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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2009

OR

[ ] **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: 000-17573

REDWOOD MORTGAGE INVESTORS VI,
a California Limited Partnership
(Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	**94-3031211** (I.R.S. Employer Identification No.)
900 Veterans Blvd., Suite 500, Redwood City, CA (Address of principal executive offices)	**94063-1743** (Zip Code)

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

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

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 ____XX____ No ____________

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ____________ No ____________

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

(Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ____________ No ______XX______

Part I – Item I. FINANCIAL STATEMENTS

REDWOOD MORTGAGE INVESTORS VI
(a California Limited Partnership)
BALANCE SHEETS
SEPTEMBER 30, 2009 (unaudited) AND DECEMBER 31, 2008 (audited)

ASSETS

	September 30, 2009	December 31, 2008
Cash and cash equivalents	$ 702,520	$ 333,800
Loans		
Loans, secured by deeds of trust	5,258,998	5,777,110
Loans, unsecured, net discount of $95,784 and $108,080 for September 30, 2009 and December 31, 2008, respectively	247,331	277,126
Allowance for loan losses	(529,850)	(489,913)
Net loans	4,976,479	5,564,323
Interest and other receivables		
Accrued interest and late fees	104,068	82,450
Advances on loans	37,288	2,306
Total interest and other receivables	141,356	84,756
Total assets	$ 5,820,355	$ 5,982,879

LIABILITIES AND PARTNERS' CAPITAL

	September 30, 2009	December 31, 2008
Liabilities		
Accounts payable and accrued liabilities	$ 12,465	$ —
Payable to affiliate	14,028	9,640
Total liabilities	26,493	9,640
Partners' capital		
Limited partners' capital, subject to redemption	5,784,101	5,963,478
General partners' capital	9,761	9,761
Total partners' capital	5,793,862	5,973,239
Total liabilities and partners' capital	$ 5,820,355	$ 5,982,879

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

REDWOOD MORTGAGE INVESTORS VI
(a California Limited Partnership)
STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2009	2008	2009	2008
Revenues				
Interest on loans	$ 112,667	$ 124,281	$ 362,104	$ 369,545
Other interest	1,784	1,156	4,261	4,604
Late charges, prepayment penalties and fees	1,950	1,800	4,774	5,435
Total revenues	116,401	127,237	371,139	379,584
Expenses				
Mortgage servicing fees	11,841	12,927	35,985	12,927
Asset management fees	5,507	1,894	16,683	5,716
Clerical costs through Redwood Mortgage Corp.	1,962	1,547	5,932	4,771
Provision for loan losses	13,724	15,566	47,570	35,692
Professional services	24,645	8,929	57,295	46,584
Other	449	843	4,593	8,434
Total expenses	58,128	41,706	168,058	114,124
Net income	$ 58,273	$ 85,531	$ 203,081	$ 265,460
Net income: general partners (1%)	$ 583	$ 856	$ 2,031	$ 2,655
limited partners (99%)	57,690	84,675	201,050	262,805
	$ 58,273	$ 85,531	$ 203,081	$ 265,460
Net income per $1,000 invested by limited partners for entire period				
-where income is compounded and retained	$ 10	$ 15	$ 34	$ 44
-where partner receives income in monthly distributions	$ 10	$ 14	$ 34	$ 43

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

REDWOOD MORTGAGE INVESTORS VI
(a California Limited Partnership)
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (unaudited)

	2009	2008
Cash flows from operating activities		
Net income	$ 203,081	$ 265,460
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	47,570	35,692
Early withdrawal penalties credited to income	(2,850)	(1,815)
Amortization of discount on unsecured loans	(12,296)	(9,174)
Change in operating assets and liabilities		
Loans, unsecured	34,458	(28,698)
Accrued interest and late fees	(21,618)	6,630
Advances on loan	(34,982)	(1,267)
Receivable from affiliate	—	12,003
Accounts payable and accrued liabilities	12,465	—
Payable to affiliate	4,388	801
Net cash provided by operating activities	230,216	279,632
Cash flows from investing activities		
Principal collected on loans	765,112	1,412,405
Loans originated	(247,000)	(1,177,615)
Net cash provided by or (used in) investing activities	518,112	234,790
Cash flows from financing activities		
Partners' withdrawals	(379,608)	(365,264)
Net increase or (decrease) in cash and cash equivalents	368,720	149,158
Cash and cash equivalents – beginning of period	333,800	515,852
Cash and cash equivalents – end of period	$ 702,520	$ 665,010

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

REDWOOD MORTGAGE INVESTORS VI
(a California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 (unaudited)

NOTE 1 – GENERAL

In the opinion of the management of the partnership, the accompanying unaudited financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary to present fairly the financial information included therein. These financial statements should be read in conjunction with the audited financial statements included in the partnership's Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission. The results of operations for the nine month period ended September 30, 2009 are not necessarily indicative of the operating results to be expected for the full year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

The partnership places its cash and temporary cash investments with high credit quality institutions. Periodically, such investments may be in excess of federally insured limits.

Loans secured by deeds of trust

The partnership generally funds loans with a fixed interest rate and a five-year term. Approximately half of all currently outstanding loans require monthly payments of interest, with the principal due in full at maturity. The other loans require monthly payments of principal and interest, typically calculated on a 30 year amortization, with the remaining principal balance due at maturity.

Loans generally are stated at their outstanding unpaid principal balance with interest thereon being accrued as earned.

If the probable ultimate recovery of the carrying amount of a loan, with due consideration for the fair value of collateral, is less than amounts due according to the contractual terms of the loan agreement, and the shortfall in the amounts due are significant, the carrying amount of the loan is reduced to the present value of future cash flows discounted at the loan's effective interest rate. If a loan is collateral dependent, it is valued at the estimated fair value of the related collateral.

At September 30, 2009 and December 31, 2008, the partnership had two and four loans, respectively past maturity or more than 90 days past due in interest payments or principal, with aggregate principal balances of $498,503 and $428,578, respectively. In addition, accrued interest, late charges and advances totaled $28,945 and $23,491, respectively. At September 30, 2009, the partnership had filed notices of default on three loans totaling $787,452, one of which was included in the more than 90 days past due totals. At December 31, 2008, there was one loan totaling $318,587 with a filed notice of default.

From time to time, the partnership negotiates and enters into contractual workout agreements with borrowers whose loans are past maturity or who are delinquent in making payments. As of September 30, 2009, there were six loans with an aggregate unpaid principal balance of $996,329 in workout agreements. Typically, a workout agreement allows the borrower to extend the maturity date of the balloon payment and/or allows the borrower to make current monthly payments while deferring for periods of time, past due payments, or allows time to pay the loan in full. Two of the workout agreements with an aggregate unpaid principal balance of $176,131 are on loans delinquent at June 30, 2009, but they are now considered current.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans secured by deeds of trust (continued)

If events or changes in circumstances cause management to have serious doubts about the collectibility of the contractual payments, a loan may be categorized as impaired and interest is no longer accrued for financial reporting purposes. Any subsequent payments on impaired loans are applied to reduce the outstanding loan balances, including accrued interest and advances. When loans are considered impaired the allowance for loan loss is updated to reflect the change in the valuation of collateral security. The tables below summarize the impaired loans and their activity for the periods ended September 30, 2009 and 2008:

	As of September 30,			
	Number of Impaired Loans	Total Impaired Loan Balance	Total Investment Impaired Loans	Impaired Loans Loss Reserve
2009	4	$ 676,123	$ 707,058	$ 300,157
2008	—	$ —	$ —	$ —

	For the three months ended September 30,			For the nine months ended September 30,		
	Average Investment Impaired Loans	Interest Income Accrued	Interest Income Received In Cash	Average Investment Impaired Loans	Interest Income Accrued	Interest Income Received In Cash
2009	$ 709,764	$ —	$ 8,382	$ 708,876	$ 12,795	$ 21,195
2008	$ —	$ —	$ —	$ —	$ —	$ —

Loans unsecured by deeds of trust

The partnership had three unsecured loans, net of a discount, totaling $247,331 and $277,126 at September 30, 2009 and December 31, 2008, respectively. Interest is not being accrued as these loans are considered impaired; however, monthly payments are being received on each loan.

Allowance for loan losses

Loans and the related accrued interest, late fees and advances are analyzed on a periodic basis for recoverability. Delinquencies are identified and followed as part of the loan system. Delinquencies are determined in accordance with contractual terms of the loan agreements. The allowance is adjusted to an amount considered by management to be adequate, with due consideration to collateral values, loans and receivables, including impaired loans, other loans, accrued interest, late fees and advances on loans and other accounts receivable (unsecured). The partnership charges off uncollectible loan principal and related receivables directly to the allowance account if it is determined the full amount is not collectible. For loans that proceed to foreclosure sale, or if the borrower surrenders the collateral to the partnership in full or partial settlement of the loan obligation, the allowance is charged for the amount, if any, by which the recorded balance of the loan and related receivables exceeds the amount at which the real estate owned is valued.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for loan losses (continued)

The composition of the allowance for loan losses and the percentage of unpaid principal balance for each property type, as of September 30, 2009 and December 31, 2008 were as follows:

	September 30, 2009		December 31, 2008	
	Amount	Percent	Amount	Percent
Balance at end of period applicable to:				
Secured loans				
Single family	$ 384,020	57%	$ 285,151	55%
Apartments	10,000	5	10,000	4
Commercial	33,875	26	57,509	30
Land	12,232	12	12,427	11
Total	$ 440,127	100%	$ 365,087	100%
Unsecured loans	$ 89,723	100%	$ 124,826	100%
Total allowance for losses	$ 529,850	100%	$ 489,913	100%

Activity in the allowance for loan losses is as follows for the nine months ended September 30, 2009 and 2008:

	2009	2008
Balance at beginning of year	$ 489,913	$ 323,916
Provision for loan losses	47,570	35,692
Charge-offs		
Real estate - mortgage		
Single family	(7,633)	—
Apartments	—	—
Commercial	—	—
	(7,633)	—
Recoveries		
Real estate - mortgage		
Single family	—	—
Apartments	—	—
Commercial	—	—
	—	—
Net charge-offs	(7,633)	—
Balance at end of period	$ 529,850	$ 359,608
Ratio of net charge-offs during the period to average secured loans outstanding during the period	0.14%	0.00%

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

No provision for federal and state income taxes (other than an $800 state minimum tax) is made in the financial statements since income taxes are the obligation of the limited partners if and when income taxes apply.

Net income per $1,000 invested

Amounts reflected in the statements of income as net income per $1,000 invested by limited partners for the entire period are amounts allocated to limited partners who held their investment throughout the period and have elected to either leave their earnings to compound or have elected to receive periodic distributions of their net income. Individual income is allocated each month based on the limited partners' pro rata share of partners' capital. Because the net income percentage varies from month to month, amounts per $1,000 will vary for those individuals who made or withdrew investments during the period, or select other options.

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the valuation of impaired loans and the valuation of real estate held. Actual results could differ significantly from these estimates.

Reclassifications

Certain reclassifications, not affecting previously reported net income or total partners' capital, may have been made to the previously issued financial statements to conform to the current year classification.

Late fee revenue

Late fees are generally charged at 6% of the monthly installment payment past due.

Profits and losses

Profits and losses are allocated among the limited partners according to their respective capital accounts monthly after 1% of the profits and losses are allocated to the general partners.

Subsequent events

The partnership has evaluated subsequent events through November 16, 2009, the date of issuance of the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently issued accounting pronouncements

In June 2009 the Financial Accounting Standards Board (FASB) approved the FASB Accounting Standards Codification (Codification) as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP). The Codification was issued on July 1, 2009 and will be effective for interim and annual periods ending after September 15, 2009. Upon the Codification issuance only one level of authoritative GAAP exists, other than guidance issued by the Securities and Exchange Commission. All other accounting literature excluded from the Codification is considered non-authoritative. All references to GAAP will now use the new Codification (ASC) numbering system. The Codification did not have a material impact on the company's accounting polices.

In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active*, with an immediate effective date. The purpose of this release was to provide further clarification regarding Level 3 inputs and the assumptions management may make when the market for the asset is not active. In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, with an effective date for interim and annual reporting periods ending after June 15, 2009, with early adoption being permitted. The purpose of this release was to provide additional guidance for estimating fair value in accordance with SFAS 157, when the volume and level of activity for the asset or liability have significantly decreased. This release also includes guidance on identifying circumstances that indicate a transaction is not orderly. The adoption of these releases did not have a material impact on the partnership's financial condition and results of operation. These releases, along with SFAS 157, FSP 157-1 and FSP 157-2 are now included in ASC 820.

In April 2009, the FASB issued FSP FAS 107-1 (ASC 825) and APB 28-1 (ASC 825), *Interim Disclosure about Fair Value of Financial Instruments,* with an effective date for interim and annual reporting periods ending after June 15, 2009, with early adoption being permitted if one also early adopts FSP FAS 157-4. The purpose of this release is to require disclosure about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements and to require those disclosures in summarized financial information at interim reporting periods. The adoption of this release did not have a material impact on the partnership's disclosures.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (ASC 855). This standard establishes general standards of accounting for and disclosure of events occurring after the balance sheet date but before financial statements are issued or available to be issued. This statement is effective for reporting periods beginning after June 15, 2009 and did not have a material impact on the partnership's accounting or disclosures.

NOTE 3 – GENERAL PARTNERS AND RELATED PARTIES

The following are commissions and fees that are paid to the general partners and affiliates.

Mortgage brokerage commissions

For fees in connection with the review, selection, evaluation, negotiation and extension of loans, Redwood Mortgage Corp., an affiliate of the general partners, may collect an amount equivalent to 12% of the loaned amount until 6 months after the termination date of the offering. Thereafter, loan brokerage commissions (points) will be limited to an amount not to exceed 4% of the total partnership assets per year. The loan brokerage commissions are paid by the borrowers, and thus, are not an expense of the partnership.

Mortgage servicing fees

Redwood Mortgage Corp., an affiliate of the general partners, receives monthly mortgage servicing fees of up to 1/8 of 1% (1.5% annual) of the unpaid principal balance of the loan portfolio, or such lesser amount as is reasonable and customary in the geographic area where the property securing the mortgage is located. Historically, Redwood Mortgage Corp. has charged 1.0% annually, and on occasion has waived additional amounts to enhance the partnership's earnings. Redwood Mortgage Corp. does not use any specific criteria when deciding the exact amount of fees to be waived. Once a loan is categorized as impaired, mortgage servicing fees are no longer accrued. Additional servicing fees are recorded upon the receipt of any subsequent payments on impaired loans. The table below summarizes the mortgage servicing fees paid to Redwood Mortgage Corp. for the three and nine month periods ended September 30, 2009 and 2008.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Maximum chargeable	$ 17,762	$ 19,390	$ 53,978	$ 56,698
Waived	(5,921)	(6,463)	(17,993)	(43,771)
Net charged	$ 11,841	$ 12,927	$ 35,985	$ 12,927

Asset management fees

The general partners receive monthly fees for managing the partnership's loan portfolio and operations of up to 1/32 of 1% of the "*net asset value*" (3/8 of 1% annually). At times, to enhance the earnings to the partnership, the general partners have charged less than the maximum allowable rate. The general partners do not use any specific criteria when deciding the exact amount of fees to be waived. The table below summarizes the asset management fees paid to the general partners for the three and nine month periods ended September 30, 2009 and 2008.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Maximum chargeable	$ 5,507	$ 5,681	$ 16,683	$ 17,147
Waived	(—)	(3,787)	(—)	(11,431)
Net charged	$ 5,507	$ 1,894	$ 16,683	$ 5,716

NOTE 3 – GENERAL PARTNERS AND RELATED PARTIES (continued)

Other fees

The partnership agreement provides for other fees such as reconveyance, mortgage assumption and mortgage extension fees. These fees are incurred by the borrowers and paid to the general partners or their affiliates.

Operating expenses

The general partners or their affiliate, Redwood Mortgage Corp., are reimbursed by the partnership for all operating expenses incurred by them on behalf of the partnership, including without limitation, out-of-pocket general and administration expenses of the partnership, accounting and audit fees, legal fees and expenses, postage and preparation of reports to limited partners.

NOTE 4 – FAIR VALUE

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The partnership determines the fair values of its assets and liabilities based on the fair value hierarchy established in GAAP. Three levels of inputs may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the partnership has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the partnership'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 partnership's own data.

The partnership does not record loans at fair value on a recurring basis.

The following table reflects assets and liabilities measured at fair value on a non-recurring basis as of September 30, 2009:

	Fair Value Measurement at Report Date Using			
Item	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total as of September 30, 2009
Impaired secured loans	$ —	$ —	$ 406,901	$ 406,901
Unsecured loans	$ —	$ —	$ 158,775	$ 158,775

NOTE 4 – FAIR VALUE (continued)

The following methods and assumptions were used to estimate the fair value:

(a) Cash and cash equivalents – The carrying amount equals fair value. All amounts, including interest bearing, are subject to immediate withdrawal.

(b) Secured loans. The fair value of the non-impaired loans of $4,027,082 and $5,527,000 at September 30, 2009 and December 31, 2008, respectively, was estimated based upon projected cash flows discounted at the estimated current interest rates at which similar loans would be made. The applicable amount of the allowance for loan losses along with accrued interest and advances related thereto should also be considered in evaluating the fair value versus the carrying value. For loans in which a specific allowance is established based on the fair value of the collateral, the partnership records the loan as nonrecurring Level 2 if the fair value of the collateral is based on an observable market price or a current appraised value. If an appraised value is not available or the fair value of the collateral is considered impaired below the appraised value and there is no observable market price, the partnership records the loan as nonrecurring Level 3.

(c) Unsecured loans. The carrying amount equals fair value. Unsecured loans are valued at their principal less any discount or loss reserves established by management after taking into account the borrower's creditworthiness and ability to repay the loan.

NOTE 5 – ASSET CONCENTRATIONS AND CHARACTERISTICS

At September 30, 2009 and December 31, 2008, the loans secured by recorded deeds of trust had the following characteristics:

	September 30, 2009	December 31, 2008
Number of secured loans outstanding	23	24
Total secured loans outstanding	$ 5,258,998	$ 5,777,110
Average secured loan outstanding	$ 228,652	$ 240,713
Average secured loan as percent of total secured loans	4.35%	4.17%
Average secured loan as percent of partners' capital	3.95%	4.03%
Largest secured loan outstanding	$ 611,624	$ 621,363
Largest secured loan as percent of total secured loans	11.63%	10.76%
Largest secured loan as percent of partners' capital	10.56%	10.40%
Largest secured loan as percent of total assets	10.51%	10.39%
Number of counties where security is located (all California)	15	16
Largest percentage of secured loans in one county	17.15%	19.98%
Number of secured loans in foreclosure status	3	1
Amounts of secured loans in foreclosure	$ 787,452	$ 318,587

At times, a specific loan may increase above 10% of the secured loan portfolio or partnership assets as the loan portfolio and assets of the partnership decrease due to limited partner withdrawals and/or loan payoffs.

REDWOOD MORTGAGE INVESTORS VI
(a California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 (unaudited)

NOTE 5 – ASSET CONCENTRATIONS AND CHARACTERISTICS (continued)

The following categories of secured loans were held at September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
First trust deeds	$ 3,209,984	$ 3,720,819
Second trust deeds	1,849,014	1,856,291
Third trust deeds	200,000	200,000
Total loans	5,258,998	5,777,110
Prior liens due other lenders at time of loan	4,879,119	4,879,119
Total debt	$ 10,138,117	$ 10,656,229
Appraised property value at time of loan	$ 17,541,129	$ 18,313,659
Total loans as percent of appraisals based on appraised values and prior liens at time loan was consummated. The loan to value computation does not take into account increases or decreases in the security property values since consummation of the loan nor does it include changes through amortization of the senior mortgage, if any. Since inception it is likely property values have changed especially over the last two years and the portfolio's current loan to value ratio is likely higher than this historical ratio.	57.80%	58.19%
Loans by type of property		
Single family	$ 3,014,861	$ 3,156,804
Apartments	245,014	248,083
Commercial	1,387,500	1,750,860
Land	611,623	621,363
	$ 5,258,998	$ 5,777,110

Scheduled maturity dates of secured loans as of September 30, 2009 are as follows:

Year Ending December 31,	
2009	$ 200,000
2010	1,329,355
2011	1,628,377
2012	855,776
2013	198,969
Thereafter	1,046,521
	$ 5,258,998

No loans were past maturity at September 30, 2009.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Workout agreements

The partnership occasionally enters into workout agreements with borrowers who are past maturity or delinquent in their regular payments. Typically, a workout agreement allows the borrower to extend the maturity date of the balloon payment and/or allows the borrower to make current monthly payments while deferring for periods of time, past due payments, or allows time to pay the loan in full. The partnership was not obligated to fund additional money on these loans as of September 30, 2009.

Legal proceedings

The partnership is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the partnership.

Part I – Item 2.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OF THE PARTNERSHIP

Forward-Looking Statements.

Certain statements in this Report on Form 10-Q which are not historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the partnership's expectations, hopes, intentions, beliefs and strategies regarding the future. Forward-looking statements include statements regarding future interest rates and economic conditions and their effect on the partnership and its assets, trends in the California real estate market, estimates as to the allowance for loan losses, estimates of future limited partner withdrawals, 2009 annualized yield estimates, additional foreclosures in 2009, expectations regarding the levels of loan delinquencies and loan repayments, expectations regarding the numbers of loan extensions, workouts and foreclosures, beliefs relating to the impact on the partnership from current economic conditions and trends in the financial and credit markets, beliefs regarding the partnership's ability to recover its investment in certain properties, expectations regarding the partnership's plans to hold or sell properties which it forecloses, beliefs regarding the effect of borrower foreclosures on liquidity, the use of excess cash flow and the intention not to sell the partnership's loan portfolio. Actual results may be materially different from what is projected by such forward-looking statements. Factors that might cause such a difference include unexpected changes in economic conditions and interest rates, the impact of competition and competitive pricing and downturns in the real estate markets in which the partnership has made loans. All forward-looking statements and reasons why results may differ included in this Form 10-Q are made as of the date hereof, and we assume no obligation to update any such forward-looking statement or reason why actual results may differ.

Critical Accounting Policies.

In preparing the financial statements, management is required to make estimates based on the information available that affect the reported amounts of assets and liabilities as of the balance sheet dates and revenues and expenses for the reporting periods. Such estimates relate principally to the determination of (1) the allowance for loan losses (i.e. the amount of allowance established against loans receivable as an estimate of potential loan losses) including the accrued interest and advances that are estimated to be unrecoverable based on estimates of amounts to be collected plus estimates of the value of the property as collateral and (2) the valuation of real estate. At September 30, 2009, the partnership did not own any real estate.

Loans and the related accrued interest, late fees and advances are analyzed on a periodic basis for recoverability. Delinquencies are identified and followed as part of the loan system. Delinquencies are determined based upon contractual terms. A provision is made for loan losses to adjust the allowance for loan losses to an amount considered by management to be adequate, with due consideration to collateral values, and to provide for unrecoverable loans and receivables, including impaired loans, other loans, accrued interest, late fees and advances on loans and other accounts receivable (unsecured). The partnership charges off uncollectible loans and related receivables directly to the allowance account once it is determined that the full amount is not collectible.

If the probable ultimate recovery of the carrying amount of a loan, with due consideration for the fair value of collateral, is less than amounts due according to the contractual terms of the loan agreement and the shortfall in the amounts due are not insignificant, the carrying amount of the loan is reduced to the present value of future cash flows discounted at the loan's effective interest rate. If a loan is collateral dependent, it is valued at the estimated fair value of the related collateral.

If events and or changes in circumstances cause management to have serious doubts about the collectibility of the contractual payments, a loan may be categorized as impaired and interest is no longer accrued. Any subsequent payments on impaired loans are applied to reduce the outstanding loan balances, including accrued interest and advances.

Recent trends in the economy, particularly the downward trend in real estate values, have been taken into consideration in the aforementioned process of arriving at the allowance for loan losses. Actual results could vary from the aforementioned provisions for losses.

Real estate held includes real estate acquired through foreclosure and is stated at the lower of the recorded investment in the loan, plus any senior indebtedness, or at the property's estimated fair value, less estimated costs to sell.

The partnership periodically compares the carrying value of real estate to expected undiscounted future cash flows for the purpose of assessing the recoverability of the recorded amounts. If the carrying value exceeds future undiscounted cash flows, the assets are reduced to estimated fair value.

Related Parties.

The general partners of the partnership are Gymno Corporation and Michael R. Burwell. Most partnership business is conducted through Redwood Mortgage Corp., an affiliate of the general partners, arranges, services and maintains the loan portfolio for the benefit of the partnership. The fees received by the affiliate and the general partners are paid pursuant to the partnership agreement and are determined at the sole discretion of the general partners, subject to limitations imposed by the partnership agreement. In the past the general partners have elected not to take the maximum compensation. The following is a list of various partnership activities for which related parties are compensated.

- ***Mortgage Brokerage Commissions*** For fees in connection with the review, selection, evaluation, negotiation and extension of loans, Redwood Mortgage Corp. may collect an amount equivalent to 12% of the loaned amount until 6 months after the termination date of the offering. Thereafter, the loan brokerage commissions (points) will be limited to an amount not to exceed 4% of the total partnership assets per year. The loan brokerage commissions are paid by the borrowers, and thus, are not an expense of the partnership. Loan brokerage commissions paid by the borrowers were $0 and $0 for the three month periods and $7,410 and $21,000 for the nine month periods ended September 30, 2009 and 2008, respectively.

- ***Mortgage Servicing Fees*** Redwood Mortgage Corp. receives monthly mortgage servicing fees of up to 1/8 of 1% (1.5% on an annual basis) of the unpaid principal of the partnership's loans or such lesser amount as is reasonable and customary in the geographic area where the property securing the mortgage is located. Historically, Redwood Mortgage Corp. has charged 1.0% annually, and on occasion has waived additional amounts to enhance the partnership's earnings and thereby increase returns to the limited partners. Such fee waivers were not made for the purpose of providing the partnership with sufficient funds to satisfy withdrawal requests, nor to meet any required level of distributions, as the partnership has no such required level of distributions. Redwood Mortgage Corp. does not use any specific criteria when deciding the exact amount of fees to be waived. The decision to waive fees and the amount, if any, to be waived, is made by Redwood Mortgage Corp. in its sole discretion. There is no assurance that Redwood Mortgage Corp. will waive fees at similar levels, or at all, in the future. The table below summarizes the mortgage servicing fees paid to Redwood Mortgage Corp. for the three and nine month periods ended September 30, 2009 and 2008.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Maximum chargeable	$ 17,762	$ 19,390	$ 53,978	$ 56,698
Waived	(5,921)	(6,463)	(17,993)	(43,771)
Net charged	$ 11,841	$ 12,927	$ 35,985	$ 12,927

- ***Asset Management Fees*** The general partners receive monthly fees for managing the partnership's portfolio and operations of up to 1/32 of 1% of the *'net asset value'* (3/8 of 1% on an annual basis). At times, to enhance the earnings to the partnership, the general partners have charged less than the maximum allowable rate. Such fee waivers were not made with the purpose of providing the partnership with sufficient funds to satisfy withdrawal requests, nor to meet any required level of distributions, as the partnership has no such required level of distributions. The general partners do not use any specific criteria when deciding the exact amount of fees to be waived. The decision to waive fees and the amount, if any, to be waived, is made by the general partners in their sole discretion. There is no assurance that the general partners will waive fees at similar levels, or at all, in the future. The table below summarizes the asset management fees paid to the general partners for the three and nine month periods ended September 30, 2009 and 2008.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Maximum chargeable	$ 5,507	$ 5,681	$ 16,683	$ 17,147
Waived	(—)	(3,787)	(—)	(11,431)
Net charged	$ 5,507	$ 1,894	$ 16,683	$ 5,716

- ***Other Fees*** The partnership agreement provides the general partners may receive other fees such as processing and escrow, reconveyance, mortgage assumption and mortgage extension fees. Such fees are incurred by the borrowers and are paid to the general partners. Such fees aggregated $45 and $83 for the three month periods and $775 and $1,613 for the nine month periods ended September 30, 2009 and 2008, respectively.

- ***Income and Losses*** All income and losses are credited or charged to partners in relation to their respective partnership interests. The allocation to the general partners (combined) is a total of 1%, which was $583 and $856 for the three month periods and $2,031 and $2,655 for the nine month periods ended September 30, 2009 and 2008, respectively.

- ***Operating Expenses*** An affiliate of the partnership, Redwood Mortgage Corp. is reimbursed by the partnership for all operating expenses actually incurred by it on behalf of the partnership, including without limitation, out-of-pocket general and administration expenses of the partnership, accounting and audit fees, legal fees and expenses, postage and preparation of reports to limited partners. Such reimbursement was $1,962 and $1,547 for the three month periods and $5,932 and $4,771 for the nine month periods ended September 30, 2009 and 2008, respectively.

- ***Contributed Capital*** The general partners jointly and severally contribute 1/10 of 1% in cash contributions as proceeds from the offerings are received from the limited partners. As of each of September 30, 2009 and 2008, a general partner, Gymno Corporation, had contributed $9,761 as capital in accordance with the partnership agreement.

Results of Operations.

Changes in the partnership's operating results are tabulated for reference and discussed below:

	Changes during the three months ended September 30, 2009 versus 2008		Changes during the nine months ended September 30, 2009 versus 2008	
	Dollars	Percent	Dollars	Percent
Revenue				
Interest on loans	$ (11,614)	(9)%	$ (7,441)	(2)%
Other interest	628	54	(343)	(7)
Late fees, prepayment penalties and fees	150	8	(661)	(12)
Total revenues	(10,836)	(9)	(8,445)	(2)
Expenses				
Mortgage servicing fees	(1,086)	(8)	23,058	178
Asset management fees	3,613	191	10,967	192
Clerical costs through Redwood Mortgage Corp.	415	27	1,161	24
Provision for loan losses	(1,842)	(12)	11,878	33
Professional services	15,716	176	10,711	23
Other	(394)	(47)	(3,841)	(46)
Total expenses	16,422	39	53,934	47
Net income	$ (27,258)	(32)%	$ (62,379)	(24)%

Please refer to the above table throughout the discussions of Results of Operations

The decrease in interest on loans for the three and nine month periods ended September 30, 2009 as compared to the same periods in 2008 was due to the non-accrual of interest on impaired or foreclosed upon loans, offset by an increase in the average loan portfolio balance. Each period includes income gained through amortization of discount on unsecured notes, which has been eliminated in the calculation of the average interest rate. The table below recaps these averages for the three and nine month periods.

	Three months ended September 30,		Nine months ended September 30,	
Year	Average Secured Loan Balance	Average Interest Rate Adjusted For Discount	Average Secured Loan Balance	Average Interest Rate Adjusted For Discount
2008	$ 5,170,721	9.38%	$ 5,084,226	9.45%
2009	$ 5,350,271	8.12%	$ 5,511,986	8.46%

The increase in other interest for the three month period ended September 30, 2009 as compared to 2008 was due to a higher average balance of deposits in the interest-bearing accounts offset by a lower average rate of interest earned. The decrease for the nine month period ended September 30, 2009 as compared to 2008 was due to a lower average interest rate earned, offset by higher average balance of deposits. The table below summarizes the components in this area.

	Three months ended September 30,		Nine months ended September 30,	
Year	Average Interest-Bearing Balance	Average Interest Rate	Average Interest Bearing Balance	Average Interest Rate
2008	$ 296,229	1.56%	$ 353,444	1.74%
2009	$ 708,184	1.01%	$ 561,593	1.01%

Mortgage servicing fees decreased for the three month period ended September 30, 2009 as compared to the same period in 2008 due to a lower average loan balance subject to the servicing fee. The average loan balance was $4,736,172 in 2009 compared to $5,170,721 in 2008. The mortgage servicing fees increased for the nine month period ended September 30, 2009 as compared to the same period in 2008 primarily due to Redwood Mortgage Corp's waiver of $43,771 of these fees in 2008 compared to $17,993 of waived fees in 2009.

The increase in asset management fees for the three and nine month periods ended September 30, 2009 compared to the same periods in 2008, was due to the general partners charging one-third the allowable rate in 2008 compared to charging the allowable rate in 2009.

The decrease and increase in the provision for losses on loans for the three and nine month periods, respectively, ended September 30, 2009 compared to the same periods in 2008, was due to management's decision to adjust the allowance for losses to reflect the current market conditions.

The increase in professional services for the three and nine month periods ended September 30, 2009 as compared to the same periods in 2008, was due to general increases in professional costs for legal services, audits, tax return processing and the timing of billing.

The decrease in other expenses for the nine month period ended September 30, 2009 as compared to the same period in 2008 was due to costs associated with an owned property which was sold in late 2008.

Partnership capital decreased from $5,973,239 at December 31, 2008 to $5,793,862 at September 30, 2009. The decrease is attributable to capital liquidations exceeding compounding earnings. The partnership capital declined $143,376 in 2008 and is anticipated to decrease by approximately $240,000 in 2009.

The partnership began funding loans in October 1987. The aggregate principal balance of the partnership's secured loans outstanding as of September 30, 2009 and December 31, 2008 was $5,258,998 and $5,777,110, respectively.

Delinquencies on partnership loans are within the normal historical range of the general partners' expectations, based upon their experience in managing similar partnerships over the last twenty-eight years. Foreclosures are a normal aspect of partnership operations. As of September 30, 2009, there were three loans with a filed notice of default.

Cash is generated from borrower payments of interest, principal and loan payoffs. Currently the credit and financial markets are facing a significant and prolonged disruption. As a result, loans are not readily available to borrowers or purchasers of real estate. These credit constraints may impact the partnership and our borrowers' ability to sell properties or refinance their loans in the event they have difficulty making loan payments or their loan matures. A slow down or reduction in loan repayments would likely reduce the partnership's cash flows and restrict the partnership's ability to invest in new loans or provide earnings and capital distributions. Excess cash flow is invested in new loan opportunities, when available, and used for other partnership business.

Allowance for Losses.

The general partners periodically review the loan portfolio, examining the status of delinquencies, the underlying collateral securing these loans, real estate held expenses, sales activities, and borrower's payment records and other data relating to the loan portfolio. Data on the local real estate market and on the national and local economy are studied. Based upon this and other information, the allowance for loan losses is increased or decreased. Borrower foreclosures are a normal aspect of partnership operations. The partnership is not a credit based lender and hence while it reviews the credit history and income of borrowers, and if applicable, the income from income producing properties, the general partners expect the partnership will on occasion take back real estate security.

At September 30, 2009 the partnership's loan portfolio had two loans with interest payments 90 days or more past due with an aggregate principal balance of $498,503. These two loans are each secured by second deeds of trust and bear a weighted average interest rate of 9.05%. With respect to the loans with past due interest payments, the partnership intends to try to collect such payments in full and, if collection is not successful, the partnership may consider entering into a workout agreement, restructuring the loan or foreclosing on the property as the general partners deem appropriate based on their evaluation of each such loan. As of September 30, 2009 the partnership had no loans past maturity.

The partnership had three filed notices of default at September 30, 2009, one of which is included in the two delinquent loans noted above. One notice of default is on a loan secured by a first deed of trust with a principal balance of $317,971 and an interest rate of 6.38%. The other two notices are on loans secured by second deeds of trust with an aggregate principal balance of $469,481 and a weighted average interest rate of 9.00%

The partnership occasionally enters into workout agreements with borrowers who are past maturity or delinquent in their regular payments. Six of the partnership's loans totaling $996,329 were subject to workout agreements as of September 30, 2009. Typically, a workout agreement allows the borrower to extend the maturity date of the balloon payment and/or allows the borrower to make current monthly payments while deferring for periods of time, past due payments, or allows time to pay the loan in full. By deferring maturity dates of balloon payments or deferring past due payments, workout agreements may adversely affect the partnership's cash flow.

Workout agreements and foreclosures generally exist within the loan portfolio to greater or lesser degrees, depending primarily on the health of the economy. The general partners expect the number of foreclosures and workout agreements will generally rise during economic downturns and conversely fall during good economic times. These workouts and delinquencies have been considered when the general partners arrive at an appropriate allowance for loan losses and based on their experience, are reflective of the partnership's loan marketplace segment. Because of the number of variables involved, the magnitude of possible swings and the general partners' inability to control many of these factors, actual results may and do sometimes differ significantly from estimates made by the general partners.

The partnership has three unsecured loans totaling $247,331 net of a discount. These unsecured loans are considered impaired, however, regular payments are being received on all three loans.

The partnership made a provision of $47,570 and $35,692 to the loan loss reserve during the nine month periods ended September 30, 2009 and 2008, respectively. The allowance for loan loss reserve of $529,850 and $489,913 as of September 30, 2009 and December 31, 2008, respectively, is considered to be adequate for the total net loan portfolio balances of $5,506,329 and $6,054,236, respectively.

SECURED PORTFOLIO REVIEW

Secured Loan Portfolio

The partnership's loan portfolio consists primarily of short-term (one to five years), fixed rate loans secured by real estate. The majority of the real estate is located in the nine San Francisco Bay Area counties (San Mateo, Santa Clara, Alameda, San Francisco, Napa, Solano, Sonoma, Marin and Contra Costa).

As of September 30, 2009 and 2008, the partnership held 24 and 25 secured loans respectively, in the following locations and categories:

	September 30,			
	2009		2008	
	Dollars	Percent	Dollars	Percent
Location				
San Francisco Bay Area	$ 2,661,464	51%	$ 2,419,378	51%
Other Northern California counties	1,834,241	35	1,639,923	35
Southern California counties	763,293	14	650,807	14
Total	$ 5,258,998	100%	$ 4,710,108	100%
Property type				
Single Family	$ 3,014,861	57%	$ 2,710,194	58%
Apartments	245,014	5	249,054	5
Commercial	1,387,500	26	1,750,860	37
Land	611,623	12	—	—
Total	$ 5,258,998	100%	$ 4,710,108	100%

The following table sets forth the priorities, asset concentrations and maturities of the secured loans held by the partnership as of September 30, 2009:

	# of Loans	Amount	Percent
First trust deeds	12	$ 3,209,984	61%
Second trust deeds	10	1,849,014	35%
Third trust deeds	1	200,000	4%
Total	23	$ 5,258,998	100%
Maturing prior to 12/31/09	1	$ 200,000	4%
Maturing during 2010	5	1,329,355	25%
Maturing during 2011	9	1,628,377	31%
Maturing after 12/31/11	8	2,101,266	40%
Total	23	$ 5,258,998	100%
Average loan		$ 228,652	4.35%
Largest loan		611,624	11.63%
Smallest loan		69,481	1.32%
Average loan-to-value, based upon appraisals and senior liens at date of inception of loan			57.80%

The partnership's largest loan in the principal amount of $611,624 represents 11.63% of outstanding secured loans and 10.51% of partnership assets. At times, loans may increase above 10% of the secured loan portfolio or partnership assets as the loan portfolio and assets of the partnership decrease due to loan payoffs and/or limited partner withdrawals.

Liquidity and Capital Resources.

The partnership relies upon loan payoffs and borrowers' mortgage payments for the source of funds for loans. Recently, mortgage interest rates have decreased somewhat from those available at the inception of the partnership. If interest rates were to increase substantially, the yield of the partnership's loans may provide lower yields than other comparable debt-related investments. Additionally, since the partnership has made primarily fixed rate loans, if interest rates were to rise, the likely result would be a slower prepayment rate for the partnership. This could cause a lower degree of liquidity as well as a slowdown in the ability of the partnership to invest in loans at the then current interest rates. Conversely, in the event interest rates were to decline, the partnership could experience significant borrower prepayments, which, if the partnership can only obtain the then existing lower rates of interest may cause a dilution of the partnership's yield on loans, thereby lowering the partnership's overall yield to the limited partners. Cash is generated from borrower payments of interest, principal and loan payoffs. Currently the credit and financial markets are facing a significant and prolonged disruption. As a result, loans are not readily available to borrowers or purchasers of real estate. These credit constraints may impact the partnership and our borrowers' ability to sell properties or refinance their loans in the event they have difficulty making loan payments or their loan matures. A slow down or reduction in loan repayments would likely reduce the partnership's cash flows and restrict the partnership's ability to invest in new loans or provide earnings and capital distributions. Excess cash flow is invested in new loan opportunities, when available, and used for other partnership business.

At the time of subscription to the partnership, limited partners made a decision to either take distributions of earnings monthly, quarterly or annually or to compound earnings in their capital account. The table below summarizes these allocation elections. As of September 30, 2009 and 2008, limited partners electing to withdraw earnings represented 42% and 40%, respectively.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Distributing	$ 24,217	$ 33,562	$ 83,728	$ 103,985
Compounding	$ 33,473	$ 51,114	$ 117,322	$ 158,821

The partnership also allows the limited partners to withdraw their capital account subject to certain limitations and penalties (see liquidation provisions of partnership agreement). These withdrawals are within the normally anticipated range the general partners would expect in their experience in this and other partnerships. The general partners expect a small percentage of limited partners will elect to liquidate their capital accounts over one year with a 10% and/or 8% early withdrawal penalty. In originally conceiving the partnership, the general partners wanted to provide limited partners needing their capital returned a degree of liquidity. Generally, limited partners electing to withdraw over one year need to liquidate investments to raise cash. The demand the partnership is experiencing in withdrawals by limited partners electing a one year liquidation program represents a small percentage of limited partner capital as of September 30, 2009 and 2008, respectively, and is expected by the general partners to commonly occur at these levels.

After a five year hold period has passed, limited partners may withdraw their capital account without penalty. To date, the partnership has satisfied all withdrawal requests by limited partners. The table below sets forth actual liquidations for the past three months:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Capital liquidations-without penalty	$ 83,434	$ 78,646	$ 257,316	$ 237,747
Capital liquidations-subject to penalty	$ 25,034	$ 5,000	$ 42,184	$ 22,692

In some cases in order to satisfy broker-dealers and other reporting requirements, the general partners have valued the limited partners' interest in the partnership on a basis which utilizes a per Unit system of calculation, rather than based upon the investors' capital account. This information has been reported in this manner in order to allow the partnership to integrate with certain software used by the broker-dealers and other reporting entities

In those cases, the partnership will report to broker-dealers, trust companies and others a "reporting" number of Units based upon a $1.00 per Unit calculation. The number of reporting Units provided will be calculated based upon the limited partner's capital account value divided by $1.00. Each investor's capital account balance is set forth periodically on the partnership account statement provided to investors. The reporting Units are solely for broker-dealers requiring such information for their software programs and do not reflect actual Units owned by a limited partner or the limited partners' right or interest in cash flow or any other economic benefit in the partnership. Each investor's capital account balance is set forth periodically on the partnership account statement provided to investors. The amount of partnership earnings each investor is entitled to receive is determined by the ratio each investor's capital account bears to the total amount of all investor capital accounts then outstanding. The capital account balance of each investor should be included on any FINRA member client account statement in providing a per Unit estimated value of the client's investment in the partnership in accordance with NASD Rule 2340.

While the general partners have set an estimated value for the Units, such determination may not be representative of the ultimate price realized by an investor for such Units upon sale. No public trading market exists for the Units and none is likely to develop. Thus, there is no certainty the Units can be sold at a price equal to the stated value of the capital account. Furthermore, the ability of an investor to liquidate his or her investment is limited subject to certain liquidation rights provided by the partnership, which may include early withdrawal penalties (See the section of the Prospectus entitled "Risk Factors - Purchase of Units is a long term investment").

Current Economic Conditions.

The partnership makes mortgage loans primarily secured by deeds of trust on California real estate. The majority of its lending is concentrated in the San Francisco Bay Area and the outlying communities. The economic health of California and in particular, the San Francisco Bay Area, plays a significant role in the performance of the real estate industry, and property values which provide the underlying collateral for our loans. In December 2007, California along with the rest of the United States began to experience what has turned out to be the most severe and prolonged economic recession in more than 50 years. The downward trend in economic productivity and the depth of the recession accelerated significantly in the fourth quarter of 2008 when the national gross domestic product declined at an annual rate of 5.4% and continued to decline in the first and second quarters of 2009; at an annual rate of 6.4% and 1.0%, respectively, before slightly recovering in the third quarter of 2009 with an increase at an annual rate of 3.5% (from the second quarter of 2009), according to the "advance" estimate released by the Bureau of Economic Analysis..

During this recession many events have buffeted the United States economy, particularly the financial system and the business sector. These events include, among others: the failure of brokerage firm Lehman Brothers; the forced merger of the brokerage firm Bear Stearns; the governmental bailout of insurance giant AIG; the government takeover of both Fannie Mae and Freddie Mac (the largest holders of residential mortgages in the United States); the merger of Bank of America with Countrywide (the third largest holder of residential mortgages in the United States); the forced merger of Wachovia Bank; the takeovers of over 120 banks by the FDIC in 2009; governmental financial assistance provided to United States automakers; the bankruptcies of Chrysler Corporation and General Motors; and historic write downs of mortgages held by banks. These factors have exposed the financial system to increased risks and decreased consumer confidence.

In response to the turmoil in the financial markets and to help bolster the financial system and the economy, the United States government, through the Federal Reserve and Treasury, has adopted many measures. These measures include among others, two financial stimulus packages, enactment of the Troubled Asset Relief Program (TARP) to provide capital to financial institutions, reduction of the Federal Funds Rate to a range of 0.00% to 0.25%, and enactment of the Emergency Economic Stabilization Act. The impact of these actions and future actions will take time to produce positive results.

In response to the reduced economic activity businesses have made significant reductions in their workforces, which have caused an increase in unemployment. Since January of 2008, the national unemployment rate has risen dramatically from 4.9% to 9.8% as of September 2009. Likewise, California's unemployment rate has increased from 6.1% in January 2008 to 12.2% as of September 2009. The escalation of unemployment has caused borrowers losing jobs to have a difficult time meeting their financial obligations and caused concerns among workers regarding their job security. Both of these factors have lowered overall confidence, particularly as it relates to one's own financial circumstances.

The rise in residential real estate values to all-time highs from 2003 to 2006, and the subsequent steep value declines in many residential real estate markets, have furthered the downturn in consumer confidence and has been a leading cause of the current recession. As residential real estate values declined, borrowers that had obtained subprime and high loan-to-value mortgages began to default in high percentages on their mortgage obligations. These defaults were due to a variety of reasons, including borrowers' inability to manage their mortgage payments, dramatic increases in mortgage payments from adjustable rate mortgage loans, rising unemployment and reduced or negative equity. As borrowers defaulted upon their loans in record numbers and property values fell, real estate lenders have sought to minimize risk and became more cautious in their real estate lending activities.

In California, loan defaults and the subsequent filings of notices of default to enforce lenders' remedies against defaulted borrowers rose throughout most of 2007 and 2008. However in the third quarter of 2009, the number of notices of default filed decreased by 10.3% from the second quarter of 2009, but was 18.5% higher than the third quarter of 2008. Likewise, trustee's deeds issued at the foreclosure sale of a property decreased in San Francisco County from 192 during the third quarter of 2008 to 179 during the third quarter of 2009. That number also decreased in Los Angeles County from 11,690 during the third quarter 2008 to 7,927 during the third quarter of 2009.

Increased defaults, declining real estate values and losses on some loans have led to more restrictive loan to value requirements, more stringent underwriting standards and the elimination of a wide variety of lending programs, which in turn has significantly reduced the number of potential buyers and borrowers for both residential and commercial property. Lenders' aversion to real estate secured lending has left FHA, Fannie Mae and Freddie Mac, and large, well-capitalized portfolio lenders as the primary sources of capital, and even these sources are tightening their lending guidelines. Fannie Mae and Freddie Mac have created two types of maximum loan amounts they are willing to purchase. For most single family properties there are "Conforming" loans, which are loans up to $417,000 and in some of the higher-priced regions of California, such as the San Francisco Bay Area, "High Cost" loans which are up to $729,750. Many of the properties the partnership has lent upon have loans exceeding these amounts and would not be eligible for purchase by these lenders. In all respects, money available for real estate lending has been greatly curtailed. Access to borrowed monies is the lifeblood to a functioning real estate market and the recent restrictions and reductions have led to an overall reduction in real estate activity.

Mortgage interest rates are a key factor in the affordability of real estate. The higher the interest rate, the less affordable real estate becomes. Interest rates are currently near historic lows. Freddie Mac reports for September 2009, the 30-year fixed-rate mortgage interest rate averaged 4.95% with an average cost of 0.7 points. Last year at this time, the interest rate on the same loan averaged 6.04% and cost 0.7 points. The lower interest rates have helped homeowners qualify for mortgages and provided those seeking to purchase residential property with lower payment rates and increased affordability. This improved affordability is one likely reason why residential real estate sales volumes have been increasing since July 2008. In September 2009, California sales volumes of new and resale houses and condominiums rose 2.1% from September 2008.

Median home prices have declined from their highs in 2005 and 2006. The median sales price of an existing California home, as reported by Dataquick, was $251,000 in September 2009, a 2.0% increase from June (which increased 10.0% from March 2009) but an 11.3% drop from $283,000 in September 2008. These value declines from 2008 have caused great difficulties for residential owners and their lenders. Owners desiring to sell property often must face the prospect of selling at prices less than their acquisition cost, resulting in a loss to the owner. Lenders on secured properties often find the decline in values has tightened their lendable equity or in some instances resulted in their loan being larger than the collateral property is worth. In the current environment, borrowers owning residential properties may find it difficult to refinance or sell their properties. This situation may cause or even force borrowers to hold their existing financing longer than they normally would choose or originally anticipated due to the lack of other financing alternatives or the inability to sell the property and pay off the existing debt through property sale.

Should a borrower encounter difficulty in making their mortgage payments or paying off a loan at its maturity, the lender must decide whether to work with the borrowers to assist them through a period of financial difficulty or proceed with remedies provided in the loan documents, often resulting in a foreclosure of the property. Slow and longer sales periods and often lower property values, coupled with a general lack of financing alternatives and stringent underwriting standards have forced many borrowers and lenders to make these difficult choices.

In light of the current economic conditions, the partnership has been increasing the allowance for loan losses, and has taken other actions to protect the partnership’s investment in the loans and the capital of its investors. Nevertheless, the partnership is experiencing increased loan delinquencies, lower levels of loan repayments, increased numbers of loan extensions, workouts and foreclosures as some borrowers are unable to meet their financial obligations. In some instances, the partnership anticipates realizing losses should it take back the real estate securing these loans and choose to immediately sell the property. The partnership may also consider accepting less than the amount owed on a mortgage to facilitate the sale of real estate at its current market value, commonly known as a short sale. The partnership believes it may be beneficial, in some cases to hold a property as an investment if the property has the potential to generate rental income or the value of the property can be enhanced through improvements. Given the difficult economic environment, the partnership anticipates holding many of the properties it forecloses upon for periods of time rather than immediately selling the properties. In the interim, this will result in the partnership being a holder of both debt on and equity in California real estate.

Part I – Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Under the reporting requirements, the partnership has elected not to report on this item.

Part I – Item 4T. CONTROLS AND PROCEDURES

As of September 30, 2009, the partnership carried out an evaluation, under the supervision and with the participation of the general partners of the effectiveness of the design and operation of the partnership’s disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the general partners concluded as of the end of the period covered by this report, that the partnership’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the partnership in the reports that it files or submits under that Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and is accumulated and communicated to the general partners as appropriate to allow timely decisions regarding required disclosure.

There was no change in the partnership’s internal control over financial reporting during the three months ended September 30, 2009 that has materially affected, or is reasonably likely to materially affect, the partnership’s internal control over financial reporting.

Part II – OTHER INFORMATION

Item 1. **Legal Proceedings**

In the normal course of business, the partnership may become involved in various types of legal proceedings such as assignment of rents, bankruptcy proceedings, appointment of receivers, unlawful detainers, judicial foreclosure, etc., to enforce the provisions of the deeds of trust, collect the debt owed under the promissory notes, or to protect, or recoup its investment from the real property secured by the deeds of trust and resolve disputes between borrowers, lenders, lien holders and mechanics. None of these actions would typically be of any material importance. As of the date hereof, the partnership is not involved in any legal proceedings. In the opinion of management, such matters will not have a material effect upon the financial position of the partnership.

Item 1A. **Risk Factors**

Not Applicable

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

Not Applicable.

Item 3. **Defaults upon Senior Securities**

Not Applicable.

Item 4. **Submission of Matters to a Vote of Security Holders**

Not Applicable.

Item 5. **Other Information**

Not Applicable.

Item 6. **Exhibits**

31.1 Certification of General Partner pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 Certification of General Partner pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 Certification of General Partner pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2 Certification of General Partner pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized on the 16th day of November, 2009.

REDWOOD MORTGAGE INVESTORS VI,
A CALIFORNIA LIMITED PARTNERSHIP

By: /S/ Michael R. Burwell
Michael R. Burwell, General Partner

By: **Gymno Corporation, General Partner**

By: /S/ Michael R. Burwell
Michael R. Burwell, President,
Secretary/Treasurer & Chief Financial Officer

Exhibit 31.1

GENERAL PARTNER CERTIFICATION

I, Michael R. Burwell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Redwood Mortgage Investors VI, a California Limited Partnership (the “Registrant”);

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

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

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

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

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

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

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

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

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

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

/s/ Michael R. Burwell

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Michael R. Burwell, General Partner
November 16, 2009

Exhibit 31.2

PRESIDENT AND CHIEF FINANCIAL OFFICER CERTIFICATION

I, Michael R. Burwell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Redwood Mortgage Investors VI, a California Limited Partnership (the “Registrant”);

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

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

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

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

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

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

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

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

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

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

/s/ Michael R. Burwell

Michael R. Burwell, President, Secretary/Treasurer and
Chief Financial Officer, of Gymno
Corporation, General Partner
November 16, 2009

Exhibit 32.1

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

In connection with the Quarterly Report of Redwood Mortgage Investors VI, a California Limited Partnership (the “Partnership”) on Form 10-Q for the period ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Michael R. Burwell, certify, to the best of my knowledge:

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

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

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

/s/ Michael R. Burwell

Michael R. Burwell, General Partner
November 16, 2009

Exhibit 32.2

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

In connection with the Quarterly Report of Redwood Mortgage Investors VI a California Limited Partnership (the "Partnership") on Form 10-Q for the period ended September 30 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Michael R. Burwell, certify, to the best of my knowledge:

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

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

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

/s/ Michael R. Burwell
____
Michael R. Burwell, President,
Secretary/Treasurer & Chief Financial
Officer of Gymno Corporation, General Partner
November 16, 2009