as the calendar turns to 2022. Throughout 2021, the state averaged just under 80,000 new job additions per month, and December's increase was the second weakest of the year. California is also lagging in terms of regaining the jobs that were lost during the 2020 lockdown period. The state has recouped just 71.7% of those jobs, which is inline with other large states such as Pennsylvania and New York, yet far behind Florida and Texas.

The sluggish nature of California's recovery is understandable considering the many challenges the state has faced recently. On top of droughts, wildfires and other environmental crises, the state has had to battle multiple outbreaks of COVID and the restrictions that accompanied them. The surge of the Omicron variant, which appears to have peaked in early January, presents downside risk to hiring in coming months. The state has also had to contend with an unprecedented exodus of residents. California's population declined 0.7% between July 2020 and July 2021, a drop that amounts to the loss of 261,900 residents. The overall decline was driven by a massive 367,300 drop in net domestic migration, far more than any other state.

While 2022 is certain to be another obstacle-filled year, there are reasons to be cautiously optimistic about the state's economic recovery. California has seen significantly stronger household employment growth in recent months. While household employment estimates can be extremely volatile, the recent strength may reflect a pickup in hiring at new businesses not yet included in the industry survey, as well as entrepreneurs, independent contractors and other workers not counted on industry payrolls. The strength in household employment helped drive the unemployment rate down to 6.5% in December from 7.0% the month prior.

What's more, economic output in the state continues to expand at a solid pace. California's real GDP rose 2.9% on a seasonally-adjusted annualized rate (SAAR) basis in Q3-2021, slightly stronger than the national rate. The solid increase brings real GDP to 3.2% above the level seen right before the pandemic. California's tech sector was the largest contributor to overall state GDP growth in Q3, with the professional, scientific & technical services and information sectors solidly expanding output. These capital-intensive industries pace a considerable punch. One industry that has been understandably slow to recover has been the leisure & hospitality industry, which is much more labor-intensive. In Q3, output was still 20.2% below pre-pandemic levels. California's tourism sector saw visits partially bounce back in 2021, as domestic travel ramped up throughout the year. Looking ahead, business and international travel should come back online as COVID risks subside and restrictions are rolled back, making travel to the state more attractive.

Solid Payroll Gain in the Golden State

- California employers added 50,700 jobs during December. For 2021 as a whole, the state added 954,400 jobs. The state's economy has now recouped 1.95 million of the 2.71 million jobs, almost 72% of the jobs lost during the initial lockdown period in March and April 2020.
- The unemployment rate fell to 6.5% from 7.0.% the month prior. The relatively steep decline in the jobless rate was the result of December's robust 0.7% gain in household employment, which outpaced the 0.2% gain the labor force.
- Similar to national trends, California has seen significantly stronger household employment growth in recent months. While household employment estimates can be extremely volatile, the recent strength may reflect a pickup in hiring at new businesses not yet included in the industry survey as well as entrepreneurs, independent contractors and other workers not counted on industry payrolls.
- Payrolls increased in nearly every region of California during December. Southern California employers expanded payrolls solidly, notably in the Los Angeles metro division (+27,900), Anaheim (+7,900), Riverside (+4,400), San Diego (+4,200) and Oxnard-Ventura (+1,300).
- The Bay Area also posted strong gains, with payrolls in San Francisco (+7,000), San Jose (+7,200) and Oakland (+6,400) rising markedly.

- Most major industries expanded headcounts during the month. Leisure & hospitality (+15,000) added more than any other, driven by hiring at hotels, bars and restaurants (+12,000) and arts, entertainment & recreation (+3,000).
- Professional & business services rose by 12,000 jobs, as the professional, technical & scientific services industry added 8,900.
- The state's massive healthcare industry expanded headcounts by 4,700, while educational services rose by 2,900 jobs.
- Transportation & warehousing payrolls increased by a solid 7,200. The improvement comes as welcome news, as backups at the Ports of Los Angeles and Long Beach emanating from shortages of truck drivers and port workers continue to worsen.
- While the upshift in hiring was broad-based, several industries trimmed headcounts during the month. Retail registered a 7,300 decline, the second straight drop. California has seen greater weakness in retail payrolls relative to the nation, likely reflecting recent challenges in some urban areas. Hiring within the federal government and management of companies & enterprises industry also fell slightly.
- Construction and manufacturing added 1,200 and 1,800 jobs, respectively.
- Between July 2020 and July 2021, California's population declined by 0.7% or by 261,900 residents, ranking second to last in the nation behind New York.
- Most of the population decline was driven by an accelerated outflow of residents and businesses. California ranked last compared to other states in net domestic migration, as 367,300 more people moved away from the state than moved in last year.
- International migration and the net increase from natural causes (births minus deaths) slowed markedly, exacerbating the state's population decline in 2021.
- California's real GDP rose 2.9% on a seasonally-adjusted annualized rate (SAAR) basis in Q3-2021, thanks largely to strong output growth in the state's capital-intensive tech and life sciences industries.
- California's hard hit leisure & hospitality industry remains on a slower path to recovery, with output still 20.2% below pre-pandemic levels in the third quarter of 2021. California's tourism sector depends more on business and international travel, which has not recovered as quickly as domestic leisure travel.
- Real GDP in Q3-2021 was 3.2% above the level seen right before the pandemic.
- California's tech sector was the largest contributor to overall state GDP growth in Q3, with the professional, scientific & technical services and information sectors solidly expanding output.

Key performance indicators

Key performance indicators are presented in the following table for 2021 and 2020 ($ in thousands).

	2021	2020
Secured loans principal – end of period balance	$ 81,097	$ 82,275
Secured loans principal– average daily balance	80,570	75,657
Interest income	$ 6,943	$ 6,557
Portfolio interest rate(1)	8.5%	8.7%
Effective yield rate(2)	8.6%	8.7%
Line of credit - end of period balance	$ 8,480	$ 10,000
Line of credit - average daily balance(3)	$ 7,941	$ 7,348
Interest expense	$ 456	$ 304
Interest rate - line of credit(3)	5.0%	5.0%
Provision for (recovery of) loan losses	$ —	$ —
Total operations expense(8)	$ 1,743	$ 1,516
Net income(8)	$ 4,806	$ 4,851
Percent of average members' capital(4)(5)	6.0%	5.9%
Member distributions, net	$ 4,418	$ 4,469
Percent of average members' capital(4)(6)	5.5%	5.5%
Members' capital, gross – end of period balance	$ 78,192	$ 80,801
Members' capital, gross – average daily balance	$ 79,684	$ 81,756
Member redemptions(7)	$ 4,861	$ 3,270

(1) Stated note interest rate of secured loans - weighted daily average
(2) Percent of secured loans – average daily balance
(3) RMI IX entered into a credit and term loan agreement (the loan agreement) in April 2020. See Note 5 (Line of Credit) to the financial statements included in Part II, Item 8 of this report for a presentation of the activity and discussion of the terms and condition of the loan agreement.
(4) Percent of members' capital, gross – average daily balance
(5) Percent based on the net income available to members (excluding 1% allocated to the manager)
(6) Members capital distributed is net of O&O costs allocated to members during the year.
(7) Scheduled member redemptions as of December 31, 2021 were approximately $2.1 million ($887,000 as of December 31, 2020).
(8) RMC - at its sole discretion - collected less than the maximum allowable reimbursement of qualifying costs attributable to RMI IX (Costs from RMC on the Statements of Income), which increased the net income, cash available for distribution, and the net-distribution rate. See Note 3 (Manager and Other Related Parties) to the financial statements included in Part II, Item 8 of this report for a detailed discussion of fees and cost reimbursements to which the manager is entitled.

The secured loan principal at December 31, 2021 of $81.1 million was a decrease of approximately 1% ($1.2 million) over the December 31, 2020 secured loans principal of $82.3 million. Members' capital at December 31, 2021 of $78.2 million was a decrease of approximately 3.2% ($2.6 million) from December 31, 2020, as redemptions of members' units exceeded purchases of DRIP units.

Secured loans

We have sought to exercise strong discipline in underwriting loan applications and lending against collateral at amounts that create a secured loan portfolio that has substantial protective equity (i.e., property value to outstanding debt) as indicated by the overall weighted average loan-to-value ratio (LTV) which at December 31, 2021 was approximately 58.0% at the time origination. As a result, the secured loan portfolio has aggregate protective equity of 42.0% in the property, and we as lenders have lent in the aggregate 58.0% (including other senior liens on the property) against the properties we hold as collateral for the repayment of our loans.

Secured loans, principal by LTV and lien position are presented in the following table as of December 31, 2021 ($ in thousands). The LTV's shown in this table have been updated for any appraisals ordered and received by the manager after origination of the loan.

	Secured loans, principal					
LTV[1]	First trust deeds	Percent	Second trust deeds	Percent	Total principal	Percent
<40%	$ 3,989	4.9%	$ 2,887	3.5%	$ 6,876	8.4%
40-49%	12,583	15.5	300	0.4	12,883	15.9
50-59%	11,133	13.7	1,182	1.5	12,315	15.2
60-69%	31,127	38.4	3,628	4.5	34,755	42.9
Subtotal <70%	58,832	72.5	7,997	9.9	66,829	82.4
70-79%	7,375	9.1	3,773	4.7	11,148	13.8
Subtotal <80%	66,207	81.6	11,770	14.6	77,977	96.2
≥80%	3,120	3.8	—	0.0	3,120	3.8
Total	$ 69,327	85.4%	$ 11,770	14.6%	$ 81,097	100.0%

(1) LTV classifications in the table above are based on the company's recorded investment in the loan.

Non-performing secured loans, principal by LTV and lien position at December 31, 2021 are presented in the following table ($ in thousands). The LTV's shown in this table have been updated for any appraisals ordered and received by the manager after origination of the loan.

	Non-performing secured loans, principal					
LTV[2]	First trust deeds	Percent[3]	Second trust deeds	Percent[3]	Total principal	Percent[3]
<40%	$ 1,980	2.4%	$ —	0.0%	$ 1,980	2.4%
40-49%	—	0.0	300	0.4	300	0.4
50-59%	—	0.0	185	0.2	185	0.2
60-69%	5,930	7.3	586	0.7	6,516	8.0
Subtotal <70%	7,910	9.7	1,071	1.3	8,981	11.0
70-79%	—	0.0	—	0.0	—	0.0
Subtotal <80%	7,910	9.7	1,071	1.3	8,981	11.0
≥80%	—	0.0	—	0.0	—	0.0
Total	$ 7,910	9.7%	$ 1,071	1.3%	$ 8,981	11.0%

(2) LTV classifications in the table above are based on the company's recorded investment in the loan.
(3) Percent of secured loans principal, end of period balance

Payments in arrears at December 31, 2021 for non-performing secured loans, (i.e., principal and interest payments past due 30 or more days) totaled approximately $2,410,000, of which approximately $2,285,000 was principal and approximately $125,000 was accrued interest.

See Note 4 (Loans) to the financial statements included in Part II, Item 8 of this report for detailed presentations as to the secured loan portfolio, payments in arears on non-performing loans, and on the allowance for loan losses.

Performance overview/net income 2021 v. 2020

Net income available to members as a percent of members' capital, gross – average daily balance was 6.0% and 5.9% for the year ended December 31, 2021 and 2020, respectively. Net income decreased approximately $45,000 in 2021 as compared 2020 as an increase in total revenue, net of $182,000 (net interest income increased $234,000; late fees increased $35,000; gain on sale of loans decreased $87,000) was offset by an increase in operations expense of approximately $227,000.

Analysis and discussion of income from operations 2021 v. 2020

Significant changes to net income in 2021 and 2020 are summarized in the following table ($ in thousands).

	Net interest income	Provision for (recovery of) loan losses	Operations expense	Net income
Twelve months ended				
December 31, 2021	$ 6,487	—	1,743	$ 4,806
December 31, 2020	6,253	—	1,516	4,851
Change	$ 234	—	227	$ (45)
Change				
Increase secured loans principal - average daily balance	$ 389	—	14	$ 375
Effective yield rate	(3)	—	—	(3)
Increase members' capital - average daily balance	—	—	65	(65)
Interest on line of credit	(138)	—	—	(138)
Amortization of debt issuance costs	(14)	—	—	(14)
Late fees	—	—	—	35
Gain on sale, loans	—	—	—	(87)
Decrease in allocable expenses from RMC	—	—	(53)	53
Increase in RMC cost reimbursements accrued	—	—	47	(47)
RMC fees/costs reimbursements collected	—	—	27	(27)
Tax compliance cost efficiency	—	—	(22)	22
Expanded legal and audit services	—	—	88	(88)
Timing of services rendered	—	—	12	(12)
Independent contractors	—	—	21	(21)
Other	—	—	28	(28)
Change	$ 234	—	227	$ (45)

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

Net interest income

Net interest income increased approximately $234,000 (3.7%) in 2021 compared to 2020. The increase in net interest income is due to an increase in interest income of approximately $386,000 (5.9%) resulting from the increase in the average daily balance of secured loans of approximately $4.9 million (6.5%), offset in part by an increase in interest expense of $152,000 (50.0%) due to greater utilization of the line of credit. The line of credit was utilized with an average daily balance of approximately $7.9 million for 2021 as compared to $7.3 million for only the eight months ended December 31, 2020, as the line of credit was not available until April 2020.

Foregone interest on non-accrual loans at December 31, 2021 was approximately $67,000, an increase of approximately $4,000 compared to December 31, 2020.

Provision for loan losses/Allowance for loan losses

Generally, the company has not recorded a significant provision/allowance for loan losses as the secured loans have protective equity such that collection is deemed probable for all recorded amounts due on the loan. In 2021 there were no charge-offs nor was there a provision for loan losses. In 2020, there was approximately $32,000 in charge-offs to the allowance in relation to a loan in second lien position to facilitate the sale of the underlying collateral which was sold in February 2020.

Operations expense

Significant changes to operations expense in 2021 and 2020, are summarized in the following table ($ in thousands).

	Mortgage servicing fees	Asset management fees	Costs from RMC, net	Professional services	Other	Total
Twelve months ended						
December 31, 2021	$ 201	564	220	693	65	$ 1,743
December 31, 2020	187	541	146	612	30	1,516
Change	$ 14	23	74	81	35	$ 227
Change						
Increase secured loans principal - average daily balance	$ 14	—	—	—	—	$ 14
Increase members' capital - average daily balance	—	23	42	—	—	65
Decrease in allocable expenses from RMC	—	—	(53)	—	—	(53)
Increase in RMC cost reimbursements accrued	—	—	47	—	—	47
RMC fees/costs reimbursements collected	—	—	27	—	—	27
Tax compliance cost efficiency	—	—	—	(22)	—	(22)
Expanded legal and audit services	—	—	—	88	—	88
Timing of services rendered	—	—	—	12	—	12
Independent contractors	—	—	—	21	—	21
Other	—	—	11	(18)	35	28
Change	$ 14	23	74	81	35	$ 227

Mortgage servicing fees

The increase in mortgage servicing fees of $14,000 from 2021 to 2020 was due to an increase in the average daily balance - secured loans of $4.9 million at the annual mortgage servicing fee to RMC of 0.25%.

Asset management fees

The increase in asset management fees of approximately $23,000 from 2021 to 2020 was due to an increase in the members' capital base at year-end December 31, 2020 compared to year-end December 31, 2019. The asset management fee is determined based on the prior year end member’s capital base which is computed as the then fair value of the company’s loans plus working capital reserves less outstanding debt.

Costs from RMC, net

In the year ended 2021, RMC - at its sole discretion - collected less than the maximum allowable reimbursement of qualifying costs attributable to RMI IX (Costs from RMC on the Statements of Income). For periods prior to the third quarter of 2020, RMC had waived all reimbursement for the cost of services attributable to RMI IX. The reimbursement of costs from RMC waived was approximately $425,000 and $452,000 in 2021 and 2020, respectively.

The amount of qualifying costs attributable to RMI IX incurred by RMC was approximately $645,000 and $598,000 in 2021 and 2020, respectively. The increase in 2021 was primarily due to an increase in RMC cost reimbursements accrued by RMI IX for costs incurred by RMC in December 2021 to be billed and paid in January 2022 of approximately $47,000, and an increase in the company’s members’ capital as a percent of the total capital of the related mortgage funds managed by RMC, offset in part by a decrease in allocable payroll and professional services year over year.

Professional services

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

The increase in professional services of approximately $81,000 from 2021 compared to 2020 was due primarily to an increase in audit and legal fees due to expanded services associated with the line of credit agreement, loan transactions and valuation of loan collateral. Costs for these professional services have been increasing – and are expected to continue to increase – as the demands of regulatory compliance increase and the rate at which firms charge for their services increases.

Members' capital, cash flows and liquidity

Cash flows by business activity for 2021 and 2020 are presented in the following table ($ in thousands).

	2021	2020
Members' capital		
Earnings distributed to members, net of DRIP	$ (2,351)	$ (2,166)
Redemptions, net	(4,826)	(3,239)
Organization and offering expenses received, net	81	67
Formation loan	405	119
Cash – members' capital, net	(6,691)	(5,219)
Borrowings		
Line of credit advances (payments), net	(1,520)	10,000
Interest paid	(400)	(226)
Debt issuance costs paid	—	(110)
Promissory note received from related party	—	800
Promissory note repaid to related party	—	(800)
Cash – borrowings, net	(1,920)	9,664
Cash - members' capital and borrowings, net	(8,611)	4,445
Loan principal/advances/interest		
Loans funded & advances, net	(49,185)	(51,847)
Principal collected	48,972	36,358
Loan transferred from related mortgage fund	(4,672)	(2,997)
Loans transferred to related mortgage funds	2,560	237
Loans sold to non-affiliate	3,464	6,718
Interest received, net	7,741	6,394
Late fees	162	26
Promissory note funded to related party	—	(850)
Promissory note repaid by related party	—	850
Cash – loans, net	9,042	(5,111)
Operations expense	(1,697)	(1,486)
Net change in cash	$ (1,266)	$ (2,152)
Cash, end of period	$ 1,033	$ 2,299

Earnings distributed to members

Net income (or loss) is allocated among the members according to their respective capital accounts after one percent (1%) of the net income (or loss) is allocated to the manager. The monthly results are subject to subsequent adjustment as a result of quarterly and year-end accounting and reporting. Federal and state income taxes are the obligation of the members, other than the annual California franchise tax and the California LLC cash receipts taxes paid by the company.

Cash available for distributions allocable to members is disbursed at the end of each calendar month. The manager's allocable share of cash available for distribution is distributed not more frequently than cash distributions to members.

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

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

- loan origination volume and the balance of capital available to lend;
- the current and future interest rates negotiated with borrowers;
- line of credit advances, repayments and the interest rate thereon;
- loan sales to unaffiliated third parties, and any gains received thereon;
- the amount of fees and cost reimbursements to RMC;
- the timing and amount of other operating expenses, including expenses for professional services;
- the timing and amount of payments from RMC on the formation loan; and,
- fee and/or cost reimbursements waived, if any, from RMC.

There is no requirement in the Operating Agreement for a required level of distributions to members. The amount of distributions to members is determined by the manager based on financial results and cash available for distribution taking into consideration the need to maintain adequate cash balances to support ongoing operations. The manager has broad discretion in determining the dollar amount of cash balances required.

The distribution reinvestment plan (DRIP) provision of the Operating Agreement permits members to elect to have all or a portion of their monthly distributions reinvested in the purchase of additional units. Cash available for distributions allocable to members who have elected to participate in the DRIP is distributed and reinvested in units at each month end. Earnings distributed and reinvested in DRIP were approximately $2.2 million and $2.3 million in 2021 and 2020, respectively.

Redemptions of members' capital

The Operating Agreement provides for a unit redemption program that contains significant restrictions limiting members' ability to redeem units. The company has not established a cash reserve from which to fund redemptions. The company's capacity to redeem units upon request is limited by the availability of cash and the company's cash flow. RMC, the manager, is also granted the right, in its sole discretion, at any time, to reject any request for redemption, or to suspend or terminate the acceptance of new redemption requests without prior notice, or to terminate, suspend or amend the unit redemption program upon 30-day notice. In addition, the Manager may, in its sole discretion, waive any applicable holding periods or penalties in the event of the death of a member or other exigent circumstances or if the manager believes such wavier is in the best interests of the Company.

The company redeems units quarterly and the maximum number of units which may be redeemed per quarter per individual member is the greater of (i) 100,000 units, or (ii) 25% of the member's total outstanding units. Further, in any calendar year, the maximum number of units redeemed from all members is 5% (or in any calendar quarter at 1.25%) of the weighted average number of all units outstanding during the 12-month period immediately prior to the date of the redemption.

In 2021, the units redeemed was approximately $4,861,000, which exceeded the annual redemption limitation of $4,037,000. The manager has no obligation to exercise its discretionary power to waive or to otherwise modify the annual redemption limitation in any future period.

The table below sets forth redemptions of members' capital for 2021 and 2020 ($ in thousands).

Redemptions	**2021**	**2020**
Without penalty	$ 3,983	$ 2,664
With penalty	878	606
Total	$ 4,861	$ 3,270
Early withdrawal penalties	$ 35	$ 31

At December 31, 2021, scheduled redemptions of members' capital were approximately $2.1 million, substantially all of which is scheduled for payment in 2022. Scheduled redemptions of approximately $111,000 are subject to early withdrawal penalties.

Borrowings

In March 2020, RMI IX entered into a revolving line of credit and term loan agreement and in April 2020 borrowed on the bank line of credit. For the year ended December 31, 2021, the line of credit had an average daily balance of approximately $7.9 million. At December 31, 2021, the balance was $8,480,000.

See Note 5 (Line of Credit) and Note 7 (Subsequent Events) to the financial statements included in Part II, Item 8 of this report for details on the loan agreement and the First Loan Modification Agreement dated March 4, 2022 that extends the maturity date to March 2024 and replaces “LIBOR” with "Ameribor" in the definition of the “note rate” in the loan agreement.

Liquidity and capital resources

The ongoing sources of funds are the proceeds from:

- loan payoffs;
- borrowers’ monthly principal and interest payments;
- line of credit advances;
- loan sales to unaffiliated third parties;
- payments from RMC on the outstanding balance of the formation loan; and
- sale of units to members participating in the dividend reinvestment plan.

The company’s cash balances are maintained at levels sufficient to support on-going operations and satisfy obligations, without reducing loan fundings or suspending distributions or redemptions, although these options are available if future circumstances warrant. The manager will continue to utilize line of credit advances, loan assignments to related mortgage funds and loan sales to unaffiliated third parties to maintain liquidity of the company, while striving to fully deploy capital available to lend.

The manager believes these sources of funds will provide sufficient funds to adequately meet our obligations beyond the next twelve months.

Contractual obligations, other than redemptions of members capital

At December 31, 2021, the company had no construction or rehabilitation loans outstanding, and no other contractual obligations other than redemptions of members capital.

At December 31, 2021, RMI IX had no off-balance sheet arrangements. Such arrangements are not permitted per the Operating Agreement.

Item 7A – Quantitative and Qualitative Disclosures About Market Risk

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

Item 8 – Financial Statements and Supplementary Data

The following financial statements of Redwood Mortgage Investors IX, LLC at and for the years ended December 31, 2021 and 2020 are included in Item 8:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Redwood Mortgage Investors IX, LLC (a Delaware Limited Liability Company) (the "Company") as of December 31, 2021 and 2020, the related statements of income, members' capital, and cash flows for each of the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan Losses

As described in Notes 2 and 4 to the Company's financial statements, the Company has a gross principal loan portfolio of $81.1 million and related allowance for loan losses of $0.06 million as of December 31, 2021. In calculating the allowance for loan losses, the Company primarily considers the fair value of collateral associated with non-performing loans over 90 days past due or loans with a forbearance agreement in effect. The evaluation of the fair value of the collateral involves significant estimates and subjective assumptions that require a high degree of management's judgment.

We identified the determination of the allowance for loan losses specific to the non-performing loans over 90 days past due or loans with a forbearance agreement in effect to be a critical audit matter. In evaluating the fair value of collateral when assessing its allowance for loan losses, management considers current economic conditions and loan to value ratios. Management's preferred method for determining the fair value of collateral is the sale comparison method, which may yield different values depending on assumptions used including the consideration of adjustments made for any attributes specific to the real estate property as disclosed in Note 4. Management's determination of loan losses requires significant judgments in the fair value of collateral included in appraisals, brokers' opinion of values, and publicly available information on market transactions. Auditing these significant judgments involves especially challenging auditor judgment due to the nature and extent of audit evidence and effort required to address these matters, including the extent of specialized skill or knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Evaluating whether changes in economic and real estate trends for the underlying property type and geographic location necessitate consideration in the calculation for the allowance for loan losses.
- Considering the reasonableness of the loan to value ratio by evaluating the fair value of the underlying collateral.
- Utilizing personnel with specialized knowledge and skills in real estate valuation to assist in assessing the appropriateness of the valuation methodologies, assessing the reasonableness of the comparable real estate sales transactions in the appraisals, and the reasonableness of adjustments made to the comparable real estate sales transactions in the appraisals in evaluating the fair value of the loan collateral.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2015.

San Francisco, California

March 31, 2022

REDWOOD MORTGAGE INVESTORS IX, LLC
Balance Sheets
December 31, 2021 and 2020
($ in thousands)

ASSETS	December 31, 2021	December 31, 2020
Cash, in banks	$ 1,033	$ 2,299
Loan payments in trust	67	131
Loans		
Principal	81,097	82,275
Advances	17	14
Accrued interest	529	684
Prepaid interest	(643)	—
Loan balances secured by deeds of trust	81,000	82,973
Allowance for loan losses	(55)	(55)
Loan balances secured by deeds of trust, net	80,945	82,918
Debt issuance costs, net	14	69
Prepaid expenses	25	—
Total assets	$ 82,084	$ 85,417
LIABILITIES AND MEMBERS' CAPITAL		
Accounts payable and accrued liabilities	$ 75	$ 100
Payable to related parties	101	4
Line of credit	8,480	10,000
Total liabilities	8,656	10,104
Commitments and contingencies (Note 6)		
Members' capital, net	76,816	79,125
Receivable from manager (formation loan)	(3,388)	(3,812)
Members' capital, net of formation loan	73,428	75,313
Total liabilities and members' capital	$ 82,084	$ 85,417

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Income
For the Years Ended December 31, 2021 and 2020
($ in thousands)

	2021	2020
Revenue		
Interest income	$ 6,943	$ 6,557
Interest expense	(456)	(304)
Net interest income	6,487	6,253
Late fees	62	27
Gain on sale, loans	—	87
Total revenue, net	6,549	6,367
Provision for (recovery of) loan losses	—	—
Operations expense		
Mortgage servicing fees	201	187
Asset management fees	564	541
Costs from Redwood Mortgage Corp., net (Note 3)	220	146
Professional services	693	612
Other	65	30
Total operations expense	1,743	1,516
Net income	$ 4,806	$ 4,851
Net income		
Members (99%)	$ 4,757	$ 4,802
Manager (1%)	49	49
	$ 4,806	$ 4,851

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Changes in Members' Capital
For the Years Ended December 31, 2021 and 2020
($ in thousands)

	Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' Capital, net
Balance at December 31, 2020	$ 80,801	$ 182	$ (1,858)	$ 79,125
Net income	4,757	49	—	4,806
Earnings distributed to members	(4,418)	(149)	—	(4,567)
Earnings distributed used in DRIP	2,216	—	—	2,216
Members' redemptions	(4,861)	—	—	(4,861)
Organization and offering expenses allocated	(303)	—	303	—
Organization and offering expenses repaid by RMC	—	—	81	81
Early withdrawal penalties	—	—	16	16
Balance at December 31, 2021	$ 78,192	$ 82	$ (1,458)	$ 76,816

	Members' Capital	Manager's Capital	Unallocated Organization and Offering Expenses	Members' Capital, net
Balance at December 31, 2019	$ 81,756	$ 133	$ (2,260)	$ 79,629
Net income	4,802	49	—	4,851
Earnings distributed to members	(4,469)	—	—	(4,469)
Earnings distributed used in DRIP	2,303	—	—	2,303
Members' redemptions	(3,270)	—	—	(3,270)
Organization and offering expenses allocated	(321)	—	321	—
Organization and offering expenses repaid by RMC	—	—	67	67
Early withdrawal penalties	—	—	14	14
Balance at December 31, 2020	$ 80,801	$ 182	$ (1,858)	$ 79,125

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

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
($ in thousands)

	2021	2020
Operations		
Interest income received	$ 7,741	$ 6,394
Interest expense paid	(400)	(226)
Late fees and other loan income	162	26
Operations expense	(1,697)	(1,486)
Total cash provided by operations	5,806	4,708
Investing – loans		
Loans funded	(49,182)	(51,847)
Principal collected	48,972	36,358
Loan transferred from related mortgage fund	(4,672)	(2,997)
Loans transferred to related mortgage funds	2,560	237
Loans sold to non-affiliate	3,464	6,718
Advances made on loans	(3)	-
Promissory note funded to related party	—	(850)
Promissory note repaid by related party	—	850
Total cash provided by (used in) investing	1,139	(11,531)
Financing		
Members' capital		
Distributions to members		
Earnings distributed, net of DRIP	(2,351)	(2,166)
Redemptions, net of early withdrawal penalties	(4,826)	(3,239)
Total distributions to members	(7,177)	(5,405)
Organization and offering expenses received, net	81	67
Formation loan collected	405	119
Cash used in members' capital	(6,691)	(5,219)
Promissory note received from related party	—	800
Promissory note repaid to related party	—	(800)
Line of credit		
Advances	19,935	24,180
Repayments	(21,455)	(14,180)
Debt issuance costs	—	(110)
Cash (used in) provided by line of credit	(1,520)	9,890
Total cash (used in) provided by financing	(8,211)	4,671
Net decrease in cash	(1,266)	(2,152)
Cash, beginning of period	2,299	4,451
Cash, end of period	$ 1,033	$ 2,299

Non-cash financing activity for 2021 and 2020 includes early withdrawal penalties of approximately $35,000 and $31,000, respectively, which reduced members’ capital by approximately $16,000 and $14,000 respectively, as these amounts were applied to unallocated organizational and offering expenses and the formation loan in the amount of approximately $19,000 and $17,000, respectively. Non-cash financing activities for 2021 and 2020 also includes earnings distributed to the dividend reinvestment plan of $2,216,000 and 2,303,000, respectively.

Non-cash financing activity for 2021 includes manager withdrawals of approximately $149,000 which were paid in January 2022. The amount is included on the balance sheet at December 31, 2021 as a payable to related parties.

REDWOOD MORTGAGE INVESTORS IX, LLC
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
($ in thousands)

Reconciliation of net income to total cash provided by operations	2021	2020
Net income	$ 4,806	$ 4,851
Adjustments to reconcile net income to net cash provided by operations		
Gain on sale, loans	—	(87)
Charge off of accrued interest	—	(12)
Amortization of debt issuance costs	55	41
Change in operating assets and liabilities		
Loan payments in trust	100	—
Accrued interest	155	(151)
Prepaid interest	643	—
Prepaid expenses	(25)	—
Accounts payable and accrued liabilities	(25)	62
Payable to related parties	97	4
Total adjustments	1,000	(143)
Total cash provided by operations	$ 5,806	$ 4,708

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

NOTE 1 – ORGANIZATION AND GENERAL

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

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

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

The 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 manager is solely responsible for managing the business and affairs of the company, subject to the voting rights of the members on specified matters. The manager acting alone has the power and authority to act for and bind the company. RMC is entitled to one percent (1%) of the profits and losses of the company and to fees and reimbursements of qualifying costs as specified in the Operating Agreement.

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

Net income (or loss) is allocated among the members according to their respective capital accounts after one percent (1%) of the net income (or loss) is allocated to the manager.

The company's net income, cash available for distribution, and net-distribution rate fluctuates depending on:
- loan origination volume and the balance of capital available to lend;
- the current and future interest rates negotiated with borrowers;
- line of credit advances, repayments and the interest rate thereon;
- loan sales to unaffiliated third parties, and any gains received thereon;
- the amount of fees and cost reimbursements to RMC;
- the timing and amount of other operating expenses, including expenses for professional services;
- the timing and amount of payments from RMC on the formation loan; and,
- fee and/or cost reimbursements waived, if any, from RMC.

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 tax basis in the net assets of the company differs from book basis by the amount of the allowance for loan losses.

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

- loan payoffs;
- borrowers' monthly principal and interest payments;
- line of credit advances;
- loan sales to unaffiliated third parties;
- payments from RMC on the outstanding balance of the formation loan; and
- sale of units to members participating in the dividend reinvestment plan.

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 policy/Distribution reinvestment plan (DRIP)

Cash available for distribution at the end of each calendar month is allocated ninety-nine percent (99%) to the members and one percent (1%) to the manager. Cash available for distribution means cash flow from operations (excluding repayments for loan principal and other capital transaction proceeds) less amounts set aside for creation or restoration of reserves. The manager may withhold from cash otherwise distributable to the members with respect to any period the respective amounts of O&O expenses allocated to the members' accounts for the applicable period pursuant to the company's reimbursement to RMC and allocation to members' accounts of O&O expenses. The amount otherwise distributable, less the respective amounts of O&O expenses allocated to members, is the net distribution. Per the terms of the Operating Agreement, cash available for distribution to the members is allocated among the members in proportion to their percentage interests (except with respect to differences in the amounts of O&O expenses allocated to the respective members during the applicable period) and in proportion to the number of days during the applicable month that they owned such percentage interests. (See Note 3 (Manager and Other Related Parties) to the financial statements for a detailed discussion on the allocation of O&O expenses to members' accounts.)

Cash available for distributions allocable to members who have elected to receive distributions is disbursed at the end of each calendar month. The manager's allocable share of cash available for distribution is also distributed not more frequently than cash distributions to members.

The distribution reinvestment plan (DRIP) provision of the Operating Agreement permits members to elect to have all or a portion of their monthly distributions reinvested in the purchase of additional units. Cash available for distributions allocable to members who have elected to participate in the DRIP is distributed and reinvested in units at each month end.

In May 2019, the company filed a Registration Statement on Form S-3 with the SEC (SEC File No. 333-231333) that went effective May 9, 2019, to offer up to 15,000,000 units ($15,000,000) to members of record as of April 30, 2019 who had previously elected to participate in the DRIP or who later provide written notice to the manager electing to participate in the DRIP, in those states in which approval has been obtained. As of December 31, 2021, the aggregate gross proceeds from sales of units to members under the company's DRIP pursuant to the May 2019 Form S-3 Registration Statement is approximately $6,133,000.

Liquidity and unit redemption program

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

The price paid for redeemed units is based on the lesser of the purchase price paid by the redeeming member or the member's capital account balance as of the date of each redemption payment. Redemption value – for other than DRIP units - is calculated based on the period from date of purchase as follows: after one year 92% of the purchase price or of the capital balance, whichever is less; after two years 94%; after three years 96%; after four years 98%; and after five years 100%.

The company redeems units quarterly, subject to certain limitations as provided for in the Operating Agreement. The maximum number of units which may be redeemed per quarter per individual member shall not exceed the greater of (i) 100,000 units, or (ii) 25% of the member's total outstanding units. For redemption requests requiring more than one quarter to fully redeem, the percentage discount amount if any, that applies when the redemption payments begin continues to apply throughout the redemption period and applies to all units covered by such redemption request regardless of when the final redemption payment is made.

The company has not established a cash reserve from which to fund redemptions. The company's capacity to redeem units upon request is limited by the availability of cash and the company's cash flow. The manager also has the right, in its sole discretion, at any time, to reject any request for redemption, or to suspend or terminate the acceptance of new redemption requests without prior notice, or to terminate, suspend or amend the unit redemption program upon 30-day notice.

Pursuant to the Operating Agreement, the company will not, in any calendar year, redeem more than five percent (5%) of the weighted average number of units outstanding during the twelve-month period immediately prior to the date of the redemption; however, the manager may, but is not required to, waive this limitation if it deems it in the best interest of the company. In the event unit withdrawal requests exceed 5% in any calendar year, and are held by the company, units will be redeemed in the order of priority provided in the Operating Agreement. The manager may, in its sole discretion, waive any applicable holding periods or penalties in the event of the death of a member or other exigent circumstances or if the manager believes such wavier is in the best interests of the company.

Manager's interest

If a manager is removed, withdrawn or terminated, the company will pay to the manager all amounts then accrued and due to the manager. Additionally, the company will terminate the manager's interest in the company's profits, losses, distributions and capital by payment of an amount in cash equal to the then-present fair value of such interest.

Term of the company

The initial term of the company was scheduled to terminate October 8, 2028, unless sooner terminated as provided in the Operating Agreement or extended by majority vote of the members. In November of 2021, RMC submitted to a vote of the members a proposal to amend the Operating Agreement to extend the term of the company and the term for the repayment of the formation loan to December 31, 2038. On March 11, 2022, following RMC's receipt of approval votes from members holding more than 53% of the total outstanding percentage interests in the Company, RMC's board of directors approved the adoption of the Second Amendment to the Operating Agreement, dated March 11, 2022, extending the stated company term through December 31, 2038. As a result, the term of the Company will terminate on December 31, 2038 unless: (i) the term is further extended by RMC with the affirmative consent of a majority interest of the members; or (ii) the Company is earlier terminated pursuant to the Operating Agreement or by operation of law.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Management estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Such estimates involve 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 loan losses, including, when applicable, the valuation of non-performing secured loans (which itself requires determining the fair value of the collateral), and the valuation of real estate owned, at acquisition and subsequently (RMI IX has not acquired REO since it commenced operations in 2009). Actual results could differ materially from these estimates.

Fair value estimates

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

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

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

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

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

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

Cash in banks

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. (See Note 5 (Line of Credit) for compensating balance arrangements.)

Loans and interest income

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

Non-performing loans (i.e., loans with a payment in arears) less than 180 days delinquent continue to recognize interest income as long as the loan is in the process of collection and is considered to be well-secured. Non-performing loans are placed on non-accrual status if 180 days delinquent or earlier if management determines that the primary source of repayment will come from the foreclosure and subsequent sale of the collateral securing the loan (which usually occurs when a notice of sale is filed) or when the loan is no longer considered well-secured. When a loan is placed on non-accrual status, the accrual of interest is discontinued for accounting purposes only; however, previously recorded interest is not reversed. A loan may return to accrual status when all delinquent interest and principal payments become current in accordance with the terms of the loan agreement. Late fees are recognized in the period received.

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

In the normal course of the company's operating activities, performing loans that are maturing or have matured may be renewed at then current market rates of interest and terms for new loans.

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

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

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.

Allowance for loan losses

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

If based upon current information and events, it is deemed probable the company will not collect substantially all amounts due according to the contractual terms of the original loan agreement, then a loan is designated as impaired. An insignificant delay or insignificant shortfall in the amount of payments does not constitute non-performance with the contractual terms of the original loan agreement if the manager expects 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 will not substantially perform according to the terms of the original loan agreement, the manager considers the following:

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

Payments on loans designated as impaired are applied in the following order: late fees, accrued interest, advances, and lastly to principal.

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

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

Real estate owned ("REO")

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

Debt issuance costs

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

Recently issued accounting pronouncements

- *Accounting and Financial reporting for Expected Credit Losses*

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

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

NOTE 3 – MANAGER AND OTHER RELATED PARTIES

The Operating Agreement provides for compensation to the manager and for the reimbursement of qualifying costs as detailed below. RMC is entitled to 1% of the net income or loss of the company. RMC - at its sole discretion - collected less than the maximum allowable reimbursement of qualifying costs attributable to RMI IX (Costs from RMC on the Statements of Income), which increased the net income, cash available for distribution, and the net-distribution rate. The cost-reimbursement waivers in 2021 and 2020, by RMC were not made for the purpose of providing RMI IX 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.

Mortgage servicing fees

The manager is entitled to receive a servicing fee of up to one-quarter of one percent (0.25%) annually of secured loan principal. 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 securing the loan has been acquired by the company.

Asset management fees

The manager is entitled to receive a monthly asset management fee for managing RMI IX's assets, liabilities, and operations in an amount up to three-quarters of one percent (0.75%) annually of the portion of the capital originally committed to investment in mortgages, not including leverage, and including up to two percent (2%) of working capital reserves.

Costs from RMC

The manager is entitled to request reimbursement for operations expense incurred on behalf of RMI IX, including without limitation, RMC's personnel and non-personnel costs incurred for qualifying business activities, including investor services, accounting, tax and data processing, postage and out-of-pocket general and administration expenses. Qualifying personnel/compensation costs and consulting fees are tracked by business activity, and then costs of qualifying activities are allocated to RMI IX pro-rata based on the percentage of RMI IX's members' capital to the total capital of all related mortgage funds managed by RMC. Certain other non-personnel, qualifying costs such as postage and out-of-pocket general and administrative expenses can be tracked by RMC as specifically attributable to RMI IX; other non-personnel, qualifying costs (e.g., RMC's accounting and audit fees, legal fees and expenses, occupancy, and insurance premiums) are allocated pro-rata based on the percentage of RMI's members' capital to total capital of the related mortgage funds managed by RMC.

The amount of qualifying costs attributable to RMI IX incurred by RMC was approximately $645,000 and $598,000 in 2021 and 2020, respectively. The reimbursement of costs from RMC waived was approximately $425,000 and $452,000 in 2021 and 2020, respectively. Total costs from RMC were approximately $220,000 and $146,000 in 2021 and 2020, respectively.

Loan Administrative Fees

The manager is entitled to receive a loan administrative fee of up to one percent (1%) of the principal amount of each new loan funded or acquired for services rendered in connection with the selection and underwriting of loans payable upon the closing or acquisition of each loan. Since August 2015, RMC, at its sole discretion, has waived loan administrative fees on new originations. The total amount of loan administrative fees chargeable was approximately $492,000 and $518,000 in 2021 and 2020, respectively.

Commissions and fees paid by the borrowers to RMC

- *Brokerage commissions, loan originations*

For fees in connection with the review, selection, evaluation and negotiation of loans (including extensions), RMC may collect a loan brokerage commission that is expected to range from approximately 1.5% to 5% of the principal amount of each loan made during the year. Total loan brokerage commissions are limited to an amount not to exceed 4% of the total company assets per year. The loan brokerage commissions are paid by the borrowers to RMC, and thus are not an expense of the company. Loan brokerage commissions paid by the borrowers to RMC approximated $928,000 and $1,100,000 for 2021 and 2020, respectively.

- *Other fees*

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

Formation loan

Commissions for unit sales to new members paid to broker-dealers (“B/D sales commissions”) and premiums paid to certain investors upon the purchase of units were paid by RMC and were not paid directly by RMI IX out of unit-sales proceeds. Instead, RMI IX advanced to RMC amounts sufficient to pay the B/D sales commissions and premiums to be paid to investors. Such advances in total were not to exceed seven percent (7%) of offering proceeds. The receivable arising from the advances is unsecured and non-interest bearing and is referred to as the “formation loan.” When offerings of units to new members ended on April 30, 2019, such advances totaled approximately $5,627,000, of which approximately $3,388,000 remains outstanding at December 31, 2021.

Formation loan transactions for 2021 and 2020 are presented in the following table ($ in thousands).

	2021	2020
Balance, January 1	$ 3,812	$ 3,948
Payments received from RMC	(405)	(119)
Early withdrawal penalties applied	(19)	(17)
Balance, December 31	$ 3,388	$ 3,812

As disclosed in Note 7 (Subsequent Events), in March 2022 the Operating Agreement was amended to extend the term for the repayment of the formation loan to December 2038 to coincide with the extended term of the company. In accordance with the amended Operating Agreement, the formation loan balance is repayable by RMC in annual installments of approximately $208,000 which may be paid by RMC either in full on December 31st of each calendar year during the term of the company (each, an “Annual Payment Date”) or in four equal quarterly installments beginning on the Annual Payment Date and continuing thereafter on the last day of each calendar quarter in the following year. Any amount of the formation loan balance remaining unpaid on the last day of the company term, if any, is payable in full on that date. The primary source of repayment of the formation loan are the loan brokerage commissions earned by RMC. The formation loan is forgiven if the manager is removed and RMC is no longer receiving payments for services rendered.

Redemptions of members’ capital

Redemptions of members’ capital for 2021 and 2020 are presented in the following table ($ in thousands).

Redemptions	**2021**	**2020**
Without penalty	$ 3,983	$ 2,664
With penalty	878	606
Total	$ 4,861	$ 3,270
Early withdrawal penalties	$ 35	$ 31

At December 31, 2021, scheduled redemptions of members' capital were approximately $2.1 million, substantially all of which is scheduled for payment in 2022. Scheduled redemptions of approximately $111,000 are subject to early withdrawal penalties.

Organization and offering expenses

The manager was reimbursed for O&O expenses incurred in connection with the organization of the company and the offering of the units of membership interest including, without limitation, attorneys’ fees, accounting fees, printing costs and other selling expenses (other than sales commissions) in a total amount not exceeding 4.5% of the original purchase price of all units (other than DRIP units) sold in all offerings (hereafter, the “maximum O&O expenses”). RMC paid the O&O expenses in excess of the maximum O&O expenses.

The O&O expenses incurred by RMI IX are allocated to the members as follows - For each of forty (40) calendar quarters or portion thereof after December 31, 2015 that a member holds units (other than DRIP units), the O&O expenses incurred by RMI IX are allocated to and debited from that member’s capital account in an annual amount equal to 0.45% of the member’s original purchase price for those units, in equal quarterly installments of 0.1125% each commencing with the later of the first calendar quarter of 2016 or the first full calendar quarter after a member’s purchase of units, and continuing through the quarter in which such units are redeemed.

Unallocated O&O transactions for the years ended December 31, 2021 and 2020 are summarized in the following table ($ in thousands).

	2021	**2020**
Balance, January 1	$ 1,858	$ 2,260
O&O expenses allocated	(303)	(321)
O&O expenses paid by RMC(1)	(81)	(67)
Early withdrawal penalties applied (2)	(16)	(14)
Balance, December 31	$ 1,458	$ 1,858

(1) RMC is obligated per the Operating Agreement to repay RMI IX for the amount of unallocated O&O expenses attributed to a member’s capital account if the member redeems prior to the 40 quarterly allocations. RMC estimated its future obligation to repay unallocated O&O expenses on scheduled redemptions as of December 31, 2021, to be approximately $28,000, which may be offset in part by early withdrawal penalties collected in future periods.

(2) The O&O expenses component of early withdrawal penalties are applied as a reduction to O&O expenses to be repaid by RMC to members’ capital on scheduled redemptions. The amounts credited are determined by the ratio between the amount of the formation loan and the amount of offering costs incurred by the company.

Other related party transactions

- *Payable to/receivable from related parties*

From time to time, in the normal course of business operations, the company may have payables to and/or receivables from related parties. At December 31, 2021, the payable to related party balance of approximately $101,000 consisted of accounts payable to the manager of $168,000, which was partially offset by a receivable due from the manager of $67,000. The receivable was received from the manager and the payable was paid to the manager in March 2022.

At December 31, 2020, the payable to related parties balance of approximately $4,000 consisted of accounts payable and cost reimbursements to the manager and related mortgage fund of approximately $6,000, which was partially offset by a receivable of approximately $2,000 due from the manager and related mortgage fund. The receivable was received from the manager and the payable was paid to the manager in March 2021.

- *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 2021, a related mortgage fund transferred to RMI IX five performing loans with aggregate principal of $4,672,000 in-full at par value, which approximates fair value. In 2020 a related mortgage fund transferred to RMI IX two performing loans with principal of approximately $2,997,000 in-full at par value which approximates fair value. RMI IX paid cash for the loans and the related mortgage fund has no continuing obligation or involvement with the loans.

In 2021, RMI IX transferred to related mortgage fund(s) five performing loans with aggregate principal of $2,560,000 in-full at par value, which approximates fair value. In 2020, RMI IX transferred to a related mortgage fund one performing loan with principal of approximately $237,000 in-full at par value, which approximates fair value. The related mortgage fund(s) paid cash for the loans and RMI IX 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 purchased at the current par value, which approximates fair value. See Note 3 (Manager and Other Related Parties) for a description of loans transferred by executed assignments between the related mortgage funds.

As of December 31, 2021, 51 loans outstanding (representing 98% of the aggregate principal of the company's loan portfolio) have a loan term of five years or less. The remaining loans have terms longer than five years. Substantially all loans are written without a prepayment penalty provision.

As of December 31, 2021, 28 loans outstanding (representing 33% of the aggregate principal balance of the company's loan portfolio) provide for monthly payments of principal and interest, typically calculated on a 30-year amortization schedule, with the remaining principal due at maturity. The remaining loans provide for monthly payments of interest only, with the principal due at maturity.

Secured loans unpaid principal balance (principal)

Secured loan transactions for 2021 and 2020 are summarized in the following table ($ in thousands).

	2021	2020
Principal, beginning of period	$ 82,275	$ 70,660
Loans funded	49,182	51,847
Principal collected[1]	(49,008)	(36,370)
Loans transferred from related mortgage fund	4,672	2,997
Loans transferred to related mortgage funds	(2,560)	(237)
Loans sold to non-affiliate	(3,464)	(6,602)
Charged off	—	(20)
Principal, December 31	$ 81,097	$ 82,275

(1) Includes principal collected and held in trust at December 31, 2021 of approximately $36,000.

In 2021 the company renewed 16 loans with aggregate principal of approximately $22,678,000 (in 2020 the company renewed 20 loans with aggregate principal of approximately $14,144,000), which are not included in the activity shown in the table above. The loans were current and deemed well collateralized at the time they were extended.

The company funds loans with the intent to hold the loans until maturity, although from time to time the company may sell certain loans when the manager determines it to be in the best interest of the company. In 2021 seven loans with aggregate principal of approximately $3,464,000 were sold to unaffiliated third parties, for an amount that approximated the loan balance at the time of sale.

In December 2020, 4 loans with an aggregate principal of $6,122,779 and accrued interest of $28,171 were sold to an unaffiliated third party. After commissions to third parties the company recognized a gain of approximately $87,000. In September 2020, a loan with principal of $480,000, was sold to an unaffiliated third party, for an amount that approximated the loan balance at the time of sale.

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 payments in trust at December 31, 2021, were disbursed to the company’s account by January 14, 2022. Loan payments in trust at December 31, 2020 were disbursed to the company’s account by January 15, 2021.

Loan characteristics

Secured loans had the characteristics presented in the following table ($ in thousands).

	December 31, 2021	December 31, 2020
Number of secured loans	54	82
Secured loans – principal	$ 81,097	$ 82,275
Secured loans – lowest interest rate (fixed)	6.8%	6.8%
Secured loans – highest interest rate (fixed)	10.0%	10.5%
Average secured loan – principal	$ 1,502	$ 1,003
Average principal as percent of total principal	1.9%	1.2%
Average principal as percent of members’ capital, net	2.0%	1.3%
Average principal as percent of total assets	1.8%	1.2%
Largest secured loan – principal	$ 6,750	$ 6,735
Largest principal as percent of total principal	8.3%	8.2%
Largest principal as percent of members’ capital, net	8.8%	8.5%
Largest principal as percent of total assets	8.2%	7.9%
Smallest secured loan – principal	$ 148	$ 104
Smallest principal as percent of total principal	0.2%	0.1%
Smallest principal as percent of members’ capital, net	0.2%	0.1%
Smallest principal as percent of total assets	0.2%	0.1%
Number of California counties where security is located	12	14
Largest percentage of principal in one California county	32.1%	28.2%
Number of secured loans with prepaid interest	2	—
Prepaid interest	$ 643	$ —

As of December 31, 2021, the company’s largest loan with principal of $6,750,000 is secured by a multi-family building located in San Francisco county, bears an interest rate of 7.25% and matures on May 1, 2023.

As of December 31, 2021, the company had no commitments to lend outstanding and had no construction or rehabilitation loans outstanding.

Lien position

At funding, secured loans had the lien positions in the following table ($ in thousands).

	December 31, 2021			December 31, 2020		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	38	$ 69,327	85%	56	$ 61,066	74%
Second trust deeds	16	11,770	15	26	21,209	26
Total principal, secured loans	54	81,097	100%	82	82,275	100%
Liens due other lenders at loan closing		31,338			45,207	
Total debt		$ 112,435			$ 127,482	
Appraised property value at loan closing		$ 215,683			$ 251,970	
Percent of total debt to appraised values (LTV) at loan closing(2)		58.0%			55.6%	

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

Property type

Secured loans summarized by property type are presented in the following table ($ in thousands).

	December 31, 2021			December 31, 2020		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family(3)	25	$ 24,236	30%	47	$ 30,298	37%
Commercial	19	41,923	52	27	43,692	53
Multi-family	9	13,438	16	8	8,285	10
Land	1	1,500	2	—	—	—
Total principal, secured loans	54	$ 81,097	100%	82	$ 82,275	100%

(3) Single family property type as of December 31, 2021 consists of 7 loans with principal of $4,619,000 that are owner occupied and 18 loans with principal of $19,617,000 that are non-owner occupied. At December 31, 2020, single family property consisted of 8 loans with principal of approximately $5,565,000 that are owner occupied and 39 loans with principal of approximately $24,733,000 that are non-owner occupied.

Distribution of loans in California

The distribution of secured loans by counties is presented in the following table ($ in thousands).

	December 31, 2021		December 31, 2020	
	Principal	Percent	Principal	Percent
San Francisco Bay Area(4)				
Santa Clara	$ 26,064	32.1%	$ 23,206	28.2%
San Francisco	22,919	28.3	11,340	13.8
San Mateo	4,985	6.1	6,878	8.4
Alameda	5,637	7.0	6,791	8.2
Contra Costa	668	0.8	1,094	1.3
Marin	—	—	1,945	2.4
	60,273	74.3	51,254	62.3
Other Northern California				
Placer	1,500	1.8	—	0.0
Monterey	—	0.0	1,110	1.4
Tehama	405	0.5	405	0.5
Butte	292	0.4	—	0.0
Sacramento	—	0.0	104	0.1
	2,197	2.7	1,619	2.0
Northern California Total	62,470	77.0	52,873	64.3
Los Angeles & Coastal				
Los Angeles	3,621	4.5	11,775	14.3
San Diego	6,043	7.5	10,186	12.4
Orange	8,444	10.4	5,432	6.6
Santa Barbara	—	—	290	0.3
	18,108	22.4	27,683	33.6
Other Southern California				
San Bernardino	519	0.6	1,719	2.1
	519	0.6	1,719	2.1
Southern California Total	18,627	23.0	29,402	35.7
Total principal, secured loans	$ 81,097	100.0%	$ 82,275	100.0%

(4) Includes Silicon Valley

Scheduled maturities

Secured loans scheduled to mature as of December 31, 2021, are presented in the following table ($ in thousands).

	Loans	Principal	Percent
2022	24	$ 35,708	44%
2023	17	32,842	40
2024	3	5,310	7
2025	5	3,741	5
2026	—	—	—
Thereafter	2	1,216	1
Total scheduled maturities	51	78,817	97
Matured as of December 31, 2021	3	2,280	3
Total principal, secured loans	54	$ 81,097	100%

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, 2021, for the scheduled maturities table above may differ from the same captions in the tables of delinquencies and payment in arears 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. Loans may be repaid or renewed before, at or after the contractual maturity date.

Delinquency/Non-performing secured loans

Secured loans summarized by payment-delinquency status are presented in the following table ($ in thousands).

	December 31, 2021		December 31, 2020	
	Loans	Principal	Loans	Principal
Current	47	$ 72,116	73	$ 74,042
Past Due				
30-89 days	4	7,165	1	190
90-179 days	1	930	5	4,757
180 or more days	2	886	3	3,286
Total past due	7	8,981	9	8,233
Total principal, secured loans	54	$ 81,097	82	$ 82,275

In March 2022, one loan, with principal of approximately $586,000, included in the table above as 180 or more days delinquent at December 31, 2021 was paid in full.

At December 31, 2021 there was one loan with a forbearance agreement in effect with principal of $990,000, included in the table above as 30-89 days delinquent.

At December 31, 2020, there were two loans with forbearance agreements in effect. One loan with principal of $990,000 is included in the table above as 90-179 days past due, and one loan with a principal of $1,200,000 which is included in the table above as 180 or more days past due.

No loan forbearance agreements or other loan payment modifications were made in 2021 or 2020 that would be deemed troubled debt restructurings.

At December 31, 2021 the company had no loan payment modification/workout agreements with borrowers. At December 31, 2020 the company had one loan payment modification/workout agreement with a borrower. The loan, with principal of $190,198 matured on June 1, 2016. The workout agreement was entered into September 2016, whereby the borrower agreed to resume monthly payments. This agreement extended the maturity date through October 1, 2021. In November 2021, the loan was sold to an unaffiliated third party for an amount that approximated the loan value at time of sale.

Non-performing secured loans at December 31, 2021, and 2020, had principal payments in arrears totaling approximately $2,285,000 (7 loans) and $1,578,000 (8 loans), respectively and interest payments in arrears totaling approximately $125,000 and $361,000, respectively. Payments in arrears for non-performing secured loans (i.e., monthly interest and principal payments past due 30 or more days) at December 31, 2021 and 2020, are presented in the following tables ($ in thousands).

	Loans		Principal		Interest(5)		
At December 31, 2021	**Past maturity**	**Monthly payments**	**Past maturity**	**Monthly payments**	**Past maturity**	**Monthly payments**	**Total payments in arrears**
Past due							
30-89 days (1-3 payments)	1	2	$ 1,050	$ 1	$ —	$ 33	$ 1,084
90-179 days (4-6 payments)	1	—	930	—	—	—	930
180 or more days (more than 6 payments)	1	2	300	4	—	92	396
Total past due(6)	3	4	$ 2,280	$ 5	$ —	$ 125	$ 2,410

(5) Interest includes foregone interest of approximately $63,000 on non-accrual loans with monthly payments in arrears. December 2021 interest is due January 1, 2022 and is not included in the payments in arrears at December 31, 2021.

(6) As of March 2022, one loan included in the table above as 30-89 days past maturity and one loan included in the table above as 180 or more days past due on monthly payments paid in full. Two loans included in the table above as 30-89 days past due on monthly payments, and one loan included in the table above as 180 or more days past due on monthly payments made at least one payment.

	Loans		Principal		Interest(7)		
At December 31, 2020	**Past maturity**	**Monthly payments**	**Past maturity**	**Monthly payments**	**Past maturity**	**Monthly payments**	**Total payments in arrears**
Past due							
30-89 days (1-3 payments)	—	1	$ —	$ —	$ —	$ 2	$ 2
90-179 days (4-6 payments)	1	4	377	1	—	146	524
180 or more days (more than 6 payments)	1	1	1,200	—	105	108	1,413
Total past due(8)	2	6	$ 1,577	$ 1	$ 105	$ 256	$ 1,939

(7) Interest includes foregone interest of $42,000 on non-accrual loans past maturity and approximately $21,000 for monthly payments in arrears. December 2020 interest is due January 1, 2021 and is not included in the payments in arrears at December 31, 2020.

(8) One loan with principal of approximately $137,000, which was 180 or more days past due, paid in full in January 2021 and so was not designated as non-performing at December 31, 2020, and is not included in the table above.

Delinquency/Loans in non-accrual status

Secured loans in non-accrual status are summarized in the following table ($ in thousands).

	December 31, 2021	December 31, 2020
Number of loans	2	3
Principal(9)	$ 1,576	$ 3,340
Advances	1	10
Accrued interest	35	181
Total recorded investment	$ 1,612	$ 3,531
Foregone interest	$ 67	$ 63

(9) In March 2022, one loan, with principal of approximately $586,000 included in the 2021 table above was paid in full.

Non-performing loans are placed on non-accrual status the 1st of the following month after it is 180 days delinquent or earlier if management determines that the primary source of repayment will come from the foreclosure and subsequent sale of the collateral securing the loan (which usually occurs when a notice of sale is filed) or when the loan is no longer considered well-secured. When a loan is placed on non-accrual status, the accrual of interest is discontinued for accounting purposes only (i.e., foregone interest in the table above); however, previously recorded interest is not reversed.

At December 31, 2021, there were two loans with aggregate principal of approximately $1,230,000 which were 90 or more days past due and not in non-accrual status.

At December 31, 2020, five loans with aggregate principal of $4,703,296 were 90 days or more days past due and were not in non-accrual status.

Provision/allowance for loan losses and impaired loans

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

Activity in the allowance for loan losses for 2021 and 2020 are presented in the following table ($ in thousands).

	2021	2020
Balance January 1,	$ 55	$ 87
Recovery for loan losses	—	—
Charge-offs	—	(32)
Balance December 31,	$ 55	$ 55

Loans designated impaired and the associated allowance for loan losses is presented in the following table ($ in thousands).

	December 31, 2021	December 31, 2020
Number of loans(10)	4	6
Principal	$ 2,806	$ 7,530
Recorded investment(11)	2,852	7,896
Impaired loans without allowance	2,852	7,896
Impaired loans with allowance	—	—
Allowance for loan losses, impaired loans	—	—
Weighted average LTV at origination	49.5%	52.5%

(10) In March 2022, one loan included in the 2021 table above with principal of approximately $586,000 paid in full, including accrued interest of approximately $37,000.

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

Loans designated impaired had an average recorded investment and interest income recognized and received in cash as presented in the following table ($ in thousands).

	December 31, 2021	December 31, 2020
Average recorded investment	$ 5,374	$ 6,308
Interest income recognized	167	705
Interest income received in cash	170	361

Fair Value

The following methods and assumptions are used when estimating fair value of secured loans.

Secured loans, performing and non-performing not designated as impaired (Level 3) - Each loan is reviewed quarterly for its delinquency, LTV adjusted for the most recent valuation of the underlying collateral, remaining term to maturity, borrower's payment history and other factors. Due to the nature of the company's loans and borrowers, the fair value of loan balances secured by deeds of trust approximates the recorded amount (per the financial statements) due to the following:

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

Secured loans, designated impaired (Level 3) - The fair value of secured loans designated impaired is the lesser of the fair value of the collateral or the enforceable amount of the note. Secured loans designated impaired are collateral dependent because it is expected that the primary source of repayment will not be from the borrower but rather from the collateral. The fair value of the collateral is determined on a nonrecurring basis by exercise of judgment based on management's experience informed by appraisals (by licensed appraisers), brokers' opinion of values and publicly available information on in-market transactions (Level 3 inputs). When the fair value of the collateral exceeds the enforceable amount of the note, the borrower is likely to redeem the note. Accordingly, third party market participants would generally pay the fair value of the collateral, but no more than the enforceable amount of the note.

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

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

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

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 typically provided in appraisals, or by realtors who specialize in multi-family residential properties. Sales comps are reviewed for similarity to the subject property, examining features such as proximity to subject, rental income, number of units, composition of units by the number of bedrooms and bathrooms, square footage, condition, amenities and year built.

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

Commercial - Management's preferred method for determining the fair value of its commercial buildings is the sale comparison method. Sale comps are typically provided in appraisals, or by realtors who specialize in commercial properties. 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, common areas, and year built.

Management's secondary method for valuing its commercial buildings is the direct capitalization method. In order to determine market cap rates for properties of the same class and location as the subject, management refers to reputable third-party sources such as the CBRE Cap Rate Survey. Management then applies the appropriate cap rate to the subject's most recent available annual net operating income to determine the property's value as an income-producing commercial rental project.

When adequate sale comps are not available or reliable net operating income information is not available or the project is under development or is under-performing to market, management will seek additional information and analysis to determine the cost to improve and the intrinsic fair value and/or management will seek additional information in the form of brokers' opinion of value or appraisals.

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

NOTE 5 – LINE OF CREDIT

Activity involving the line of credit in 2021 and 2020 is presented in the following table ($ in thousands).

	2021	2020
Balance, January 1,	$ 10,000	$ —
Draws	19,935	24,180
Repayments	(21,455)	(14,180)
Balance, December 31,	$ 8,480	$ 10,000
Line of credit - average daily balance	$ 7,941	$ 7,348

The company has a line of credit from Western Alliance Bank ("bank") which is governed by the terms of the Business Loan Agreement (Revolving Line of Credit and Term Loan Agreement) between bank and company dated March 13, 2020 ("original credit agreement"), as amended and modified by the First Loan Modification Agreement made effective March 4, 2022 (the "modification agreement" and together with the original credit agreement, the "credit agreement"). In March 2020, RMI IX entered into a revolving line of credit and term loan agreement and in April 2020 borrowed on the bank line of credit. The company can borrow up to a maximum principal of $10 million under the credit agreement subject to a borrowing base calculation set forth in the credit agreement pursuant to a credit and term loan agreement (the loan agreement) with a bank and the amounts advanced under the credit agreement are secured by a first priority security interest in the notes and deeds of trust of the pledged loans in the borrowing base. The maturity date under the original credit agreement was scheduled to occur in March 2022; however, under the modification agreement, the maturity date for the line of credit was extended through March 13, 2024 when all amounts outstanding are then due. Under the modified credit agreement, the company has the option prior to the end of the extended maturity date to convert the then outstanding principal balance on the line of credit to a two-year term loan - for a fee of one-quarter of one percent (0.25%) – thereby extending the maturity date to March 2026.

Prior to the March 4, 2022 modification agreement, interest on the outstanding principal was payable monthly and accrued at the per annum rate of the greater of (i) five percent (5%) or (ii) the sum of the one-month LIBOR rate plus three and one-quarter percent (3.25%). The March 4, 2022 modification agreement, however, replaced LIBOR as the reference rate under the credit agreement with the 30-day American Interbank Offered Rate Term -30 Index published for loans in United States Dollars by the American Financial Exchange ("Ameribor"). Following the modification agreement, interest on the outstanding principal under the credit line is payable monthly and accrues at the annual rate that is the greater of: (i) the Ameribor Rate plus three and one-quarter percent (3.25%) and (ii) five percent (5.0%).

If the company does not maintain the required compensating balance with a minimum daily average of $1.0 million for the calendar quarter, the interest rate automatically increases by one-quarter of one percent (0.25%) above that rate which would otherwise be applicable for the next calendar quarter retroactive to the beginning of the calendar quarter in which the compensating balance is not maintained. At December 31, 2021, the interest rate was five percent (5%).

For each calendar quarter during which the aggregate average daily outstanding principal is less than fifty percent (50%) of the maximum principal of $10 million, there is a quarterly unused line fee equal to one-half of one percent (0.50%) per annum of the average daily difference between the average principal outstanding and fifty percent (50%) of the maximum principal of $10 million ($5,000,000).

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

At December 31, 2021 and 2020, aggregate principal of pledged loans was approximately $20,472,000 and $20,068,000, respectively with a maximum allowed advance thereon of approximately $10,000,000, subject to the borrowing base calculation.

Debt issuance costs of approximately $110,000 are being amortized over the two-year term of the line of credit agreement. Amortized debt issuance costs included in interest expense approximated $55,000 and $41,000 for 2021 and 2020, respectively.

NOTE 6 – COMMITMENTS AND CONTINGENCIES, OTHER THAN LOAN COMMITMENTS

Commitments

Note 3 (Manager and Other Related Parties) presents a detailed discussion of the company's contractual obligations to RMC and scheduled redemptions of members' capital at December 31, 2021.

Legal proceedings

As of December 31, 2021, 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 assignment of rents, bankruptcy proceedings, appointment of receivers, unlawful detainers, judicial foreclosure, etc.) to collect the debt owed under the promissory notes, to enforce the provisions of the deeds of trust, to protect its interest in the real property subject to the deeds of trust and to resolve disputes with borrowers, lenders, lien holders and mechanics. None of these actions, in and of themselves, typically would be of any material financial impact to the net income or balance sheet of the company.

NOTE 7 – SUBSEQUENT EVENTS

Extension of term of company and formation loan

In November of 2021, RMC submitted to a vote of the members a proposal to amend the RMI IX Operating Agreement to extend the term of the company and the term for the repayment of the formation loan to December 31, 2038. On March 11, 2022: (i) RMC's board of directors confirmed the approval of the amendments by members representing over 53% of the total outstanding membership interest; and (ii) adopted the Second Amendment to Ninth Amended and Restated Limited Liability Company Operating Agreement of Redwood Mortgage Investors IX, LLC incorporating the approved amendments into the company's Operating Agreement. As a result, the term of the Company will terminate on December 31, 2038 unless: (i) the term is extended by RMC with the affirmative consent of a majority interest of the members; or (ii) the Company is earlier terminated pursuant to the Operating Agreement or by operation of law.

Modification to credit agreement

On March 11, 2022, the company entered into a loan modification agreement amending and modifying the terms and conditions of the company's credit line loan documents. The modification agreement as entered into on March 11, 2022 and dated effective as of March 4, 2022 modified the terms of the company's line of credit by:

- extending the commitment term during which loan proceeds may be disbursed to the company from March 13, 2022 to March 13, 2024;
- extending the maturity date of the credit line from March 13, 2022 to March 13, 2024;
- extending the maturity date for the term loan for which the company has a conversion option at the end of the commitment term from March 13, 2023 to March 13, 2026; and
- removing LIBOR as the reference rate and replacing it with Ameribor (i.e., the 30-day American Interbank Offered Rate Term - 30 Index published for loans in United States Dollars by the American Financial Exchange), resulting in an annual interest rate under the credit line equal to the greater of: (i) the Ameribor Rate plus three and one-quarter percent (3.25%); and (ii) five percent (5.0%).

The manager evaluated events occurring subsequent to December 31, 2021 and determined that there were no other events or transactions occurring during this reporting period that require recognition or disclosure in the financial statements.

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

None.

Item 9A – Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

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

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

Manager’s Report on Internal Control over Financial Reporting

RMC, as the manager, is responsible for establishing and maintaining adequate internal control over financial reporting; as such term is defined in the Exchange Act Rule 13a-15(f). The internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. RMC, with the participation of RMC's principal executive officer/principal financial officer, assessed the effectiveness of the manager's internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on those criteria, management concluded that its internal control over financial reporting was effective as of December 31, 2021.

Changes to Internal Control Over Financial Reporting

There have not been any changes to internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the manager’s or company’s internal control over financial reporting.

Item 9B – Other Information

None.

Item 9C – Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

Part III

Item 10 – Directors, Executive Officers and Corporate Governance

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

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

The rights, duties and powers of the members and manager of the company are governed by the company's Operating Agreement, the Delaware Limited Liability Company Act and the California Revised Uniform Limited Liability Company Act. Members should refer to the company's Operating Agreement for complete disclosure of its provisions. Members representing a majority of the outstanding units may, without the concurrence of the manager, vote to:

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

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

The Manager

Redwood Mortgage Corp. Redwood Mortgage Corp. is a licensed real estate broker incorporated in 1978 under the laws of the State of California, and is engaged primarily in the business of arranging and servicing mortgage loans. Redwood Mortgage Corp. acts as the loan broker and servicing agent in connection with loans, as it has done on behalf of several other affiliate mortgage funds formed by the manager.

Officers and Directors of RMC

Michael R. Burwell. Michael R. Burwell, age 65, President, Secretary/Treasurer and Director, Redwood Mortgage Corp. (1979-present); Director, Secretary and Treasurer A & B Financial Services, Inc. (1980-2009); President, Director, Chief Financial Officer and Secretary of Gymno Corporation (1986-September 2011) and, the manager of Gymno LLC, the entity into which Gymno Corporation was converted (September 2011- June 30, 2015); President, Director, Secretary and Treasurer of The Redwood Group, Ltd. (1979-September 2011); past member of Board of Trustees and Treasurer, Mortgage Brokers Institute (1984-1986). Mr. Burwell is licensed as a real estate sales person. Mr. Burwell was a general partner of each of the RMI, RMI II, RMI III, RMI IV, RMI V, RMI VI, and RMI VII limited partnerships. Mr. Burwell is a general partner of RMI VIII limited partnership. Mr. Burwell attended the University of California, at Davis from 1975-1979, playing NCAA soccer for three seasons. Michael R. Burwell is the brother of Thomas R. Burwell.

Lorene A. Randich. Lorene A. Randich, age 64, has served as a Director of Redwood Mortgage Corp. since November 2011. Ms. Randich joined Redwood Mortgage Corp. in 1991 and retired on December 31, 2020 as Executive Vice President of Lending Operations. Ms. Randich held the real estate broker's license of record for Redwood Mortgage Corp. from November 2011 through the third quarter of 2019. Ms. Randich has been a licensed real estate broker since 1996. She is a member of the National Association of Mortgage Brokers, the California Mortgage Bankers Association, the California Association of Mortgage Professionals (past Board Member–San Francisco/Peninsula Chapter) and the California Mortgage Association (Board Member and immediate past Education Committee Chair). Ms. Randich received a BA from the University of California at Berkeley in 1980. In addition to Ms. Randich's service on the company Board of Directors, Ms. Randich continues her association with Redwood Mortgage Corp. as a Broker-Associate. Ms. Randich also offers mortgage industry consulting services through her firm, Bay Laurel Financial.

Thomas R. Burwell. Thomas R. Burwell, age 54, joined Redwood Mortgage Corp. in 2007 and has served as Marketing and Sales Director since 2012; Loan Officer-Builder Division Wells Fargo Bank, N.A (Westwood, CA 2005-2007); Loan Officer, Wells Fargo Bank, N.A. (Beverly Hills 2004-2005); Loan Officer Wells Fargo Bank, N.A. (New York, NY 2002-2004). Mr. Burwell is a member of the Financial Planning Association, San Francisco, CA. Mr. Burwell received a BA from the University of California at Davis in 1990. Mr. Burwell is a former ATP (Association of Tennis Professionals) world tour professional and was a NCAA Team and Individual Finalist, Team Captain, (Three-time) All-American, #1 Singles and #1 Doubles Player for University of California at Davis. Thomas R. Burwell is the brother of Michael R. Burwell.

Code of Ethics

Since the company has no employees of its own and it is operated by the employees and independent contractors retained by RMC, the company has not adopted a Code of Ethics. RMC has adopted a Code of Ethics applicable to its general partners and to any agents, employees or independent contractors engaged by the general partners to perform the functions of a principal chief executive officer, a principal financial officer, principal accounting officer or controller of the company, if any. This Code of Ethics is designed to promote (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between the agents, employees or independent contractors of RMC and the companies it manages, such as the company, (ii) full, fair, accurate, timely, and understandable disclosure in reports and documents that RMC, on behalf of the companies it manages, files with, or submits to, the SEC and in other public communications made by RMC's personal and professional relationships, (iii) compliance with applicable governmental laws, rules and regulations, (iv) the prompt internal reporting of violations of the Code of Ethics to an appropriate person or persons identified in the Code of Ethics, and (v) accountability for adherence to the Code of Ethics.

You may obtain a copy of this Code of Ethics, without charge, upon request by calling our Investor Services Department at (650) 365-5341, option 5.

Item 11 – Executive Compensation

As indicated above in Item 10, the company is externally managed and has no officers or directors. The manager is solely responsible for managing the business and affairs of the company, subject to the voting rights of the members on specified matters.

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

Note 3 (Manager and Other Related Parties) to the financial statements included in Part II, Item 8 of this report presents detail as to amounts received by the manager in 2021 and 2020, including brokerage commissions related to loan originations, which presentation is incorporated herein by reference.

Outstanding Equity Awards at Fiscal Year-End

Since the company has no, and never had, named employees, there are no unexercised options for any named employees nor are there units of membership interest that have not vested or equity incentive plan awards for named employees outstanding currently or as of December 31, 2021. The company has not awarded RMC - nor any RMC employee, officer, or director - any options, units of membership interest that has not vested or equity incentive plan awards.

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

Since the company has no, and never had, employees, the company does not have, and never had, a shareholder approved equity compensation plan or a non-shareholder approved equity compensation plan.

No person or entity owns beneficially more than five percent (5%) of the units. The manager does not own any units, but has, per the Operating Agreement, made capital contributions of one-tenth of one percent (0.1%) of the aggregate capital accounts of the members, and is allocated one percent (1%) of the net income and losses of the company.

The company is not aware of any arrangements, including any pledge by any person of company securities, the operation of which may result in a change in control of the company.

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

Note 1 (Organization and General) and Note 3 (Manager and Other Related Parties) to the Financial Statements in Part II item 8, presents detail as to certain relationships and related transactions and related party fees, which presentation is incorporated herein by reference.

The company is managed externally and does not have any directors, including the equivalent of independent directors, or employees. Since the company has no board of directors or employees, there is no separately designated compensation, nominating or audit committee, except that the Board of Directors of RMC acts as the Audit Committee of RMI IX. In 2021, there were no transactions involving the lesser of $120,000 or 1% of total assets with RMC or any other arguably related parties (other than payments to RMC as discussed herein). Note 3 (Manager and Other Related Parties) to the financial statements included in Part II, Item 8 of this report presents detail as to amounts received by the manager in 2021 and 2020.

Item 14 – Principal Accountant Fees and Services

Fees for services performed for the company by the principal accountant for 2021 and 2020 are as follows:

Audit Fees. The aggregate fees during 2021 and 2020 for professional services rendered for the audit of the company's annual financial statements included in the company's Annual Report on Form 10-K, review of financial statements included in the company's Quarterly Reports on Form 10-Q and for services provided in connection with regulatory filings were approximately $188,000 and $177,000, respectively.

Audit Related Fees. There were no fees billed for audit related services by the principal accountants during 2021 and 2020.

Tax fees. There were no fees billed for professional services rendered by the principal accountants during 2021 and 2020 for tax compliance, tax advice, and tax planning.

All Other Fees. There were no other fees billed for any other products and services provided by the principal accountants during 2021 and 2020.

The company is managed externally and does not have an audit committee. All audit and non-audit services are approved by the manager's board of directors acting as the Audit Committee of RMI IX prior to the accountant being engaged by the company.

Part IV

Item 15 – Exhibits and Financial Statement Schedules

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

1. In Part II, Item 8
2. None.
3. Exhibits.

Exhibit No.	Description of Exhibits
3.1	Ninth Amended and Restated Limited Liability Company Operating Agreement (included as Appendix A to the prospectus).**
3.2	Certificate of Formation*
3.3	First Amendment to Ninth Amended and Restated Limited Liability Company Operating Agreement of Redwood Mortgage Investors IX, LLC dated June 20, 2018 (filed as Exhibit 3.3 to the Company's Current Report on Form 8-K dated as of June 20, 2018, (File No. 000-55601) incorporated herein by reference).
3.4	Second Amendment to Ninth Amended and Restated Limited Liability Company Operating Agreement of Redwood Mortgage Investors IX, LLC dated effective March 11, 2022 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated as of March 11, 2022, (File No. 000-55601) incorporated herein by reference).
4.1	Subscription Agreement and Power of Attorney, including Special Notice for California Residents*
10.1	Form of Distribution Reinvestment Plan*
10.2	Loan Servicing Agreement*
10.3	Form of Note*
10.4	Form of Deed of Trust*
10.5	Form of Participating Broker-Dealer Agreement*
10.6	Form of Advisory Agreement***
10.7	Form of Formation Loan Promissory Note*
10.8	First Loan Modification Agreement dated as of March 4, 2022 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of March 11, 2022, (File No. 000-55601) incorporated herein by reference.)
23.1	Consent of Independent Registered Public Accounting Firm
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
99.1	Report by Redwood Mortgage Corp. of the estimated fair value at December 31, 2021 of a unit of Redwood Mortgage Investors IX, LLC
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Incorporated by reference to the item under the corresponding exhibit number in the registrant's annual report on Form 10-K for the fiscal year ended December 31, 2015 (File no. 000-55601).
** Incorporated by reference to Exhibit 3.1 in the registrant's registration statement on Form 8-A12B filed March 25, 2016 (File no. 000-55601).
*** Incorporated by reference to Exhibit 10.7 in the registrant's quarterly report on Form 10-Q for the nine months ended September 30, 2016 (File no. 000-55601).

Item 16 – Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REDWOOD MORTGAGE INVESTORS IX, LLC
(Registrant)

Date: March 31, 2022

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

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity indicated on the 31st day of March, 2022.

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