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

FORM 10-K

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

For the Year Ended December 31, 2010

[ ] **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	**94-3031211**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
900 Veterans Blvd., Suite 500, Redwood City, CA	**94063**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:	None
Securities registered pursuant to Section 12(g) of the Act:	Limited Partnership Units

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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

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

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

The registrant's limited partnership Units are not publicly traded and therefore have no market value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Prospectus for Redwood Mortgage Investors VI, included as part of the Registration Statement on Form S-11, (SEC File No. 33-12519) dated September 3, 1987 and Supplement No. 6 dated May 16, 1989, are incorporated in the following section of this report:

- Part II – Item 5 – Market for the Registrant's "Limited Partnership Units," Related Unitholder Matters and Issuer Purchases of Equity Securities

REDWOOD MORTGAGE INVESTORS VI
(a California Limited Partnership)
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December 31, 2010

Part I

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, and Section 21E of the Securities and 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, 2011 annualized yield estimates, additional foreclosures in 2011, expectations regarding the level of loan delinquencies, 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, 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-K are made as of the date hereof, and we assume no obligation to update any such forward-looking statements or reason why actual results may differ.

Item 1 – Business

Redwood Mortgage Investors VI is a California Limited Partnership, which makes loans secured primarily by first and second deeds of trust on California real property. Michael R. Burwell, an individual, and Gymno Corporation, a California corporation, are the general partners of the partnership. The address of the partnership and the general partners is 900 Veterans Blvd., Suite 500, Redwood City, California 94063.

The partnership was formed in 1987 and in September 1987 commenced an offering of up to 120,000 units of its limited partnership interests at $100 per unit ($12,000,000). The units were offered on a "best efforts" basis through broker/dealer member firms of the National Association of Securities Dealers, Inc. (NASD), the predecessor to the Financial Industry Regulatory Agency (FINRA). The partnership began investing in loans in October 1987. The offering terminated in September 1989, and as of that date 97,725.94 units (representing gross offering proceeds of $9,772,594), were sold. The partnership is scheduled to terminate in 2027, unless sooner terminated as provided in the partnership agreement.

The general partners are solely responsible for managing the partnership business, subject to the rights of the limited partners to vote on specified matters. Any one of the general partners acting alone has the power and authority to act for and bind the partnership. A majority of the outstanding limited partnership interests may, without the consent of the general partners, vote to: (i) terminate the partnership, (ii) amend the limited partnership agreement, (iii) approve or disapprove the sale of all or substantially all of the assets of the partnership and (iv) remove or replace one or all of the general partners. The approval of the majority of limited partners is required to elect a new general partner to continue the partnership business where there is no remaining general partner after a general partner ceases to be a general partner other than by removal.

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. The allocation to the general partners (combined) may not exceed 1%. The limited partners elect, at the time of their subscription for units, to (a) receive a monthly, quarterly or annual cash distributions of their pro-rata share of profits or (b) have earnings credited to their capital accounts and used to invest in partnership activities. The election to receive cash distributions is irrevocable. Subject to certain limitations, a compounding investor may subsequently change his election. Monthly results are subject to subsequent adjustment as a result of quarterly and year-end accounting and reporting. Income taxes – federal and state – are the obligation of the partners, if and when income taxes apply, other than for the minimum annual California franchise tax paid by the partnership. An investment in the partnership is not intended to provide tax benefits of the type commonly associated with limited partnership tax shelter investments.

There are substantial restrictions on transferability of units and accordingly an investment in the partnership is non-liquid. Limited partners had no right to withdraw from the partnership or to obtain the return of their capital account for at least one year from the date of purchase of partnership units. In order to provide a certain degree of liquidity to the limited partners after the one-year period, limited partners may withdraw all or part of their capital accounts from the partnership in four quarterly installments beginning on the last day of the calendar quarter following the quarter in which the notice of withdrawal is given, subject to a 10% early withdrawal penalty. The 10% penalty is applicable to the amount withdrawn as stated in the notice of withdrawal and will be deducted from the capital account. Once a limited partner has been in the partnership for the minimum five-year period, no penalty is imposed if the withdrawal is made in twenty quarterly installments or longer. Notwithstanding the minimum withdrawal period, the general partners, at their discretion, may liquidate all or part of a limited partner's capital account in four quarterly installments beginning on the last day of the calendar quarter following the quarter in which the notice of withdrawal is given, subject to a 10% early withdrawal penalty applicable to any sums withdrawn prior to when such sums could have been withdrawn without penalty. The partnership does not establish a reserve from which to fund withdrawals and, accordingly, the partnership's capacity to return a limited partner's capital account is restricted to the availability of partnership cash flow. Furthermore, no more than 20% of the total limited partners' capital accounts outstanding at the beginning of any year may be liquidated during any calendar year.

Principal Investment Objectives and General Standards for Mortgage Loans

Principal Investment Objectives. The partnership's primary objectives are to make investments which will: (i) provide the maximum possible cash returns which and (ii) preserve and protect the partnership's capital.

General Standards for Mortgage Loans. The partnership is engaged in the business of making loans with first and second deeds of trust on real property located in California, including:

- single-family residences (including homes, condominiums and townhouses, including 1-4 unit residential buildings),
- multifamily residential property (such as apartment buildings),
- commercial property (such as stores, shops and offices), and
- unimproved land.

As of December 31, 2010, of the partnership's outstanding loan portfolio, 56% is secured by single family residences, 22% by commercial properties, 9% by multifamily properties and 13% by undeveloped land. The partnership may also make loans secured by promissory notes which are secured by deeds of trust and are assigned to the partnership.

Loans are arranged and serviced by Redwood Mortgage Corp. (RMC), an affiliate of the general partners. 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. For loans secured by real property used commercially, such considerations though 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 our 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 loan-to-value ratio 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 total debt owing on the property, including the company's loan, 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 partnership may have a higher level of loan-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.

Recently enacted federal legislation impacts the lending to non-commercial residential borrowers by requiring that the lender consider a borrower's ability to meet payment obligations specified in the loan documents. The Dodd-Frank Act imposes significant new regulatory restrictions on the origination of residential mortgage loans, under sections concerning "Mortgage Reform and Anti-Predatory Lending." For example, these provisions require that when a consumer loan is made, the lender must make a reasonable and good faith determination, based on verified and documented information concerning the consumer's financial situation, whether the consumer has a reasonable ability to repay a residential mortgage loan before extending the loan. The Act calls for 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 adds new provisions prohibiting balloon payments for defined high cost mortgages.

While the implementing regulations are not yet finalized, the general partners are monitoring developments and, if and when applicable will adjust underwriting and lending practices accordingly. Residential lending on owner occupied properties that would be subject to the legislation and regulations generally has not been a significant portion of the loans made by the company's general partners.

With the exception of the formation loan made to RMC, loans are made pursuant to a set of guidelines designed to set standards for the quality of the security given for the loans, as follows:

- *Priority of Mortgages*. The lien securing each loan will not be junior to more than two other encumbrances (a first and, in some cases a second deed of trust) on the real property which is to be used as security for the loan. Although the partnership may also make wrap-around, or "all-inclusive" loans, those wrap-around loans will include no more than two underlying obligations. As of December 31, 2010, of the partnership's outstanding loan portfolio: 62% were secured by first deeds of trust, 32% by second deeds of trust and 6% by third deeds of trust.

- *Geographic Area of Lending Activity*. The partnership generally limits lending to deeds of trust on properties located in Northern California. To date, we have made no loans outside of California. As of December 31, 2010, approximately 57% of our loans are secured by deeds of trust on properties located in the San Francisco Bay Area counties and approximately 26% on properties located in other Northern California counties. The economy of the area where the security is located is important in protecting market values. Therefore, the general partners focuses the partnership's lending activity principally to the San Francisco Bay Area since it has a broad diversified economic base, an expanding working population and a minimum of buildable sites. The general partners believe these factors contribute to a stable market for residential property.

- *Construction Loans*. The partnership may make carefully selected construction loans (other than home improvement loans on residential property) up to a maximum of 10% of our loan portfolio. With respect to residential property, a construction loan is a loan in which the proceeds are used to construct a new dwelling (up to four units) on a parcel of property on which no dwelling previously existed or on which the existing dwelling was entirely demolished. With respect to commercial property, a construction loan is a loan in which the proceeds are used to construct an entirely new building on a parcel of property on which no building existed or on which an existing building was entirely demolished. As of December 31, 2010, none of the partnership's loans consisted of construction loans. In no event will the loan-to-value ratio on construction loans exceed 80% of the independently appraised completed value of the property. Once a property receives a certificate of occupancy from the local jurisdiction in which it is located, the loan will be reclassified as a permanent loan. The partnership may make loans secured by special-use properties, such as bowling alleys, churches and gas stations, provided that the amount of such loans does not exceed 10% of the partnership loan portfolio.

- *Rehabilitation Loans*. The partnership may also make loans, the proceeds of which are used to remodel, add to and/or rehabilitate an existing structure or dwelling, whether residential, commercial or multifamily properties and which, in the determination of management, are not construction loans. These loans are referred to by management as "rehabilitation loans". As of December 31, 2010 the partnership had funded no rehabilitation loans.

- *Loan-to-Value Ratios*. The amount of the partnership's loan combined with the outstanding debt secured by a senior deed of trust on the security property generally will not exceed a specified percentage of the appraised value of the security property as determined by an independent written appraisal at the time the loan is made. These loan-to-value ratios are as follows.

Type of Security Property	Loan-to-Value Ratio
Residential (including multi-family)	80%
Commercial Property (including retail stores and office buildings)	70%
Unimproved Land	50%

Any of the above loan-to-value ratios may be increased if, in the sole discretion of the general partners, a given loan is supported by credit adequate to justify a higher loan-to-value ratio. In addition, such loan-to-value ratios may be increased by 10% (e.g., to 90% for residential property), to the extent mortgage insurance is obtained; however, the general partners do not anticipate obtaining mortgage insurance. Finally, the foregoing loan-to-value ratios will not apply to purchase-money financing offered by the partnership to sell any real estate owned (acquired through foreclosure) or to refinance an existing loan that is in default at the time of maturity. In such cases, the general partners will be free to accept any reasonable financing terms that they deem to be in the best interests of the partnership, in their sole discretion. As of December 31, 2010, the loan to value ratio based upon appraised values and prior liens at the inception date of the loans for the partnership as a whole was 58%.

The partnership receives an independent appraisal for each property that secures a mortgage loan. Generally, appraisers retained by the partnership will be licensed or qualified as independent appraisers by state certification or national organization or other qualifications acceptable to the general partners. The general partners will review each appraisal report and will conduct a "drive-by" for each property on which an appraisal is made. A "drive by" means the general partners or their affiliates will drive to the property and assess the front exterior of the subject property, the adjacent properties and the neighborhood. A "drive by" does not include entering any structures on the property, although in some cases the general partners may enter the structures on the property.

- *Terms of Loans*. Most of the partnership's loans are for a period of one to ten years, but in no event more than 15 years. Most loans provide for monthly payments of principal and/or interest. Many loans provide for payments of interest only or are only partially amortizing with a "balloon" payment of principal payable in full at the end of the term. Some loans provide for the deferral and compounding of all or a portion of accrued interest for various periods of time.

- *Equity Interests in Real Property*. Most of the partnership's loans provide for interest rates comparable to second mortgage rates prevailing in the geographical area where the security property is located. However, the general partners reserve the right to make loans (up to a maximum of 25% of the partnership's loan portfolio) bearing a reduced stated interest rate in return for an interest in the appreciation in value of the security property during the term of the loan.

- *Escrow Conditions*. Loans are funded through an escrow account handled by a title insurance company or by RMC, subject to the following conditions:

  - Satisfactory title insurance coverage is obtained for all loans. The title insurance policy names the partnership as the insured and provides title insurance in an amount at least equal to the principal amount of the loan. Title insurance insures only the validity and priority of the partnership's deed of trust, and does not insure the partnership against loss by reason of other causes, such as diminution in the value of the security property, over appraisals, etc.

  - Satisfactory fire and casualty insurance is obtained for all loans, naming the partnership as loss payee in an amount equal to cover the replacement cost of improvements.

  - The general partners do not intend to and to date have not arranged for mortgage insurance, which would afford some protection against loss if the partnership foreclosed on a loan and there was insufficient equity in the security property to repay all sums owed. If the general partners determine in their sole discretion to obtain such insurance, the minimum loan-to-value ratio for residential property loans will be increased.

- All loan documents (notes, deeds of trust, escrow agreements, and any other documents needed to document a particular transaction or to secure the loan) and insurance policies name the partnership as payee and beneficiary. Loans are not written in the name of the general partners, RMC or any other nominee.

- *No Loans to General Partners*. No loans will be made to the general partners or their affiliates, with the exception of the formation loan.

- *Purchase of Loans from Affiliates and Other Third Parties*. Existing loans may be purchased from the general partners, their affiliates or other third parties, only so long as any such loan is not in default and otherwise satisfies all of the foregoing requirements; provided, the general partners and their affiliates must sell no more than a 90% interest and retain a 10% interest in any loan sold to the partnership which they have held for more than 180 days. In such case, the general partners and affiliates will hold their 10% interest and the partnership will hold its 90% interest in the loan as tenants in common. The purchase price to the partnership for any such loan will not exceed the par value of the note or its fair market value, whichever is lower.

- *Note Hypothecation*. The partnership also may make loans which will be secured by assignments of secured promissory notes. The amount of a loan secured by an assigned note will satisfy the loan-to-value ratios set forth above (which are determined as a specified percentage of the appraised value of the underlying property) and also will not exceed 80% of the principal amount of the assigned note. For purposes of making loans secured by promissory notes, the partnership will rely on the appraised value of the underlying property, as determined by an independent written appraisal which was conducted within the last twelve months. If such appraisal was not conducted within the last twelve months, then the partnership will arrange for a new appraisal to be prepared for the property. All such appraisals will satisfy the loan-to-value ratios set forth above. Any loan evidenced by a note assigned to the partnership will also satisfy all other lending standards and policies described herein. Concurrently with the partnership making the loan, the borrower of partnership funds, i.e., the holder of the promissory note, will execute a written assignment which shall assign to the partnership his/its interest in the promissory note. No more than 20% of the partnership's portfolio at any time will be secured by promissory notes. As of the date hereof, none of the partnership's portfolio is secured by promissory notes.

- *Loan Participation*. The partnership may participate in loans with other lenders (including certain other limited partnerships organized by the general partners, other individuals and pension funds), by providing funds for or purchasing a fractional undivided interest in a loan meeting the requirements set forth above.

- *Diversification*. The maximum investment by the partnership in a loan will not exceed the greater of (a) $50,000, or (b) 10% of the then total partnership assets (See Loan Participation, above).

- *Reserve Liquidity Fund*. A contingency reserve liquidity fund equal to 3% of the gross proceeds of the offering will be established for the purpose of covering unexpected cash needs of the partnership.

Credit Evaluations. The partnership may consider the income level and general creditworthiness of a borrower to determine his or her ability to repay the loan according to its terms. For loans secured by real property used commercially, such considerations are subordinate to a determination that a borrower has sufficient equity in the security property to satisfy the loan-to-value ratios described above. Therefore, loans may be made to borrowers who are in default under other of their obligations (e.g., to consolidate their debts) or who do not have sources of income that would be sufficient to qualify for loans from other lenders such as banks or savings and loan associations. Recently enacted federal legislation impacts the lending to non-commercial residential borrowers by requiring that the lender consider a borrower's ability to meet payment obligations specified in the loan documents. While the implementing regulations are not yet finalized, the general partners are monitoring developments and, if and when applicable will adjust underwriting and lending practices accordingly. Residential lending on owner occupied properties that would be subject to the legislation and regulations generally has not been a significant portion of the loans made by the company's general partners.

Loan Brokerage Commissions. RMC, an affiliate of the general partners, receives loan brokerage commissions for services rendered in connection with the review, selection, evaluation, negotiation and extension of the loans from borrowers. It is anticipated that loan brokerage commissions will average approximately 4-6% of the principal amount of each loan, but may be higher or lower depending upon market conditions. Such commissions will not exceed 4% of the total partnership assets per year.

Loan Servicing. It is anticipated that all loans will be "serviced" (i.e., loan payments will be collected) by RMC, an affiliate of the general partners, which also acts as a loan broker in the initial placement of partnership loans. RMC is compensated for such loan servicing activities. Both RMC and the partnership have the right to cancel this servicing agreement and any other continuing business relationships that may exist between them upon 30 days notice. Borrowers will make interest payments in arrears, i.e., with respect to the preceding 30-day period, and will make their checks payable to RMC. Checks will be deposited in RMC's trust account, and, after checks have cleared, funds will be transferred to the partnership's bank or money market account.

Sale of Loans. Although the partnership does not intend to do so and has not done so in the past, the general partners or their affiliates may sell loans to third parties including affiliated parties (or fractional interests therein) if and when the general partners determine that it appears to be advantageous to do so.

Borrowing. The partnership borrows funds for partnership activities including: (1) making loans; (2) increasing the liquidity of the partnership; and (3) reducing cash reserve needs. The partnership may assign all or a portion of its loan portfolio as security for such loan(s). The partnership intends to finance no more than 50% of the partnership's investments with borrowed funds.

Other Policies. The partnership will not:

- issue senior securities
- invest in the securities of other issuers for the purpose of exercising control
- underwrite securities of other issuers,
- offer securities in exchange for property, or
- repurchase its units.

Secured Loan Portfolio

The partnership generally funds loans with a fixed interest rate and a five-year term. As of December 31, 2010, approximately 81% of the partnership's loans (representing 62% of the aggregate principal balance of the partnership's loan portfolio) have a five year term or less from loan inception. The remaining loans have terms longer than five years. As of December 31, 2010, approximately 52% of the partnership's loans outstanding (representing 49% of the aggregate principal balance of the partnership's loan portfolio) provide for monthly payments of interest only, with the principal due in full at maturity. The remaining loans require monthly payments of principal and interest, typically calculated on a 30 year amortization, with the remaining principal balance due at maturity.

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. Such considerations typically 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 partnership's loan combined with the outstanding debt and claims secured by a senior deed of trust on the 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 loan-to-value ratio generally will not exceed 80% for residential properties (including multi-family), 70% for commercial properties, and 50% for land. The excess of the total debt, including the partnership's loan, and the value of the collateral is the protective equity.

- *Secured loans unpaid principal balance* (principal) - Secured loan transactions are summarized in the following table for the years ended December 31.

	2010	2009
Principal, beginning of year	$ 5,382,578	$ 5,777,110
New loans added	35,468	447,525
Borrower repayments	(545,473)	(772,576)
Foreclosures	(400,000)	—
Reaffirmed/(Charged-off)	81,000	(69,481)
Principal, end of year	$ 4,553,573	$ 5,382,578

In March 2010, a borrower whose loan had been charged-off, reaffirmed the debt. The partnership recorded the receivable and a related specific reserve. The specific reserve will be re-evaluated as the borrower makes payments.

- *Loan characteristics* - Secured loans had the characteristics presented in the following table at December 31.

	2010	2009
Number of secured loans	21	23
Secured loans – principal	$ 4,553,573	$ 5,382,578
Secured loans – interest rates range (fixed)	5.00%-10.50%	5.13%-10.50%
Average secured loan – principal	$ 216,837	$ 234,025
Average principal as percent of total principal	4.76%	4.35%
Average principal as percent of partners' capital	4.07%	4.10%
Average principal as percent of total assets	4.02%	4.07%
Largest secured loan – principal	$ 592,094	$ 607,853
Largest principal as percent of total principal	13.00%	11.29%
Largest principal as percent of partners' capital	11.12%	10.66%
Largest principal as percent of total assets	10.96%	10.57%
Smallest secured loan - principal	$ 80,960	$ 98,503
Smallest principal as percent of total principal	1.78%	1.83%
Smallest principal as percent of partners' capital	1.52%	1.73%
Smallest principal as percent of total assets	1.50%	1.71%
Number of counties where security is located (all California)	15	16
Largest percentage of principal in one county	19.73%	16.76%
Number of secured loans in foreclosure	1	2
Secured loans in foreclosure – principal	317,171	717,971
Number of secured loans with an interest reserve	—	—
Interest reserves	—	$ —

As of December 31, 2010, the partnership's largest loan in the unpaid principal balance of $592,094 (representing 13.00% of principal and 10.96% of partnership assets) has an interest rate of 7.00% and is secured by a parcel of land located in Santa Clara County, California. Larger loans sometimes increase above 10% of the secured loan portfolio or partnership assets as these amounts decrease due to limited partner withdrawals and loan payoffs and due to restructuring of existing loans.

- *Lien position* - Secured loans had the lien positions presented in the following table.

	2010			2009		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	11	$ 2,851,647	%	13	$ 3,386,917	63%
Second trust deeds	9	1,448,058		9	1,777,261	33
Third trust deeds	1	253,868		1	218,400	4
Total loans	21	4,553,573	100%	23	5,382,578	100%
Liens due others at loan closing		4,097,010			4,804,104	
Total debt		$ 8,650,583			$ 10,186,682	
Appraised value at loan closing		$ 14,831,502			$ 17,617,321	
Loan to value (LTV) (1)		58.33%			57.82%	

(1) Based on appraised values and liens due other lenders at loan closing. The loan to value computation does not take into account subsequent increases or decreases in security property values following the loan closing nor does it include decreases or increases of the amount owing on senior liens to other lenders by payments or interest accruals, if any. Property values likely have changed, particularly over the last three years, and the portfolio's current loan to value ratio likely is higher than this historical ratio.

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

	2010			2009		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family	15	$ 2,540,747	56%	16	$ 3,124,889	58%
Multi-family	2	417,172	9	1	243,936	5
Commercial	3	1,003,560	22	5	1,405,900	26
Land	1	592,094	13	1	607,853	11
Total secured loans	21	$ 4,553,573	100%	23	$ 5,382,578	100%

- *Scheduled maturities* - Secured loans are scheduled to mature as presented in the following table.

	2010		
	Loans	Principal	Percent
2011	6	$ 909,516	20%
2012	4	853,251	19
2013	2	372,263	8
2014	2	368,833	8
2015	4	978,724	21
Thereafter	2	831,540	19
Total future maturities	20	4,314,127	95
Matured at December 31, 2010	1	239,446	5
Total secured loans	21	$ 4,553,573	100%

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

- *Matured loans* - Secured loans past maturity are summarized in the following table.

	2010	2009
Number of loans (2) (3)	1	—
Unpaid principal balance	$ 239,446	$ —
Advances	—	—
Accrued interest	11,064	—
Loan balance	$ 250,510	$ —
Percent of loans	6%	—%

(2) The secured loan past maturity as of December 31, 2010 is also included in the secured loans delinquency.

(3) The secured loan past maturity as of December 31, 2010 is not included in the secured loans in non-accrual status.

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

	2010	2009
30-89 days past due	$ 1,069,782	$ 135,436
90-179 days past due	239,446	317,971
180 or more days past due	423,820	400,000
Total past due	1,733,048	853,407
Current	2,820,525	4,529,171
Total secured loans	$ 4,553,573	$ 5,382,578

The partnership reports delinquency based upon the most recent contractual agreement with the borrower.

At December 31, 2010, the partnership had five workout agreements in effect with an aggregate principal of $851,046. Three borrowers with an aggregate principal of $435,372 had made all required payments under the workout agreements and the loans were included in the above table as current. Three of the five loans, with an aggregate principal of $568,674 were designated impaired and in non-accrual status.

At December 31, 2009, the partnership had six workout agreements in effect with an aggregate principal of $1,024,770. Five of the six borrowers, with an aggregate principal of $706,799, had made all required payments under the workout agreements and were included in the above table as current, were not designated impaired nor in non-accrual status. The other loan was delinquent, designated impaired and was in non-accrual status.

Interest income accrued on loans contractually past due more than 90 days as to principal or interest payments during the years ended December 31, 2010 and 2009 was $27,501 and $33,378, respectively.

- *Loans in non-accrual status* - Secured loans in nonaccrual status are summarized in the following table.

	2010	2009
Number of loans	4	2
Principal	$ 675,323	$ 717,971
Advances	7,581	70,281
Accrued interest	25,415	42,388
Loan balance	$ 708,319	$ 830,640
Foregone interest	$ 33,732	$ 27,172

At December 31, 2010 and 2009, there were 1 and 0 loans, respectively, with loan balances of $239,446 and $0, respectively, that were contractually past due more than 90 days as to principal or interest and not in non-accrual status.

Loans designated as impaired and the allowance for loan losses are presented and discussed under Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations.

- *Distribution by California counties* - The distribution of secured loans outstanding by California counties is presented in the following table at December 31, 2010.

California County		Principal	Percent
San Francisco Bay Area Counties			
Alameda	$	898,957	19.73%
Santa Clara		592,094	13.00
San Francisco		350,000	7.69
Contra Costa		328,000	7.20
Napa		242,172	5.32
Marin		180,900	3.97
	$	2,592,123	56.91%
Other Northern California Counties			
Butte		317,171	6.97%
Monterey		295,767	6.50
El Dorado		253,868	5.58
Mariposa		113,783	2.50
Shasta		107,373	2.36
Stanislaus		106,650	2.34
	$	1,194,612	26.25%
Southern California Counties			
Los Angeles		388,777	8.54
Orange		243,601	5.35
San Bernardino		134,460	2.95
	$	766,838	16.84%
Total	$	4,553,573	100.00%

Competition

The mortgage lending business is highly competitive, and the partnership will compete with numerous established entities, some of which have more financial resources and experience in the mortgage lending business. Major competitors in providing mortgage loans include banks, savings and loan associations, thrifts, conduit lenders, mortgage bankers, mortgage brokers, and other entities both larger and smaller than the partnership.

During the last several years many competitors, due to declines in real estate values, increases in loan delinquencies, foreclosures and/or liquidity issues have reduced or eliminated their real estate lending activity. Additionally, the declines in real estate values coupled with reduced overall sales and refinancing activity reduced the overall demand for loans. With the substantial real estate valuation declines that have taken place over the last several years far fewer borrowers have the ability to provide adequate security to back their loan requests. Competition from other lenders has declined with fewer active lenders in the market although less qualified loan demand exists. The partnership has not been able to capitalize on the reduction in lenders as it has experienced less available cash to invest in new loans due to reduced loan payoffs, increased acquisition of real estate owned, and requests for liquidation by its limited partners. In addition the partnership has not been raising funds through new investments.

Regulations

We are subject to various federal, state and local laws, rules and regulations that affect our business. Following is a brief description of certain laws and regulations which are applicable to our business. The description of these laws and regulations, as well as descriptions of laws and regulations contained elsewhere in this Form 10-K, do not purport to be complete and is qualified in its entirety by reference to the applicable laws and regulations.

Regulations Applicable to Mortgage Lenders and Servicers.

We and RMC, which originates and 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 are continually being introduced.

These laws and regulations to which we and RMC are subject include those pertaining to:

- real estate settlement procedures;
- fair lending;
- truth in lending;
- compliance with federal and state disclosure requirements;
- the establishment of maximum interest rates, finance charges and other charges;
- secured transactions and foreclosure proceedings; and
- privacy regulations providing for the use and safeguarding of non-public personal financial information of borrowers.

Some of the key federal and state laws affecting our business include:

- ***Real Estate Settlement Procedures Act (RESPA).*** RESPA primarily regulates settlement procedures for real estate purchase and refinance transactions on residential (1-4 unit) properties. It prohibits lenders from requiring the use of specified third party providers for various settlement services, such as appraisal or escrow services. RESPA also governs the format of the good faith estimate of loan transaction charges and the HUD-1 escrow settlement statement.

- ***Truth in Lending Act.*** This federal act was enacted in 1968 for the purpose of regulating consumer financing and is implemented by the Federal Reserve Board. For real estate lenders, this act requires, among other things, advance disclosure of certain loan terms, calculation of the costs of the loan as demonstrated through an annual percentage rate (APR), and the right of a consumer in a refinance transaction on their primary residence to rescind their loan within three days following signing.

- ***Home Ownership and Equity Protection Act (HOEPA) and California Bill 489.*** HOEPA was passed in 1994 to provide additional disclosures for certain closed-end home mortgages. In 1995, the Federal Reserve Board issued final regulations governing “high cost” closed-end home mortgages 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. The failure to comply with the regulations will render the loan rescindable for up to three years. Lenders can also be held liable for attorneys’ fees, finance charges and fees paid by the borrower and certain other money damages. Similarly in California, Assembly Bill 489, which was signed into law in 2001 and became effective as of July 1, 2002, provides for state regulation of “high cost” residential mortgage and consumer loans secured by liens on real property, which equal or exceed the Fannie Mae/Freddie Mac conforming loan limits or less, with interest rates and fees exceeding a certain percentage or amount threshold. 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***. Enacted in 2008, this act amended the Truth in Lending Act regulating the timing and delivery of loan disclosures for all mortgage loan transactions governed under RESPA.

- ***Home Mortgage Disclosure Act.*** This act was enacted to provide for public access to statistical information on a lenders' loan activity. It requires lenders to disclose certain information about the mortgage loans it originates and purchases, such as the race and gender of its customers, the disposition of mortgage applications, income levels and interest rate (i.e. annual percentage rate) information.

- ***Red Flags Rule***. The Red Flags Rule, which becomes effective on August 1, 2009, requires lenders and creditors to implement an identity theft prevention program to identify and respond to loan applications in which the misuse of a consumer's personal identification may be suspected.

- ***Graham-Leach-Bliley Act***. This act requires all businesses which 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.

*Recent or Pending Legislation and Regulatory Proposals***.**

The recent credit crisis has led to an increased focus by federal, state and local regulatory authorities on the entities engaged in financial-services industry (principally banks) generally and on the mortgage industry (principally as to residential lending to borrowers intending to occupy the residence). Federal and state regulators are considering a broad variety of legislative and regulatory proposals covering mortgage loan products, loan terms and underwriting standards, risk management practices and consumer protection, which could have a broader impact across the mortgage industry. In addition, the U.S. economy is currently experiencing a prolonged downturn in employment which has and will likely continue to cause increased delinquencies, continued home price depreciation and lower home sales. In response to these trends, the U.S. government and the Federal Reserve Board of Governors have taken several actions which are intended to increase economic activity and employment, stabilize the banking system, maintain lower interest rates, increase liquidity for lending institutions, and encourage activity in the housing market. These actions are intended to make it possible for qualified borrowers to obtain mortgage financing to purchase homes, refinance existing loans, avoid foreclosure on their homes, and to curb perceived lending abuses. It is too early to tell whether these legislative and regulatory initiatives, actions and proposals will achieve their intended effect or what impact they will have on our business and the mortgage industry generally.

In July 2010, the U.S. Congress enacted the Dodd Frank Wall Street Reform and Consumer Protection Act (or the Dodd-Frank Act), in part to impose enhanced regulatory requirements on banking entities and other organizations that are considered significant to U.S. financial markets. The Dodd-Frank Act also provides for reform of the asset-backed securitization market. We do not expect that these particular regulatory changes will have a material direct effect on our business or operations. However, the Dodd-Frank Act also imposes significant new regulatory restrictions on the origination of residential mortgage loans, under sections concerning "Mortgage Reform and Anti-Predatory Lending." For example, these provisions require that when a consumer loan is made, the lender must make a reasonable and good faith determination, based on verified and documented information concerning the consumer's financial situation, whether the consumer has a reasonable ability to repay a residential mortgage loan before extending the loan. The Act calls for 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 adds new provisions prohibiting balloon payments for defined high cost mortgages.

We do not believe the full impact on us of these and other provisions of the Dodd-Frank Act can be assessed until final regulations are released by the appropriate agencies. However, the Dodd-Frank Act's requirements may have significant indirect effects on financial markets that impact our business in ways we cannot now foresee, and we may become subject to new regulations that may require us to modify our business model and adapt our lending and underwriting practices to comply therewith or may otherwise have a material adverse impact on our business, operations and/or cost of doing business.

Following is a brief description of several key initiatives, actions and proposals that may impact the mortgage industry:

- ***Guidance on Nontraditional Mortgage Product Risks.*** On September 29, 2006, the federal banking agencies issued guidance to address the risks posed by nontraditional residential mortgage products, that is, mortgage products that allow borrowers to defer repayment of principal or interest. The guidance instructs institutions to ensure that loan terms and underwriting standards are consistent with prudent lending practices, including consideration of a borrower's ability to repay the debt by final maturity at the fully indexed rate and assuming a fully amortizing repayment schedule; requires institutions to recognize, for higher risk loans, the necessity of verifying the borrower's income, assets and liabilities; requires institutions to address the risks associated with simultaneous second-lien loans, introductory interest rates, lending to subprime borrowers, non-owner-occupied investor loans, and reduced documentation loans; requires institutions to recognize that nontraditional mortgages, particularly those with risk-layering features, are untested in a stressed environment; requires institutions to recognize that nontraditional mortgage products warrant strong controls and risk management standards, capital levels commensurate with that risk, and allowances for loan and lease losses that reflect the collectibility of the portfolio; and ensure that consumers have sufficient information to clearly understand loan terms and associated risks prior to making product and payment choices. The guidance recommends practices for addressing the risks raised by nontraditional mortgages, including enhanced communications with consumers; promotional materials and other product descriptions that provide information about the costs, terms, features and risks of nontraditional mortgages; more informative monthly statements for payment option adjustable rate mortgages; and specified practices to avoid. In January 2008, in response to this federal guidance on non-traditional mortgage loans, California enacted SB 385 which requires lenders offering non-traditional mortgages on primary residential properties to provide additional disclosure information pertaining to the terms of the loan offered, as well as a comparison to other loan products that may be available in the marketplace. The California Department of Real Estate defines 'non-traditional' mortgages as those in which there is a deferral of either principal or interest in the loan. We do not make non-traditional loans on primary residential properties.

- ***Guidance on Loss Mitigation Strategies for Servicers of Residential Mortgages.*** On September 5, 2007, the federal banking agencies issued a statement encouraging regulated institutions and state-supervised entities that service residential mortgages to pursue strategies to mitigate losses while preserving homeownership to the extent possible and appropriate. The guidance encourages servicers to take proactive steps to preserve homeownership in situations where there are heightened risks to homeowners losing their homes to foreclosures. Such steps may include loan modification; deferral of payments; extensions of loan maturities; conversion of adjustable rate mortgages into fixed rate or fully indexed, fully amortizing adjustable rate mortgages; capitalization of delinquent amounts; or any combination of these actions. Servicers are instructed to consider the borrower's ability to repay the modified obligation to final maturity according to its terms, taking into account the borrower's total monthly housing-related payments as a percentage of the borrower's gross monthly income, the borrower's other obligations, and any additional tax liabilities that may result from loan modifications. Where appropriate, servicers are encouraged to refer borrowers to qualified non-profit and other homeownership counseling services and/or to government programs that are able to work with all parties and avoid unnecessary foreclosures. The guidance states that servicers are expected to treat consumers fairly and to adhere to all applicable legal requirements.

- ***Housing and Economic Recovery Act of 2008:*** Enacted in July 2008, this legislation, among other things, established new Fannie Mae, Freddie Mac and FHA conforming loan limits and established a new Federal Housing Finance Agency. It also established the new "HOPE for Homeowners Program" to refinance existing borrowers meeting eligibility requirements into fixed-rate FHA mortgage products. This act also provided for a comprehensive, nationwide licensing and registry system for mortgage originators. The federal direction to states to adopt national loan originator licensing standards will be implemented in California through the California Department of Real Estate (DRE). Much of what has been adopted at the federal level has already been in effect in California under the DRE's regulatory authority for a number of years. It is anticipated that new standards relating to continuing education requirements, among other things, will be incorporated into DRE regulations, once implemented.

- ***New Regulations Establishing Protections for Consumers in the Residential Mortgage Market.*** In 2008, the Federal Reserve Board issued new regulations under the federal Truth-in-Lending Act and the Home Ownership and Equity Protection Act (HOEPA). For mortgage loans governed by HOEPA, the new regulations further restrict prepayment penalties, and enhance the standards relating to the consumer's ability to repay. For a new category of closed-end "higher-priced" mortgage loans, the new regulations restrict prepayment penalties, and require escrows for property taxes and property-related insurance for most first lien mortgage loans. For all closed-end loans secured by a principal dwelling, the new regulations prohibit the coercion of appraisers; require the prompt crediting of payments; prohibit the pyramiding of late fees; require prompt responses to requests for pay-off figures; and require the delivery of transaction-specific Truth-in-Lending Act disclosures within three business days following the receipt of an application. The new regulations also impose new restrictions on mortgage loan advertising for both open-end and closed-end products. In general, the new regulations are effective October 1, 2009, with certain exceptions.

- ***Proposed Amendments to the U.S. Bankruptcy Code:*** Since 2008, proposed legislation has been introduced before the U.S. Congress for the purpose of amending Chapter 13 in order to permit bankruptcy judges to modify certain terms in certain mortgages in bankruptcy proceedings, a practice commonly known as cramdown. Presently, Chapter 13 does not permit bankruptcy judges to modify mortgages of bankrupt borrowers. While the breadth and scope of the terms of the proposed amendments to Chapter 13 differ greatly, some commentators have suggested that such legislation could have the effect of increasing mortgage borrowing costs and thereby reducing the demand for mortgages throughout the industry. It is too early to tell when or if any of the proposed amendments to Chapter 13 may be enacted as proposed and what impact any such enacted amendments to Chapter 13 could have on the mortgage industry.

Some local and state governmental authorities have taken, and others are contemplating taking, regulatory action to require increased loss mitigation outreach for borrowers, including the imposition of waiting periods prior to the filing of notices of default and the completion of foreclosure sales and, in some cases, moratoriums on foreclosures altogether.

General Economic Conditions

The majority of the property the partnership owns and property securing the partnership's loans is located in the nine San Francisco Bay Area counties and the Los Angeles metropolitan area. As a result, the health of the California economy, the California real estate market and the credit markets is of primary concern. All in all the credit markets are tight with the exception of financing for stabilized multi-family properties, and may not loosen up any time soon. Credit markets may have changed forever from what they were just a few years ago.

After emerging from the longest and deepest post-World War II recession, the California economy, and the US economy as a whole, continued to struggle throughout 2010. Some economic indicators improved while others remained at historic lows or continued to decline. In the United States, real GDP rose 2.8 percent in 2010, after having fallen 2.6 percent in 2009. The GDP increase was largely attributed to increases in net exports, consumer spending, nonresidential fixed investment, and inventory investment. Consumer spending (i.e. personal consumption) represented over 70 percent of GDP, and rose almost across the board in the third and fourth quarters of 2010.

Despite the GDP growth, activity in the credit markets continues for the most part to be greatly curtailed and the de-leveraging of consumers, financial institutions and commercial businesses continues. Financial institutions, in response to the difficult economic times and an excess of real estate secured loans on their books, have increased underwriting standards and eliminated lending to perceived risky industries in their efforts to shore up balance sheets and credit quality. Historically, the real estate industry has relied upon a ready supply of capital in the form of loans. These funds generally came from government sponsored agencies such as Fannie Mae, Freddie Mac, FHA, jumbo loan securitizations, as well as commercial lending institutions of many types holding loans for their own accounts.

The new reality is that the credit market has changed and may not recover in the near term. There is discussion that Fannie Mae and Freddie Mac the largest suppliers of credit for residential properties may be wound down. Without willing holders of jumbo loans, a necessity for California residential real estate owners, California high value residential properties would face difficult transaction options; making high value California properties harder to finance and sell.

With the credit market remaining extremely constricted, obtaining mortgage loans is difficult for many potential borrowers. This is evidenced in many areas by the number of all cash real estate transactions taking place. In California, cash buyers purchased 27.8 percent of all homes sold in 2010, up from the previous annual peak of 26.0 percent in 2009. Over the past decade, cash buyers purchased a monthly average of 13.9 percent of the homes sold in California. However, since the credit crisis began in 2008, cash buyers have represented over 20 percent of buyers. Stabilized multi-family properties are one of the current bright spots in the lending arena. These properties because of their relatively predictable cash flows and expenses are garnering much attention from lenders in the market to make loans. The partnership has in recent years foreclosed upon many condominium projects and can leverage these multifamily properties at attractive rates and terms that exist today. The financing that is available to this property type has allowed multi-family properties to recently begin increasing in value as demand from buyers has increased for multi family housing projects.

The national discussion centered on jobs in 2010, as unemployment rose in the United States from 9.3 percent in 2009 to 9.6 percent in 2010, the highest level since 1983. At the same time, unemployment rose in California to its highest level since records began in 1976. In December 2010, the state posted a 12.5 percent unemployment rate, up from 12.2 percent in December 2009. The Bay Area fared better than the state as a whole, with unemployment falling in the Silicon Valley from 11.5 percent in December 2009 to 10.7 percent in 2010 and in the San Francisco-Oakland region from 10.2 percent in December 2009 to 9.9 percent in 2010. Overall, the rapid rise in unemployment caused significant worker concerns regarding job security and lowered confidence in their own financial circumstances. Spending on new homes, upgrades to larger homes and upgrades to existing housing are all highly dependent upon consumer sentiment and financial circumstances. Until unemployment drops considerably or returns to more normal levels, residential real estate values and a more normal real estate market will be hard pressed to emerge and begin a solid recovery.

Consumers remained pessimistic in 2010. The Consumer Confidence Index is a measure of consumers’ optimism about the state of the economy. Consumer confidence is normally high when the unemployment rate is low and GDP growth is high. It is also true that consumers are more likely to spend when confidence is high. The Index is benchmarked at 100, meaning at that level the consumer is neither optimistic nor pessimistic. At the start of 2008, consumer confidence index was at 87.3. By December 2008, the index dropped to 38.6 before hitting a record low in February 2009 at 25.3. Confidence has since rebounded slightly and has ranged from the mid to upper 40s to mid 50s for much of 2009 and 2010. In 2010 consumer confidence peaked at 62.7, a level not seen since early 2008, but fell to the high 40s and low 50s for the remainder of the year.

The real estate market that occupied center stage throughout the Great Recession, became less of a focal point as the central topic shifted to jobs in 2010. Nevertheless, the struggles in the US and California real estate market remain critical to the nation’s recovery and the health of the partnership. Residential real estate investment fluctuated wildly in 2010, but declined overall by 10.3 percent year over year. Investment in nonresidential (commercial) structures declined steadily throughout the year, ending down 51.2 percent year over year.

According to Cushman & Wakefield, in the Silicon Valley strong leasing activity reduced the current overall office vacancy rate from 22.2 percent at the close of 2009 to of 21.3 percent at the end of 2010. While this is a move in the positive direction of lower vacancy it certainly does not indicate significant absorption. Until job growth resumes, much of the office space constructed since 2008 will remain vacant, rental rates will remain steady and tenant demand for new space will remain weak. The San Francisco office market showed some signs of stabilization in 2010, but job growth remains key for improvement in this market as well. Some migration in the tech sector from Silicon Valley to San Francisco helped drive leasing activity, but overall vacancy still increased from 14.8 percent at the end of 2009 to 15.2 percent at the end of 2010.

Perhaps closer to the consumer’s heart, national median home prices and sales volumes were both down from their 2009 levels. In 2010, median home prices fell 0.6 percent and sales volumes dropped 19.5 percent. The share of sales classified as distressed sales (e.g. bank-owned, short sales, etc) also rose to 28 percent in 2010, up from 27 percent in 2009 and 20 percent in 2008. In addition, CoreLogic released data showing that 11.1 million (23.1 percent) of all residential properties with a mortgage were in negative equity at the end of the fourth quarter of 2010, up from 10.8 million (22.5 percent) the previous quarter. Negative equity means that the borrower owes more than the value of the property. An additional 2.4 million borrowers had less than five percent equity, referred to as near-negative equity, in the fourth quarter. Together, negative equity and near-negative equity mortgages accounted for 27.9 percent of all residential properties with a mortgage nationwide. The borrowers that have mortgages larger than the value of their homes are in a difficult position along with their lenders. If the borrowers have difficulty making their payments and they are forced to sell their property they will not be able to generate sufficient proceeds from a sale to payoff their lenders unless they have sufficient cash assets that they choose to pay to the lender. Alternatively, they can let the lender take the property in satisfaction of their debt. In these cases the home owner loses their home and the lender loses a portion of their debt if they choose to sell the acquired property in the near term. Additionally, borrowers with negative equity will find most lenders unwilling to provide new or lower cost financing as there will be inadequate equity to provide a cushion should a borrower default upon their mortgage. This leaves borrowers with negative equity locked into their properties and bound to their existing lender for the foreseeable future.

At the state level, California median home prices fell 3.8 percent year over year to $254,000 in 2010 and sales volumes were down 11.7 percent year over year. On a positive note, in the fourth quarter of 2010 foreclosures dropped again in California to the lowest level in more than three years, down 17.5 percent from the fourth quarter 2009 and the lowest level since the second quarter of 2007. However, at the end of 2010, 31.8 percent of properties with a mortgage outstanding were reported as having negative equity, with an additional 4.5 percent having near negative equity. In other words, over a third of mortgages in California were "underwater." The unsold inventory index is an indicator of house prices; when supply falls below seven months, it usually leads to price appreciation. The unsold inventory index has ranged from 4.6 and 6.6 months, a possible indication of the beginning of stability in the California housing market.

In San Francisco and the Silicon Valley, sales prices are up from 2009 but price growth is slowing. Median prices were up 1.3 percent in San Francisco and 1.0 percent in Silicon Valley for 2010. Sales growth in both regions continues to be weak as well, down 11.7 percent year over year in both regions as of year-end 2010. It appears that in the highly desirable San Francisco Bay area that the bottom of this real estate cycle has been reached or will soon be reached. If so, this would be an opportune time to lend in this selected region as competition from other lenders would likely be reduced and prudent lending with high protective equity would provide excellent collateral coverage for loans made at this time. However, calling the bottom of this market remains subject to significant uncertainties.

In the Los Angeles Area, December 2010 sales volumes were up 20.5 percent from November, but down 12.5 percent from December 2009. The December 2010 home sales figure was the lowest for that month since December 2007, and the second-lowest since 1995. The median price was $290,000 in December 2010, up 1.0 percent from November 2010, and up 0.3 percent from in December 2009.

Mortgage rates are also an important factor in the health of the real estate market. The cost of carrying a mortgage factors into the affordability of real estate, with lower rates making real estate more affordable. Throughout 2010 rates on a 30-year fixed mortgage remained relatively low, ranging from a high of 5.10 percent (with 0.7 points) in April to a low of 4.23 percent (with 0.8 points) in October. However, even with low rates, credit remains difficult to obtain for many borrowers. Until credit becomes more available, meaningful improvement in the real estate market will likely be stifled.

Overall, there are signs that economic conditions are improving. Unemployment has remained high but is not generally rising. Home prices fell on average but not nearly by the magnitudes in preceding years. Interest rates are remaining low and consumer sentiment while low is improving. The end of recessions and periods of home price depreciation is often one of the most opportune times to make loans. Borrowers that qualify for a mortgage, particularly under stringent underwriting guidelines are often the highest performing groups of borrowers in the long run. There is less competition from other lenders as they are still sitting on the sidelines. With well collateralized loans, low loan-to-value lenders should avoid the dangers of lending into a bubble market and face limited exposure to further real estate value declines.

Item 1A – Risk Factors (not included as smaller reporting company)

Item 1B – Unresolved Staff Comments

Because the partnership is not an accelerated filer, a large accelerated filer or a well-known seasoned issuer, the information required by Item 1B is not applicable.

Item 2 – Properties

Properties generally are acquired by foreclosure, and may be classified as "real estate held for sale" or "real estate held as investment". Several factors are considered in determining the classification of owned properties and include, but are not limited to, real estate market conditions, status of any required permits, repair, improvement or development work to be completed, rental and lease income and investment potential. Real estate owned is classified as held for sale in the period in which the criteria are met in accordance with U.S. generally accepted accounting principles (GAAP). As a property's status changes, reclassifications may occur.

Investment in real estate held for sale, net

Activity and changes in the net realizable value, if any, for real estate held for sale are presented in the following table for the years ended December 31.

	2010	2009
Balance, beginning of year	$ —	$ —
Acquisitions	539,976	—
Dispositions	—	—
Change in net realizable value	(127,579)	—
Balance at the end of the year	$ 412,397	$ —
Number of properties	1	—
Property type		
Multi-family	412,397	—
Balance, end of year	$ 412,397	$ —

In February 2010, the partnership with two affiliated partnerships as tenants in common, acquired through foreclosure, a 22 unit, condominium complex, in which the partnership holds a 13.33% ownership interest. The property is subject to a senior loan with an interest rate of 7.21%. The transaction resulted in an increase to investment in real estate held for sale, net of $1,366,576, reductions to secured loans of $400,000, accrued interest of $44,039 and advances of $73,757, and an increase to accrued liabilities of $22,180. The partnership's share of the unpaid principal balance of the senior loan was $826,600. Following its acquisition, the property has been operated as a rental property. An independent, professional management firm has been engaged to oversee property operations. As of December 31, 2010, all of the units have been leased to tenants. In February, 2011, the sale of the entire complex was completed with a total sales price of $9,725,000.

Item 3 – Legal Proceedings

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

Item 4 – Reserved

Part II

Item 5 – Market for the Registrant’s “Limited Partnership Units,” Related Unitholder Matters and Issuer Purchases of Equity Securities

There is no established public trading market for the units, and we do not anticipate that one will develop.

In September 1987, the partnership commenced an offering of up to 120,000 units at $100 per unit (minimum 20 units) through broker-dealer member firms of the NASD on a “best efforts” basis of which 97,725.94 units were sold (as indicated in Part I Item 1). All units were sold to California residents. The offering terminated in September 1989.

Investors have the option of withdrawing earnings on a monthly, quarterly or annual basis or having their earnings retained in the partnership. Limited partners may withdraw from the partnership in accordance with the terms of the partnership agreement subject to possible early withdrawal penalties. As of December 31, 2010, 305 limited partners had a total capital balance of $5,316,723.

A description of the partnership’s units, transfer restrictions, and withdrawal provisions is more fully described under the sections entitled “Description of Units” and “Summary of the Limited Partnership Agreement”, on pages 38-42 of the Prospectus, a part of the above-referenced Registration Statement, which is incorporated herein by reference.

During the years 2010 and 2009, the partnership’s annualized yield on compounding accounts was 3.25% and 4.33%, respectively. During the years 2010 and 2009, the partnership’s annualized yield on monthly distributing accounts was 3.20% and 4.25%, respectively.

During the years 2010 and 2009, net income per $1,000 invested by limited partners on compounding accounts was $33 and $43, respectively; such net income was credited to such limited partners’ capital accounts. During the years 2010 and 2009, net income per $1,000 invested by limited partners on monthly distributing accounts was $32 and $42, respectfully; such net income was paid out as distributions to such limited partners.

Item 6 – Selected Financial Data (not included as smaller reporting company)

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

Critical Accounting Policies

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, (which itself requires determining the fair value of the collateral), and the valuation of real estate held for sale and held as investment, at acquisition and subsequently. Actual results could differ significantly from these estimates.

Collateral fair values are reviewed quarterly and the protective equity for each loan is computed. As used herein, “protective equity” is the arithmetic difference between the fair value of the collateral, net of any senior liens, and the loan balance, where “loan balance” is the sum of the unpaid principal, advances and the recorded interest thereon. This computation is done for each loan (whether impaired or performing), and while loans secured by collateral of similar property type are grouped, there is enough distinction and variation in the collateral that a loan-by-loan, collateral-by-collateral analysis is appropriate.

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. Historically, it has been rare for determinations of fair value to be made without substantial reference to current market transactions. However, in recent years, due to the low levels of real estate transactions, and the rising number of transactions that are distressed (i.e., that are executed by an unwilling seller – often compelled by lenders or other claimants – and/or executed without broad exposure or with market exposure but with few, if any, resulting offers), more interpretation, judgment and interpolation/extrapolation within and across property types is required.

Appraisals of commercial real property generally present three approaches to estimating value: 1) market comparables or sales approach; 2) cost to replace and 3) capitalized cash flows or investment approach. These approaches may or may not result in a common, single value. The market-comparables approach may yield several different values depending on certain basic assumptions, such as, determining highest and best use (which may or may not be the current use); determining the condition (e.g. as-is, when-completed, or for land when-entitled); and determining the unit of value (e.g. as a series of individual unit sales or as a bulk disposition). Further complicating this process already subject to judgment, uncertainty and imprecision are the current low transaction volumes in the residential, commercial and land markets, and the variability that has resulted. This exacerbates the imprecision in the process, and requires additional considerations and inquiries as to whether the transaction was entered into by a willing seller into a functioning market or was the transaction completed in a distressed market, with the predominant number of sellers being those surrendering properties to lenders in partial settlement of debt (as is prevalent in the residential markets and is occurring more frequently in commercial markets) and/or participating in "arranged sales" to achieve partial settlement of debts and claims and to generate tax advantage. Either way, the present market is at historically low transaction volumes with neither potential buyers nor sellers willing to transact. In certain asset classes the time elapsed between transactions – other than foreclosures – was 12 or more months.

The uncertainty in the process is exacerbated by overt (over)conservatism and caution exercised by appraisers. Criticized – as having contributed to the asset bubble by inflating values – beginning in the immediate aftermath of the market and economic crisis, as a class the tendency of appraisers now is seemingly to (over)compensate by searching out or over-weighting lower sales comparables, thereby depressing values. It also may be reflective of the tendency in distressed market for lesser-quality properties to transact while upper echelon properties remain off the market - or come on and off the market – because these owners believe in the intrinsic value of the properties (and the recoverability of that value) and are unwilling to accept "vulture" offers. This accounts for the ever lower transaction volumes for better and upper echelon properties which exacerbate the perception of a broadly declining market in which each succeeding transaction establishes a new low.

Management has the requisite familiarity with the markets it lends in generally and of the properties lent on specifically to analyze sales-comparables and assess their suitability/applicability. Management is acquainted with market participants – investors, developers, brokers, 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.

Loans and interest income

Loans and advances generally are stated at the unpaid principal balance. Management has discretion to pay amounts to third parties on behalf of borrowers to protect the partnership'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 accrue interest until repaid by the borrower.

The partnership may fund a specific loan origination net of an interest reserve to insure timely interest payments at the inception (one to two years) of the loan. As monthly interest payments become due, partnership funds the payment into the affiliated trust account.

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

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 which can delay and/or alter the loan's cash flow and delinquency status.

The note evidencing the loan provides interest will accrue daily based on the unpaid principal balance of the loans. A loan designated as impaired loan continues to accrue interest – for financial reporting purposes – as long as the loan is in the process of collection and is considered to be well-secured. Loans designated as impaired maybe placed on non-accrual status at the earlier of management's determination that the primary source of repayment will come from the foreclosure and subsequent sale of the collateral securing the loan (which usually occurs when a notice of sale is filed) or when the loan is no longer considered well-secured. When a loan is placed on non-accrual status, the accrual of interest is discontinued – for financial reporting purposes – 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.

Allowance for loan losses

Loans and the related accrued interest and advances are analyzed on a periodic basis for ultimate recoverability. Delinquencies are identified and followed as part of the loan system. Delinquencies are determined based upon contractual terms. For impaired loans, 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, such that the net carrying amount (unpaid principal balance, plus advances, plus accrued interest less the specific allowance) is reduced to the present value of future cash flows discounted at the loan's effective interest rate, or, if a loan is collateral dependent, to the estimated fair value of the related collateral net of any senior loans, which would include costs to sell in arriving at net realizable value if planned disposition of the asset securing a loan is by way of sale. Loans that are determined not to be individually impaired are grouped by the property type of the underlying collateral, and for each loan and for the total by property type, the amount of protective equity or amount of exposure to loss (*i.e.*, the dollar amount of the deficiency of the fair value of the underlying collateral to the loan balance) is computed. Based on its knowledge of the borrowers and their historical (and expected) performance, and the exposure to loss, management estimates an appropriate reserve by property type for probable credit losses in the portfolio.

The fair value estimates are derived from information available in the real estate markets including similar property, and may require the experience and judgment of third parties such as commercial real estate appraisers and brokers. The partnership charges off uncollectible loans and related receivables directly to the allowance account once it is determined the full amount is not collectible.

Investment in real estate held for sale

Real estate held for sale includes real estate acquired in full or partial settlement of loan obligations generally through foreclosure that is being marketed for sale. Real estate held for sale is recorded at acquisition at the lower of the recorded investment in the loan, plus any senior indebtedness, or at the property's net realizable value, which is the fair value less estimated costs to sell, as applicable. Any excess of the recorded investment in the loan over the net realizable value is charged against the allowance for loan losses. 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 is capitalized to the extent they do not cause the recorded value to exceed the net realizable value, whereas costs relating to holding and disposition of the property are expensed as incurred. After acquisition, real estate held for sale is analyzed periodically for changes in fair values and any subsequent write down is charged to operating expenses. Any recovery in the fair value subsequent to such a write down is recorded – not to exceed the net realizable value at acquisition – as an offset to operating expenses. Gains or losses on sale of the property are recorded in other income or expense. Recognition of gains on the sale of real estate is dependent upon the transaction meeting certain criteria related to the nature of the property and the terms of the sale including potential seller financing.

Recently issued accounting pronouncements

In July 2010, the FASB issued ASU 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." This ASU requires significant new disclosures about the allowance for credit losses and the credit quality of financing receivables. The requirements are intended to enhance transparency regarding credit losses and the credit quality of loan and lease receivables by disclosing an evaluation of (i) the nature of credit risk inherent in the entity's portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Under this statement, allowance for credit losses and fair value are to be disclosed by portfolio segment, while credit quality information, impaired financing receivables and nonaccrual status are to be presented by class of financing receivable. Disclosure of the nature and extent, the financial impact and segment information of troubled debt restructurings will also be required. The disclosures are to be presented at the level of disaggregation that management uses when assessing and monitoring the portfolio's risk and performance. ASU 2010-20 will be effective for the partnership's financial statements as of December 31, 2010, as it relates to disclosures required as of the end of a reporting period. Disclosures that relate to activity during a reporting period will be required for the partnership's financial statements that include periods beginning on or after January 1, 2011.

The FASB issued ASU 2011-01, "Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20." The amendments in ASU 2011-01 temporarily delayed the effective date of the disclosures about troubled debt restructurings in ASU 2010-20 for public entities. The delay was intended to allow the FASB time to complete its deliberations on what constitutes a troubled debt restructuring. The effective date of the new disclosures about troubled debt restructurings for public entities and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. The deferral in ASU 2011-01 was effective January 19, 2011 (date of issuance).

Related Parties

The general partners of the partnership are Gymno Corporation and Michael R. Burwell. Most partnership business is conducted through RMC, an affiliate of the general partners, which arranges services and maintains the loan portfolio for the benefit of the partnership. The fees received by the affiliate and general partners are paid pursuant to the partnership agreement and are determined at the sole discretion of the general partner 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.

The following commissions and fees are paid by borrowers.

Mortgage Brokerage Commissions

For fees in connection with the review, selection, evaluation, negotiation and extension of loans, the general partners may collect loan brokerage commissions (points) 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. In 2010 and 2009, loan brokerage commissions paid by the borrowers were $8,000 and $20,561, respectively.

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 affiliates.

The following commissions and fees are paid by the partnership.

Mortgage Servicing Fees

RMC 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, RMC 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 were such waivers made in order to meet any required level of distributions, as the partnership has no such required level of distributions. RMC does not use any specific criteria when determining the exact amount of fees to be waived. The decision to waive fees and the amount, if any, to be waived, is made by RMC in its sole discretion. There is no assurance that RMC will waive fees at similar levels, or at all, in the future.

Mortgage servicing fees paid to RMC are presented in the following table for the years ended December 31.

	2010	2009
Maximum chargeable	$ 60,483	$ 71,402
Waived	(21,131)	(23,801)
Charged	$ 39,352	$ 47,601

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. 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 determining 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.

Asset management fees paid to the general partners are presented in the following table for the years ended December 31.

	2010	2009
Maximum chargeable	$ 20,888	$ 22,118
Waived	—	—
Charged	$ 20,888	$ 22,118

Costs through RMC

The partnership receives certain operating and administrative services from RMC. RMC may be reimbursed by the partnership for operating expenses incurred 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. During 2010 and 2009, operating expenses totaling $8,236 and $7,970, respectively, were reimbursed to RMC. To the extent that some operating and administrative services were not reimbursed, the financial position and results of partnership operation may have been different.

Contributed Capital

The general partners jointly and severally were to contribute 1/10 of 1% in cash contributions as proceeds from the offerings are received from the limited partners. As of December 31, 2010 and 2009, a general partner, Gymno Corporation, had contributed $9,766 as capital in accordance with Section 4.02(a) of the partnership agreement.

Results of Operations

The partnership's operating results are discussed below for the years ended December 31, 2010 and 2009.

	Changes for the years ended December 31,			
	2010		2009	
	Dollars	Percent	Dollars	Percent
Revenue				
Interest income				
Interest on loans	$ (23,819)	(5) %	$ (21,615)	(4) %
Other interest	(4,581)	(83)	(1,289)	(19)
Total interest income	(28,400)	(6)	(22,904)	(5)
Late fees	4,669	519	(2,778)	(76)
Gain on sale of real estate owned	—	—	(645,590)	(100)
Other	5,073	85	2,568	75
Total revenues	(18,658)	(4)	(668,704)	(58)
Provision for loan loss	(119,695)	(253)	(642,189)	(93)
Operating expenses				
Mortgage servicing fees	(8,249)	(17)	22,569	90
Asset management fees	(1,230)	(6)	14,519	191
Costs from RMC	266	3	1,202	18
Professional services	52,380	57	33,235	57
Losses on investment in REO held for sale, net	127,579	—	—	—
Other	3,563	(41)	(3,944)	(30)
Total operating expenses	174,309	81	67,581	61
Net income (loss)	$ (73,272)	(29) %	$ (94,096)	(27) %

Revenue – Interest on loans

Interest decreased in 2010 primarily due to a reduced average loan balance. Additionally, foregone interest in 2010 was $33,732 compared to $27,172 in 2009. The interest on loans decreased in 2009 due to the increase in non-accrual loans resulting in foregone interest of $27,172 in 2009 compared to zero for 2008. The table below summarizes the yearly averages and the effect of the foregone interest and the discounts on the average interest rate.

	2010	2009	2008
Average secured loan balance	$ 4,990,91	$ 5,469,20	$ 5,023,69
Stated average yield	8.6%	8.8%	9.7%
Effective yield rate adjusted for discount	8.5%	8.2%	9.4%

Revenue – Other interest

Other interest has decreased for 2010 and 2009 due to a reduction in the average interest-bearing account balances and a reduction in the average interest rate earned. The table below summarizes the components in this area.

	2010	2009	2008
Average interest-bearing balance	$ 254,58	$ 584,74	$ 374,79
Average interest rate	0.3%	0.9%	1.8%
Interest-bearing accounts income	$ 95	$ 5,53	$ 6,82

Revenue – Gain on sale of real estate owned

In December 2008, the partnership, along with two other affiliated partnerships, sold its only property to an affiliate of RMC for the property's then current market value. The market value was determined by a nationally known appraiser. The partnership's share of the appraised value was $776,704. The partnership received 20% of the sales price in cash ($154,442) and the balance in the form of a secured loan of $621,363 at 7.00%, amortized for 20 years, due in full on January 1, 2016. The partnership is not obligated for any future performance related to this property.

Provision for losses on loans

The decreased provision for loan losses for 2010 was primarily due to a reduction in the required level of the allowance for loan losses. The decreased provision for loan losses for 2009 was due to the large provision for loan losses taken in 2008 due to weakness in the economy and real estate markets. During 2009, continued declines in the partnership's protective equity, an increase in impaired loans and charge-offs, necessitated a provision for 2009 to maintain the allowance for loan losses at the required level.

Operating expenses

Mortgage servicing fees decreased for 2010 due to the reduction of the secured principal balance noted above in *Revenue-Interest on loans.* Mortgage servicing fees increased for 2009 due to RMC waiving less of these fees in 2009 than in 2008. For 2009 and 2008 the amount of fees waived were $23,801 and 49,823, respectively.

Asset management fees increased for 2009 due to no waiver of the fees during the year as compared with a partial waiver of fees of $15,198 for 2008 by the general partners.

The increase in professional services for 2010 and 2009 was primarily due to increases in costs for legal services, audits and tax return processing. As laws, regulations, and tax and accounting pronouncements related to disclosure requirements for financial services enterprises generally and lenders specifically, have increased in number and complexity, the role of outside auditors and legal advisers has increased. For 2010 the cost of audit and tax services was $128,000 compared to $67,000 for 2009. Audit, tax, and legal services for 2009 were $92,000 compared to $59,000 for 2008.

The losses on investment in REO held for sale, net, for 2010 is due to the partnership acquiring a rental property in February 2010. Operating results of the rental property are presented in the following table for the year ended December 31.

	2010	2009
Rental income	$ 83,382	$ —
Operating expenses		
Property taxes	4,789	—
Management, administration and insurance	6,229	—
Utilities, maintenance and other	6,898	—
Advertising and promotions	—	—
Total operating expenses	17,916	—
Rental operations, net	$ 65,466	$ —

The property had an impairment loss of $139,200 subsequent to acquisition due to fair value adjustments made to reflect the contracted sales price agreed to in early 2011.

Interest expense on the mortgage securing the rental property was $53,845 for the year ended December 31, 2010.

Impaired Loans/Allowance for Loan Losses

The allowance for loan losses is principally the total specific reserves for loans designated impaired (and therefore deemed collateral dependent) and general reserves. The increase in payment defaults is the primary cause of the increase in impaired loans as shown in the detail of delinquent loans and loans designated impaired below.

- *Impaired Loans* – Impaired loans had the balances shown and the associated allowance for loan losses as presented in the following table.

	2010	2009
Unpaid principal balance	$ 914,770	$ 717,971
Recorded investment (1)	$ 958,829	$ 830,640
Impaired loans without allowance	$ 250,510	$ 493,921
Impaired loans with allowance	$ 708,319	$ 336,719
Allowance for loan losses, impaired loans	$ 365,000	$ 71,818

(1) Recorded investment is the sum of unpaid principal balance, advances, and interest accrued for financial reporting purposes.

Impaired loans had the average balances and interest income recognized and received in cash as presented in the following table for the years ended December 31.

	2010	2009	2008
Average recorded investment	$ 894,734	$ 548,717	$ 133,397
Interest income recognized	$ —	$ 34,618	$ 24,662
Interest income received in cash	$ —	$ 11,733	$ 21,219

During 2010 and 2009 the partnership modified one and five loans, respectively, by either extending the maturity date, lowering the interest rate or reducing the monthly payment. During 2010 and 2009, none of these modifications required accounting treatment as troubled debt restructurings.

For impaired loans, 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, such that the net carrying amount (unpaid principal balance, plus advances, plus accrued interest less the specific allowance) is reduced to the present value of future cash flows discounted at the loan's effective interest rate, or, if a loan is collateral dependent, to the estimated fair value of the related collateral net of any senior loans, which would include costs to sell in arriving at net realizable value if planned disposition of the asset securing a loan is by way of sale. Loans that are determined not to be individually impaired are grouped by the property type of the underlying collateral, and for each loan and for the total by property type, the amount of protective equity or amount of exposure to loss (*i.e.*, the dollar amount of the deficiency of the fair value of the underlying collateral to the loan balance) is computed. Based on its knowledge of the borrowers and their historical (and expected) performance, and the exposure to loss, management estimates an appropriate reserve by property type for probable credit losses in the portfolio. The decline in real estate transactions and volumes has impacted adversely the protective equity for substantially all loans and the allowance for loan losses increased correspondingly.

The partnership may enter into a workout agreement with a borrower whose loan is past maturity or whose loan payments are delinquent. 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 and maybe classified for financial reporting purposes as a troubled debt restructuring. If a workout agreement cannot be reached, if the borrower repeatedly is delinquent and/or if the collateral is at risk, the general partners may initiate foreclosure by filing a notice of default. This may result – unless the delinquency is satisfied by the borrower or a workout agreement is negotiated – in a foreclosure sale, often resulting in the title to the collateral property being taken by the partnership in satisfaction of the debt. Both troubled debt restructurings and foreclosure sales may result in charge-offs being recorded as offsets to the allowance for loan losses. The partnership charges off uncollectible loans and related receivables directly to the allowance account once it is determined the full amount is not collectible.

Activity in the allowance for loan losses is presented in the following table for the years ended December 31.

	2010	2009
Balance, beginning of year	$ 453,809	$ 489,913
Provision for (recovery of) loan losses	(72,321)	47,374
Charge-offs, net		
Charge-offs	—	(83,478)
Recoveries	79,295	—
Charge-offs, net	79,295	(83,478)
Balance, end of year	$ 460,783	$ 453,809
Ratio of charge-offs during the period to average secured loans outstanding during the period	(1.59) %	1.53%

In March 2010, a borrower whose loan had been charged-off, reaffirmed the debt. The partnership recorded the receivable and a related specific reserve. The specific reserve will be re-evaluated as the borrower makes payments.

The partnership may restructure loans which are delinquent or past maturity. This is done either through the modification of an existing loan or by re-writing a whole new loan. It could involve, among other changes, an extension in maturity date, a reduction in repayment amount, a reduction in interest rate or granting an additional loan. During 2010, the partnership did not restructure any loans, and in 2009, the partnership restructured five loans with no resulting loss.

Liquidity and Capital Resources

As of September 2, 1989, the date the offering of the partnership's units of limited partnership interests was formally closed, the partnership had sold 97,725.94 units at $100 per unit and its contributed capital totaled $9,772,594. On December 31, 2010, the net capital of limited and general partners totaled $5,326,484.

The partnership began funding loans in October 1987. The partnership's secured loans outstanding as of December 31, 2010 and 2009 were $4,553,573 and $5,382,578, respectively. The partnership utilizes income, loan pay offs and proceeds from the sale of real estate owned properties to fund limited partner capital liquidations and make additional loans.

In 2010, the partnership funded $35,468 in new loans and had pay-offs of $545,473. Cash held by the partnership generated from these loan pay-offs is invested in interest-bearing accounts until a new loan opportunity is presented.

The partnership's operating results and delinquencies are within the normal range of the general partners' expectations, based upon their experience in managing similar partnerships over the last thirty years. Foreclosures are a normal aspect of partnership operations and the general partners anticipate they will not have a material effect on liquidity.

The partnership relies upon loan payoffs, real estate sales, 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, loan payoffs and from the partnership's sale of real estate owned properties. 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 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. During 2010, cash flow exceeded partnership expenses and earnings distribution requirements. Excess cash flow is invested in new loan opportunities, when available, and for other partnership business.

At the time of their subscription for units in the partnership, limited partners elected to either take distributions of earnings monthly, quarterly or annually, or to compound earnings in their capital account. If a limited partner initially elects to receive monthly, quarterly or annual distributions, such election, once made, is irrevocable. Earnings allocable to limited partners, who elect to compound earnings in their capital account, are retained by the partnership for making further loans or for other proper partnership purposes and such amounts are added to such limited partners' capital accounts. The table below summarizes these allocation elections.

	Year ended December 31,	
	2010	2009
Distributing	$ 79,33	$ 104,64
Compounding	99,11	146,34
Total	$ 178,45	$ 250,99
Percent electing distribution	4%	4%

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, based on 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 December 31, 2010 and 2009, 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. The table below sets forth actual liquidations for the past two years.

	Year ended December 31,	
	2010	2009
Capital liquidations-without penalty	$ 346,988	$ 353,430
Capital liquidations-subject to penalty	130,113	61,681
Total	$ 477,101	$ 415,111

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.

Contractual Obligations Table – None

PORTFOLIO REVIEW

Loan Portfolio

The partnership generally funds loans with a fixed interest rate and a five-year term. Approximately half of all loans outstanding provide for monthly payments of interest only, 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.

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, 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 partnership's loan combined with the outstanding debt and claims secured by a senior deed of trust on the 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 loan-to-value ratio generally will not exceed 80% for residential properties (including multi-family), 70% for commercial properties, and 50% for land. The excess of the total debt, including the partnership's loan, and the value of the collateral is the protective equity.

- *Secured loans unpaid principal balance* (principal) - Secured loan transactions are summarized in the following table for the years ended December 31.

	2010	2009
Principal, beginning of year	$ 5,382,578	$ 5,777,110
New loans added	35,468	447,525
Borrower repayments	(545,473)	(772,576)
Foreclosures	(400,000)	—
Reaffirmed/(Charged-off)	81,000	(69,481)
Principal, end of year	$ 4,553,573	$ 5,382,578

In March 2010, a borrower whose loan had been charged-off, reaffirmed the debt. The partnership recorded the receivable and a related specific reserve. The specific reserve will be re-evaluated as the borrower makes payments.

- *Loan characteristics* - Secured loans had the characteristics presented in the following table.

	2010	2009
Number of secured loans	21	23
Secured loans – principal	$ 4,553,573	$ 5,382,578
Secured loans – interest rates range (fixed)	5.00%-10.50%	5.13%-10.50%
Average secured loan – principal	$ 216,837	$ 234,025
Average principal as percent of total principal	4.76%	4.35%
Average principal as percent of partners' capital	4.07%	4.10%
Average principal as percent of total assets	4.02%	4.07%
Largest secured loan – principal	$ 592,094	$ 607,853
Largest principal as percent of total principal	13.00%	11.29%
Largest principal as percent of partners' capital	11.12%	10.66%
Largest principal as percent of total assets	10.96%	10.57%
Smallest secured loan - principal	$ 80,960	$ 98,503
Smallest principal as percent of total principal	1.78%	1.83%
Smallest principal as percent of partners' capital	1.52%	1.73%
Smallest principal as percent of total assets	1.50%	1.71%
Number of counties where security is located (all California)	15	16
Largest percentage of principal in one county	19.73%	16.76%
Number of secured loans in foreclosure	1	2
Secured loans in foreclosure – principal	317,171	717,971
Number of secured loans with an interest reserve	—	—
Interest reserves	—	$ —

As of December 31, 2010, the partnership's largest loan in the unpaid principal balance of $592,094 (representing 13.00% of principal and 10.96% of partnership assets) has an interest rate of 7.00% and is secured by a parcel of land located in Santa Clara County, California. Larger loans sometimes increase above 10% of the secured loan portfolio or partnership assets as these amounts decrease due to limited partner withdrawals and loan payoffs and due to restructuring of existing loans.

- *Lien position* - Secured loans had the lien positions presented in the following table.

	2010			2009		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	11	$ 2,851,647	%	13	$ 3,386,917	63%
Second trust deeds	9	1,448,058		9	1,777,261	33
Third trust deeds	1	253,868		1	218,400	4
Total loans	21	4,553,573	100%	23	5,382,578	100%
Liens due others at loan closing		4,097,010			4,804,104	
Total debt		$ 8,650,583			$ 10,186,682	
Appraised value at loan closing		$ 14,831,502			$ 17,617,321	
Loan to value (LTV) (1)		58.33%			57.82%	

(1) Based on appraised values and liens due other lenders at loan closing. The loan to value computation does not take into account subsequent increases or decreases in security property values following the loan closing nor does it include decreases or increases of the amount owing on senior liens to other lenders by payments or interest accruals, if any. Property values likely have changed, particularly over the last two years, and the portfolio's current loan to value ratio likely is higher than this historical ratio.

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

	2010			2009		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family	15	$ 2,540,747	56%	16	$ 3,124,889	58%
Multi-family	2	417,172	9	1	243,936	5
Commercial	3	1,003,560	22	5	1,405,900	26
Land	1	592,094	13	1	607,853	11
Total secured loans	21	$ 4,553,573	100%	23	$ 5,382,578	100%

- *Scheduled maturities* - Secured loans are scheduled to mature as presented in the following table.

	2010		
	Loans	Principal	Percent
2011	6	$ 909,516	20%
2012	4	853,251	19
2013	2	372,263	8
2014	2	368,833	8
2015	4	978,724	21
Thereafter	2	831,540	19
Total future maturities	20	4,314,127	95
Matured at December 31, 2010	1	239,446	5
Total secured loans	21	$ 4,553,573	100%

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

- *Matured loans* - Secured loans past maturity are summarized in the following table.

	2010	2009
Number of loans (2) (3)	1	—
Unpaid principal balance	$ 239,446	$ —
Advances	—	—
Accrued interest	11,064	—
Loan balance	$ 250,510	$ —
Percent of loans	6%	—%

(2) The secured loan past maturity as of December 31, 2010 is also included in the secured loans delinquency.

(3) The secured loan past maturity as of December 31, 2010 is not included in the secured loans in non-accrual status.

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

	2010	2009
30-89 days past due	$ 1,069,782	$ 135,436
90-179 days past due	239,446	317,971
180 or more days past due	423,820	400,000
Total past due	1,733,048	853,407
Current	2,820,525	4,529,171
Total secured loans	$ 4,553,573	$ 5,382,578

The partnership reports delinquency based upon the most recent contractual agreement with the borrower.

At December 31, 2010, the partnership had five workout agreements in effect with an aggregate principal of $851,046. Three borrowers with an aggregate principal of $435,372 had made all required payments under the workout agreements and the loans were included in the above table as current. Three of the five loans, with an aggregate principal of $568,674 were designated impaired and in non-accrual status.

At December 31, 2009, the partnership had six workout agreements in effect with an aggregate principal of $1,024,770. Five of the six borrowers, with an aggregate principal of $706,799, had made all required payments under the workout agreements and were included in the above table as current, were not designated impaired nor in non-accrual status. The other loan was delinquent, designated impaired and was in non-accrual status.

Interest income accrued on loans contractually past due more than 90 days as to principal or interest payments during the years ended December 31, 2010 and 2009 was $27,501 and $33,378, respectively.

- *Loans in non-accrual status* - Secured loans in nonaccrual status are summarized in the following table.

	2010	2009
Number of loans	4	2
Principal	$ 675,323	$ 717,971
Advances	7,581	70,281
Accrued interest	25,415	42,388
Loan balance	$ 708,319	$ 830,640
Foregone interest	$ 33,732	$ 27,172

At December 31, 2010 and 2009, there were 1 and 0 loans, respectively, with loan balances of $239,446 and $0, respectively, that were contractually past due more than 90 days as to principal or interest and not in non-accrual status.

Loans designated as impaired and the allowance for loan losses are presented and discussed under Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations.

- *Distribution by California counties* - The distribution of secured loans outstanding by California counties is presented in the following table at December 31, 2010.

California County		Principal	Percent
San Francisco Bay Area Counties			
Alameda	$	898,957	19.73%
Santa Clara		592,094	13.00
San Francisco		350,000	7.69
Contra Costa		328,000	7.20
Napa		242,172	5.32
Marin		180,900	3.97
	$	2,592,123	56.91%
Other Northern California Counties			
Butte		317,171	6.97%
Monterey		295,767	6.50
El Dorado		253,868	5.58
Mariposa		113,783	2.50
Shasta		107,373	2.36
Stanislaus		106,650	2.34
	$	1,194,612	26.25%
Southern California Counties			
Los Angeles		388,777	8.54
Orange		243,601	5.35
San Bernardino		134,460	2.95
	$	766,838	16.84%
Total	$	4,553,573	100.00%

The partnership had three unsecured loans with unpaid principal balance totaling $201,106 and $238,156 at December 31, 2010 and 2009, respectively. Monthly payments are being received on each loan, all of which are on nonaccrual status.

The partnership may also make loans requiring periodic disbursements of funds. These loans include ground up construction of buildings and loans for rehabilitation of existing structures. Interest on these loans is computed at simple interest method and only on the amounts disbursed on a daily basis. As of December 31, 2010 there were no such loans.

Item 7A – Quantitative and Qualitative Disclosures about Market Risk (not included as smaller reporting company)

Item 8 – Financial Statements and Supplementary Data

A – Financial Statements

The following financial statements of Redwood Mortgage Investors VI are included in Item 8:

- Report of Independent Registered Public Accounting Firm
- Balance Sheets – December 31, 2010 and 2009
- Statements of Income for the years ended December 31, 2010 and 2009
- Statements of Changes in Partners' Capital for the years ended December 31, 2010 and 2009
- Statements of Cash Flows for the years ended December 31, 2010 and 2009
- Notes to Financial Statements

B – Financial Statement Schedules

The following financial statement schedules of Redwood Mortgage Investors VI are included in Item 8:

- Schedule II – Valuation and Qualifying Accounts
- Schedule IV – Mortgage Loans on Real Estate

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners
Redwood Mortgage Investors VI
Redwood City, California

We have audited the accompanying balance sheets of Redwood Mortgage Investors VI (a California limited partnership) as of December 31, 2010 and 2009 and the related statements of income, changes in partners' capital and cash flows for each of the years then ended. These financial statements are the responsibility of Redwood Mortgage Investors VI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Redwood Mortgage Investors VI is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Redwood Mortgage Investors VI's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Mortgage Investors VI as of December 31, 2010 and 2009 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules II and IV are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ ARMANINO McKENNA LLP
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San Francisco, California
March 30, 2011

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
Balance Sheets
December 31, 2010 and 2009

ASSETS

	2010	2009
Cash and cash equivalents	$ 601,212	$ 396,019
Loans		
Secured by deeds of trust		
Principal balances	4,553,573	5,382,578
Advances on loans	9,043	74,460
Accrued interest	77,765	100,228
Loans, unsecured, net of discount of $75,291 and $91,685 in 2010 and 2009, respectively	201,106	238,156
Allowance for loan losses	(460,783)	(453,809)
Loans, net	4,380,704	5,341,613
Receivable from affiliate	5,983	14,058
Investment in REO held for sale, net	412,397	—
Total assets	$ 5,400,296	$ 5,751,690

LIABILITIES AND PARTNERS' CAPITAL

	2010	2009
Liabilities		
Accounts payable and accrued liabilities	$ 73,812	$ 31,313
Payable to affiliate	—	15,906
Total liabilities	73,812	47,219
Partners' capital		
Limited partners' capital, subject to redemption	5,316,723	5,694,710
General partners' capital	9,761	9,761
Total partners' capital	5,326,484	5,704,471
Total liabilities and partners' capital	$ 5,400,296	$ 5,751,690

The accompanying notes are an integral part of these financial statements

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
Statements of Income
For the Years Ended December 31, 2010 and 2009

	2010	2009
Revenues		
Interest income		
Interest on loans	$ 443,434	$ 467,253
Other interest	951	5,532
Total interest income	444,385	472,785
Late fees	5,569	900
Other	11,057	5,984
Total revenues	461,011	479,669
Provision for (recovery of) loan losses	(72,321)	47,374
Operating expenses		
Mortgage servicing fees	39,352	47,601
Asset management fees	20,888	22,118
Costs from Redwood Mortgage Corp.	8,236	7,970
Professional services	144,305	91,925
Losses on investment in REO, net	127,579	—
Other	12,719	9,156
Total operating expenses	353,079	178,770
Net income	$ 180,253	$ 253,525
Net income		
General partners (1%)	$ 1,803	$ 2,535
Limited partners (99%)	178,450	250,990
	$ 180,253	$ 253,525
Net income per $1,000 invested by limited partners		
for entire period		
Where income is compounded and retained	$ 33	$ 43
Where partner receives income in		
monthly distributions	$ 32	$ 42

The accompanying notes are an integral part of these financial statements

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
Statements of Changes in Partners' Capital
For the Years Ended December 31, 2010 and 2009

	Limited Partners	General Partners	Total
Balances at December 31, 2008	$ 5,963,478	$ 9,761	$ 5,973,239
Net income	250,990	2,535	253,525
Early withdrawal penalties	(4,434)	—	(4,434)
Partners' withdrawals	(515,324)	(2,535)	(517,859)
Balances at December 31, 2009	5,694,710	9,761	5,704,471
Net income	178,450	1,803	180,253
Early withdrawal penalties	(10,409)	—	(10,409)
Partners' withdrawals	(546,028)	(1,803)	(547,831)
Balances at December 31, 2010	$ 5,316,723	$ 9,761	$ 5,326,484

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 Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Net income	$ 180,253	$ 253,525
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Provision for (recovery of) loan losses	(72,321)	47,374
Equity loss on investment in real estate held for sale, net	127,579	—
Early withdrawal penalties credited to income	(10,409)	(4,434)
Amortization of discount on unsecured loans	(16,394)	(16,395)
Change in operating assets and liabilities		
Loans, unsecured	53,444	47,472
Accrued interest	(21,576)	(23,712)
Advances on loans	(8,340)	(72,324)
Receivable from affiliate	8,075	(14,058)
Accounts payable and accrued liabilities	40,794	31,313
Payable to affiliate	(38,086)	6,266
Net cash provided by (used in) operating activities	243,019	255,027
Cash flows from investing activities		
Principal collected on loans	545,473	772,576
Loans originated	(35,468)	(447,525)
Net cash provided by (used in) investing activities	510,005	325,051
Cash flows from financing activities		
Partners' withdrawals	(547,831)	(517,859)
Net increase (decrease) in cash and cash equivalents	205,193	62,219
Cash and cash equivalents at beginning of year	396,019	333,800
Cash and cash equivalents at end of year	$ 601,212	$ 396,019
Supplemental disclosure of non-cash investing activities		
Real estate acquired through foreclosure/settlement on loans, net of liabilities assumed	$ 539,976	$ —
Cash paid for interest	$ 53,845	$ —

The accompanying notes are an integral part of these financial statements

NOTE 1 – ORGANIZATION AND GENERAL

Redwood Mortgage Investors VI (a California Limited Partnership) was organized in 1987. The general partners are Michael R. Burwell, an individual, and Gymno Corporation, a California corporation that is owned and controlled by Michael R. Burwell through his individual stock ownership and as trustee of certain family trusts. The partnership was organized to engage in business as a mortgage lender for the primary purpose of making loans secured by deeds of trust on California real estate. Loans are arranged and serviced by RMC, an affiliate of the general partners.

The rights, duties and powers of the general and limited partners of the partnership are governed by the limited partnership agreement and Sections 15611 et seq. of the California Corporations Code.

The general partners are responsible for managing the partnership business, subject to the voting rights of the limited partners on specified matters. Any one of the general partners acting alone has the power and authority to act for and bind the partnership.

A majority of the outstanding limited partnership interests may, without the permission of the general partners, vote to: (i) terminate the partnership, (ii) amend the limited partnership agreement, (iii) approve or disapprove the sale of all or substantially all of the assets of the partnership and (iv) remove or replace one or all of the general partners.

The approval of the majority of limited partners is required to elect a new general partner to continue the partnership business where there is no remaining general partner after a general partner ceases to be a general partner other than by removal.

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. The monthly results are subject to subsequent adjustment as a result of quarterly and year-end accounting and reporting.

The limited partners elect, at the time of their subscription for units, to receive monthly, quarterly or annual cash distributions of earnings allocations, or to allow earnings to compound. The election to receive cash distributions is irrevocable. Subject to certain limitations, a compounding investor may subsequently change his election.

There are substantial restrictions on transferability of units and accordingly an investment in the partnership is non-liquid. Limited partners had no right to withdraw from the partnership or to obtain the return of their capital account for at least one year from the date of purchase of partnership units.

In order to provide a certain degree of liquidity to the limited partners after the one-year period, limited partners may withdraw all or part of their capital accounts from the partnership in four quarterly installments beginning on the last day of the calendar quarter following the quarter in which the notice of withdrawal is given, subject to a 10% early withdrawal penalty. The 10% penalty is applicable to the amount withdrawn as stated in the notice of withdrawal and will be deducted from the capital account.

Once a limited partner has been in the partnership for the minimum five-year period, no penalty is imposed if the withdrawal is made in twenty quarterly installments or longer. Notwithstanding the minimum withdrawal period, the general partners, at their discretion, may liquidate all or part of a limited partner's capital account in four quarterly installments beginning on the last day of the calendar quarter following the quarter in which the notice of withdrawal is given, subject to a 10% early withdrawal penalty applicable to any sums withdrawn prior to when such sums could have been withdrawn without penalty.

NOTE 1 – ORGANIZATION AND GENERAL (continued)

The partnership does not establish a reserve from which to fund withdrawals and, accordingly, the partnership's capacity to return a limited partner's capital account is restricted to the availability of partnership cash flow. Furthermore, no more than 20% of the total limited partners' capital accounts outstanding at the beginning of any year may be liquidated during any calendar year.

Income taxes – federal and state – are the obligation of the partners, if and when income taxes apply, other than for the minimum annual California franchise tax paid by the partnership.

- *Reconciliation of partners' capital* - The reconciliation of partners' capital in the financial statements to the tax basis of partners' capital is presented in the following table at December 31.

	2010	2009
Partners' capital per financial statements	$ 5,326,484	$ 5,704,471
Allowance for loan losses	460,783	453,809
Partners' capital tax basis	$ 5,787,267	$ 6,158,280

The partnership is scheduled to terminate in 2027, unless sooner terminated as provided in the Partnership Agreement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassifications

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

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, (which itself requires determining the fair value of the collateral), and the valuation of real estate held for sale and held as investment, at acquisition and subsequently. Actual results could differ significantly from these estimates.

Collateral fair values are reviewed quarterly and the protective equity for each loan is computed. As used herein, "protective equity" is the arithmetic difference between the fair value of the collateral, net of any senior liens, and the loan balance, where "loan balance" is the sum of the unpaid principal, advances and the recorded interest thereon. This computation is done for each loan (whether impaired or performing), and while loans secured by collateral of similar property type are grouped, there is enough distinction and variation in the collateral that a loan-by-loan, collateral-by-collateral analysis is appropriate.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management estimates (continued)

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. Historically, it has been rare for determinations of fair value to be made without substantial reference to current market transactions. However, in recent years, due to the low levels of real estate transactions, and the rising number of transactions that are distressed (i.e., that are executed by an unwilling seller – often compelled by lenders or other claimants – and/or executed without broad exposure or with market exposure but with few, if any, resulting offers), more interpretation, judgment and interpolation/extrapolation within and across property types is required.

Appraisals of commercial real property generally present three approaches to estimating value: 1) market comparables or sales approach; 2) cost to replace and 3) capitalized cash flows or investment approach. These approaches may or may not result in a common, single value. The market-comparables approach may yield several different values depending on certain basic assumptions, such as, determining highest and best use (which may or may not be the current use); determining the condition (e.g. as-is, when-completed, or for land when-entitled); and determining the unit of value (e.g. as a series of individual unit sales or as a bulk disposition). Further complicating this process already subject to judgment, uncertainty and imprecision are the current low transaction volumes in the residential, commercial and land markets, and the variability that has resulted. This exacerbates the imprecision in the process, and requires additional considerations and inquiries as to whether the transaction was entered into by a willing seller into a functioning market or was the transaction completed in a distressed market, with the predominant number of sellers being those surrendering properties to lenders in partial settlement of debt (as is prevalent in the residential markets and is occurring more frequently in commercial markets) and/or participating in "arranged sales" to achieve partial settlement of debts and claims and to generate tax advantage. Either way, the present market is at historically low transaction volumes with neither potential buyers nor sellers willing to transact. In certain asset classes the time elapsed between transactions – other than foreclosures – was 12 or more months.

The uncertainty in the process is exacerbated by the tendency in a distressed market for lesser-quality properties to transact while upper echelon properties remain off the market – or come on and off the market – because these owners believe in the intrinsic value of the properties (and the recoverability of that value) and are unwilling to accept non-economic offers from opportunistic – often all cash – acquirers taking advantage of distressed markets. This accounts for the ever lower transaction volumes for better and upper echelon properties which exacerbate the perception of a broadly declining market in which each succeeding transaction establishes a new low.

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

Cash and cash equivalents

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and interest income

Loans and advances generally are stated at the unpaid principal balance. Management has discretion to pay amounts (advances) to third parties on behalf of borrowers to protect the partnership'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 accrue interest until repaid by the borrower.

The partnership may fund a specific loan origination net of an interest reserve to insure timely interest payments at the inception (one to two years) of the loan. As monthly interest payments become due, the partnership funds the payment into the affiliated trust account.

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

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 which can delay and/or alter the loan's cash flow and delinquency status.

The note evidencing the loan provides interest will accrue daily based on the unpaid principal balance of the loans. A loan designated as impaired loan continues to accrue interest – for financial reporting purposes – as long as the loan is in the process of collection and is considered to be well-secured. Loans designated as impaired may be placed on non-accrual status at the earlier of management's determination that the primary source of repayment will come from the foreclosure and subsequent sale of the collateral securing the loan (which usually occurs when a notice of sale is filed) or when the loan is no longer considered well-secured. When a loan is placed on non-accrual status, the accrual of interest is discontinued – for financial reporting purposes – 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 generally are 6% of the monthly installment payment past due and are recognized in income as collected.

Allowance for loan losses

Loans and the related accrued interest and advances are analyzed on a periodic basis for ultimate recoverability. Delinquencies are identified and followed as part of the loan system. Delinquencies are determined based upon contractual terms. For impaired loans, 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, such that the net carrying amount (unpaid principal balance, plus advances, plus accrued interest less the specific allowance) is reduced to the present value of future cash flows discounted at the loan's effective interest rate, or, if a loan is collateral dependent, to the estimated fair value of the related collateral net of any senior loans, which would include costs to sell in arriving at net realizable value if planned disposition of the asset securing a loan is by way of sale. Loans that are determined not to be individually impaired are grouped by the property type of the underlying collateral, and for each loan and for the total by property type, the amount of protective equity or amount of exposure to loss (*i.e.*, the dollar amount of the deficiency of the fair value of the underlying collateral to the loan balance) is computed. Based on its knowledge of the borrowers and their historical (and expected) performance, and the exposure to loss, management estimates an appropriate reserve by property type for probable credit losses in the portfolio.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for loan losses (continued)

The fair value estimates are derived from information available in the real estate markets including similar property, and may require the experience and judgment of third parties such as commercial real estate appraisers and brokers. The partnership charges off uncollectible loans and related receivables directly to the allowance account once it is determined the full amount is not collectible.

Investment in real estate held for sale

Real estate held for sale includes real estate acquired in full or partial settlement of loan obligations generally through foreclosure that is being marketed for sale. Real estate held for sale is recorded at acquisition at the lower of the recorded investment in the loan, plus any senior indebtedness, or at the property's net realizable value, which is the fair value less estimated costs to sell, as applicable. Any excess of the recorded investment in the loan over the net realizable value is charged against the allowance for loan losses. 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 is capitalized to the extent they do not cause the recorded value to exceed the net realizable value, whereas costs relating to holding and disposition of the property are expensed as incurred. After acquisition, real estate held for sale is analyzed periodically for changes in fair values and any subsequent write down is charged to operating expenses. Any recovery in the fair value subsequent to such a write down is recorded – not to exceed the net realizable value at acquisition – as an offset to operating expenses. Gains or losses on sale of the property are recorded in other income or expense. Recognition of gains on the sale of real estate is dependent upon the transaction meeting certain criteria related to the nature of the property and the terms of the sale including potential seller financing.

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 monthly 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.

Recently issued accounting pronouncements

In July 2010, the FASB issued ASU 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." This ASU requires significant new disclosures about the allowance for credit losses and the credit quality of financing receivables. The requirements are intended to enhance transparency regarding credit losses and the credit quality of loan and lease receivables by disclosing an evaluation of (i) the nature of credit risk inherent in the entity's portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Under this statement, allowance for credit losses and fair value are to be disclosed by portfolio segment, while credit quality information, impaired financing receivables and nonaccrual status are to be presented by class of financing receivable. Disclosure of the nature and extent, the financial impact and segment information of troubled debt restructurings will also be required. The disclosures are to be presented at the level of disaggregation that management uses when assessing and monitoring the portfolio's risk and performance. ASU 2010-20 will be effective for the partnership's financial statements as of December 31, 2010, as it relates to disclosures required as of the end of a reporting period. Disclosures that relate to activity during a reporting period will be required for the partnership's financial statements that include periods beginning on or after January 1, 2011.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently issued accounting pronouncements (continued)

The FASB issued ASU 2011-01, “Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20.” The amendments in ASU 2011-01 temporarily delayed the effective date of the disclosures about troubled debt restructurings in ASU 2010-20 for public entities. The delay was intended to allow the FASB time to complete its deliberations on what constitutes a troubled debt restructuring. The effective date of the new disclosures about troubled debt restructurings for public entities and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. The deferral in ASU 2011-01 was effective January 19, 2011 (date of issuance).

NOTE 3 – GENERAL PARTNERS AND OTHER RELATED PARTIES

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

Mortgage brokerage commissions

For fees in connection with the review, selection, evaluation, negotiation and extension of loans, the general partners may collect loan brokerage commissions (points) 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. In 2010 and 2009, loan brokerage commissions paid by the borrowers were $8,000 and $20,561, respectively.

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 affiliates.

Mortgage servicing fees

RMC 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, RMC 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 were such waivers made in order to meet any required level of distributions, as the partnership has no such required level of distributions. RMC does not use any specific criteria when determining the exact amount of fees to be waived. The decision to waive fees and the amount, if any, to be waived, is made by RMC in its sole discretion. There is no assurance that RMC will waive fees at similar levels, or at all, in the future.

Mortgage servicing fees paid to RMC are presented in the following table for the years ended December 31.

	2010	2009
Maximum chargeable	$ 60,483	$ 71,402
Waived	(21,131)	(23,801)
Charged	$ 39,352	$ 47,601

NOTE 3 – GENERAL PARTNERS AND OTHER RELATED PARTIES (continued)

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. 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 determining 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 asset management fees paid to the general partners are presented in the following table for the years ended December 31.

	2010	2009
Maximum chargeable	$ 20,888	$ 22,118
Waived	—	—
Charged	$ 20,888	$ 22,118

Clerical costs through RMC

The partnership receives certain operating and administrative services from RMC. RMC may be reimbursed by the partnership for operating expenses incurred 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. During 2010 and 2009, operating expenses totaling $8,236 and $7,970, respectively, were reimbursed to RMC. To the extent that some operating and administrative services were not reimbursed, the financial position and results of partnership operation may have been different.

NOTE 4 – LOANS

The partnership generally funds loans with a fixed interest rate and a five-year term. Approximately half of all loans outstanding provide for monthly payments of interest only, 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.

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. Such considerations though 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 partnership's loan combined with the outstanding debt and claims secured by a senior deed of trust on the 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 loan-to-value ratio generally will not exceed 80% for residential properties (including multi-family), 70% for commercial properties, and 50% for land. The excess of the total debt, including the partnership's loan, and the value of the collateral is the protective equity

NOTE 4 – LOANS (continued)

- *Secured loans unpaid principal balance* (principal) - Secured loan transactions are summarized in the following table for the years ended December 31.

	2010	2009
Principal, beginning of year	$ 5,382,578	$ 5,777,110
New loans added	35,468	447,525
Borrower repayments	(545,473)	(772,576)
Foreclosures	(400,000)	—
Reaffirmed/(Charged-off)	81,000	(69,481)
Principal, end of year	$ 4,553,573	$ 5,382,578

In March 2010, a borrower whose loan had been charged-off, reaffirmed the debt. The partnership recorded the receivable and a related specific reserve. The specific reserve will be re-evaluated as the borrower makes payments.

- *Loan characteristics* - Secured loans had the characteristics presented in the following table.

	2010	2009
Number of secured loans	21	23
Secured loans – principal	$ 4,553,573	$ 5,382,578
Secured loans – interest rates range (fixed)	5.00%-10.50%	5.13%-10.50%
Average secured loan - principal	$ 216,837	$ 234,025
Average principal as percent of total principal	4.76%	4.35%
Average principal as percent of partners’ capital	4.07%	4.10%
Average principal as percent of total assets	4.02%	4.07%
Largest secured loan – principal	$ 592,094	$ 607,853
Largest principal as percent of total principal	13.00%	11.29%
Largest principal as percent of partners’ capital	11.12%	10.66%
Largest principal as percent of total assets	10.96%	10.57%
Smallest secured loan – principal	$ 80,960	$ 98,503
Smallest principal as percent of total principal	1.78%	1.83%
Smallest principal as percent of partners’ capital	1.52%	1.73%
Smallest principal as percent of total assets	1.50%	1.71%
Number of counties where security is located (all California)	15	16
Largest percentage of principal in one county	19.73%	16.76%
Number of secured loans in foreclosure	1	2
Secured loans in foreclosure – principal	317,171	717,971
Number of secured loans with an interest reserve	—	—
Interest reserves	—	$ —

NOTE 4 – LOANS (continued)

As of December 31, 2010, the partnership's largest loan in the unpaid principal balance of $592,094 (representing 13.00% of principal and 10.96% of partnership assets) has an interest rate of 7.00% and is secured by a parcel of land located in Santa Clara County, California. Larger loans sometimes increase above 10% of the secured loan portfolio or partnership assets as these amounts decrease due to limited partner withdrawals and loan payoffs and due to restructuring of existing loans.

Larger loans sometimes increase above 10% of the secured loan portfolio or partnership assets as these amounts decrease due to limited partner withdrawals and loan payoffs.

- *Lien position* - Secured loans had the lien positions presented in the following table.

	2010			2009		
	Loans	Principal	Percent	Loans	Principal	Percent
First trust deeds	11	$ 2,851,647	%	13	$ 3,386,917	63%
Second trust deeds	9	1,448,058		9	1,777,261	33
Third trust deeds	1	253,868		1	218,400	4
Total loans	21	4,553,573	100%	23	5,382,578	100%
Liens due others at loan closing		4,097,010			4,804,104	
Total debt		$ 8,650,583			$ 10,186,682	
Appraised value at loan closing		$ 14,831,502			$ 17,617,321	
Loan to value (LTV) (1)		58.33%			57.82%	

(1) Based on appraised values and liens due other lenders at loan closing. The loan to value computation does not take into account subsequent increases or decreases in security property values following the loan closing nor does it include decreases or increases of the amount owing on senior liens to other lenders by payments or interest accruals, if any. Property values likely have changed, particularly over the last two years, and the portfolio's current loan to value ratio likely is higher than this historical ratio.

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

	2010			2009		
	Loans	Principal	Percent	Loans	Principal	Percent
Single family	15	$ 2,540,747	56%	16	$ 3,124,889	58%
Multi-family	2	417,172	9	1	243,936	5
Commercial	3	1,003,560	22	5	1,405,900	26
Land	1	592,094	13	1	607,853	11
Total secured loans	21	$ 4,553,573	100%	23	$ 5,382,578	100%

NOTE 4 – LOANS (continued)

- *Scheduled maturities* - Secured loans are scheduled to mature as presented in the following table.

	2010		
	Loans	Principal	Percent
2011	6	$ 909,516	20%
2012	4	853,251	19
2013	2	372,263	8
2014	2	368,833	8
2015	4	978,724	21
Thereafter	2	831,540	19
Total future maturities	20	4,314,127	95
Matured at December 31, 2010	1	239,446	5
Total secured loans	21	$ 4,553,573	100%

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

- *Matured loans* - Secured loans past maturity are summarized in the following table.

	2010	2009
Number of loans (2) (3)	1	—
Unpaid principal balance	$ 239,446	$ —
Advances	—	—
Accrued interest	11,064	—
Loan balance	$ 250,510	$ —
Percent of loans	6%	—%

(2) The secured loan past maturity as of December 31, 2010 is also included in the secured loans delinquency.

(3) The secured loan past maturity as of December 31, 2010 is not included in the secured loans in non-accrual status.

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

	2010	2009
30-89 days past due	$ 1,069,782	$ 135,436
90-179 days past due	239,446	317,971
180 or more days past due	423,820	400,000
Total past due	1,733,048	853,407
Current	2,820,525	4,529,171
Total secured loans	$ 4,553,573	$ 5,382,578

The partnership reports delinquency based upon the most recent contractual agreement with the borrower.

NOTE 4 – LOANS (continued)

At December 31, 2010, the partnership had five workout agreements in effect with an aggregate principal of $851,046. Three borrowers with an aggregate principal of $435,372 had made all required payments under the workout agreements and the loans were included in the above table as current. Three of the five loans, with an aggregate principal of $568,674 were designated impaired and in non-accrual status.

At December 31, 2009, the partnership had six workout agreements in effect with an aggregate principal of $1,024,770. Five of the six borrowers, with an aggregate principal of $706,799, had made all required payments under the workout agreements and were included in the above table as current, were not designated impaired nor in non-accrual status. The other loan was delinquent, designated impaired and was in non-accrual status.

Interest income accrued on loans contractually past due more than 90 days as to principal or interest payments during the years ended December 31, 2010 and 2009 was $27,501 and $33,378, respectively.

- *Loans in non-accrual status* - Secured loans in nonaccrual status are summarized in the following table.

	2010	2009
Number of loans	4	2
Principal	$ 675,323	$ 717,971
Advances	7,581	70,281
Accrued interest	25,415	42,388
Loan balance	$ 708,319	$ 830,640
Foregone interest	$ 33,732	$ 27,172

At December 31, 2010 and 2009, there were 1 and 0 loans, respectively, with loan balances of $239,446 and $0, respectively, that were contractually past due more than 90 days as to principal or interest and not in non-accrual status.

- *Impaired Loans* – Impaired loans had the balances shown and the associated allowance for loan losses presented in the following table.

	2010	2009
Unpaid principal balance	$ 914,770	$ 717,971
Recorded investment (4)	$ 958,829	$ 830,640
Impaired loans without allowance	$ 250,510	$ 493,921
Impaired loans with allowance	$ 708,319	$ 336,719
Allowance for loan losses, impaired loans	$ 365,000	$ 71,818

(4) Recorded investment is the sum of unpaid principal balance, advances, and interest accrued for financial reporting purposes.

NOTE 4 – LOANS (continued)

Impaired loans had the average balances and interest income recognized and received in cash as presented in the following table for the years ended December 31.

	2010	2009	2008
Average recorded investment	$ 894,734	$ 548,717	$ 133,397
Interest income recognized	$ —	$ 34,618	$ 24,662
Interest income received in cash	$ —	$ 11,733	$ 21,219

During 2010 and 2009 the partnership modified one and five loans, respectively, by either extending the maturity date, lowering the interest rate or reducing the monthly payment. During 2010 and 2009, none of these modifications required accounting treatment as troubled debt restructurings.

Loans unsecured, net

The partnership had three unsecured loans with unpaid principal balance totaling $201,106 and $238,156 at December 31, 2010 and 2009, respectively. Monthly payments are being received on each loan, all of which are on nonaccrual status.

NOTE 5 – ALLOWANCE FOR LOAN LOSSES

Activity in the allowance for loan losses is presented in the following table for the years ended December 31.

	2010	2009
Balance, beginning of year	$ 453,809	$ 489,913
Provision for (recovery of) loan losses	(72,321)	47,374
Charge-offs, net		
Charge-offs	—	(83,478)
Recoveries	79,295	—
Charge-offs, net	79,295	(83,478)
Balance, end of year	$ 460,783	$ 453,809
Ratio of charge-offs during the period to average secured loans outstanding during the period	(1.59)%	1.53%

In March 2010, a borrower whose loan had been charged-off, reaffirmed the debt. The partnership recorded the receivable and a related specific reserve. The specific reserve will be re-evaluated as the borrower makes payments.

NOTE 5 – ALLOWANCE FOR LOAN LOSSES (continued)

The composition of the allowance for loan losses for each property type is presented in the table following at December 31.

	2010		2009	
	Principal	Percent	Principal	Percent
Balance at end of period applicable to:				
Single family	$ 323,78	5%	$ 315,73	5%
Multi-family	10,00		10,00	
Commercial	34,00	2	34,05	2
Land	12,00	1	12,15	1
Total real estate – mortgage	$ 379,78	10%	$ 371,94	10%
Total unsecured loans	$ 81,00	10%	$ 81,86	10%
Total allowance for losses	$ 460,78	10%	$ 453,80	10%

NOTE 6 – INVESTMENT IN REAL ESTATE HELD FOR SALE, NET

Activity and changes in the net realizable value, if any, for real estate held for sale are presented in the following table for the years ended December 31.

	2010	2009
Balance, beginning of year	$ —	$ —
Acquisitions	539,976	—
Dispositions	—	—
Change in net realizable value	(127,579)	—
Balance, end of year	$ 412,397	$ —
Number of properties	1	—
Property type		
Multi-family	412,397	—
Balance, end of year	$ 412,397	$ —

Rental operations for the years ended December 31, are presented in the following table.

	2010	2009
Rental income	$ 83,382	$ —
Operating expenses		
Property taxes	4,789	—
Management, administration and insurance	6,229	—
Utilities, maintenance and other	6,898	—
Advertising and promotions	—	—
Total operating expenses	17,916	—
Rental operations, net	$ 65,466	$ —

NOTE 6 – INVESTMENT IN REAL ESTATE HELD FOR SALE, NET (continued)

The property had an impairment loss of $139,200 subsequent to acquisition due to fair value adjustments made to reflect the contracted sales price agreed to in early 2011.

Interest expense on the mortgage securing the rental property was $53,845 for the year ended December 31, 2010.

In February 2010, the partnership two affiliated partnerships as tenants in common, acquired through foreclosure, a 22 unit, condominium complex, in which the partnership holds a 13.33% ownership interest. The property is subject to a senior loan with an interest rate of 7.21%. The transaction resulted in an increase to investment in real estate held for sale, net of $1,366,576, reductions to secured loans of $400,000, accrued interest of $44,039 and advances of $73,757, and an increase to accrued liabilities of $22,180. The partnership's share of the unpaid principal balance of the senior loan was $826,600. Following its acquisition, the property has been operated as a rental property. An independent, professional management firm has been engaged to oversee property operations. As of December 31, 2010, all of the units have been leased to tenants. In February, 2011, the sale of the entire complex was completed with a total sales price of $9,725,000.

NOTE 7 – 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. 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.

The partnership determines the fair values of its assets and liabilities based on the fair value hierarchy established in GAAP. The standard describes three levels of inputs that 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.

Financial assets and liabilities measured at fair value on a non-recurring basis as of December 31, 2010.

	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 December 31,
Impaired loans	$ —	$ —	$ 708,319	$ 708,319
Invest. in REO, held for sale	$ —	$ —	$ 412,397	$ 412,397

NOTE 7 – FAIR VALUE (continued)

Financial assets and liabilities measured at fair value on a non-recurring basis as of December 31, 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 December 31,
Impaired loans	$ —	$ —	$ 336,719	$ 336,719
Invest. in REO, held for sale	$ —	$ —	$ —	$ —

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 accounts, are subject to immediate withdrawal.

(b) Secured loans. The fair value of the non-impaired loans is approximately $3,592,000 and $4,639,000 at December 31, 2010 and December 31, 2009, respectively, was estimated based upon projected cash flows discounted at the estimated current interest rates at which similar loans would be made. For impaired loans in which a specific allowance is established based on the fair value of the collateral, the collateral fair value is determined by exercise of judgment based on management's experience informed by appraisals (by licensed appraisers), brokers opinion of values, and publicly available information on in-market transactions (Level 2 inputs). Historically, it has been rare for determinations of fair value to be made without substantial reference to current market transactions. However, in recent years, due to the low number of real estate transactions, and the rising number of transactions that are distressed (i.e., that are executed by an unwilling seller – often compelled by lenders or other claimants – and/or executed without broad exposure or with market exposure but with few, if any, resulting offers), more interpretation, judgment and interpolation/extrapolation within and across property types is required (Level 3 inputs).

(c) Unsecured loans. 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 8 – COMMITMENTS AND CONTINGENCIES

Loan Commitments

The partnership makes construction and rehabilitation loans, which are not fully disbursed at loan inception. The partnership has approved the borrowers up to a maximum loan balance; however, disbursements are made periodically during completion phases of the construction or rehabilitation or at such other times as required under the loan documents. At December 31, 2010, there were no undisbursed loan funds. The partnership does not maintain a separate cash reserve to hold the undisbursed obligations, which are intended to be funded.

The partnership periodically negotiates contractual workout agreements with borrowers whose loans are past maturity or who are delinquent in making payments. The partnership is not obligated to fund additional money as of December 31, 2010.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (continued)

Legal proceedings

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

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
Schedule II
Valuation and Qualifying Accounts
For the Years Ended December 31, 2010 and 2009

A Description	B Balance at Beginning of Period	C Additions: Charged to Costs and Expenses	C Additions: Charged to Other Accounts	D Deductions	E Balance at End of Period
Year ended December 31, 2009					
Deducted from asset accounts					
Allowance for loan losses	$ 489,913	$ 47,374	$ —	$ (83,478)	$ 453,809
Cumulative write-down of real estate owned	—	—	—	—	—
	$ 489,913	$ 47,374	$ —	$ (83,478)	$ 453,809
Year ended December 31, 2010					
Deducted from asset accounts					
Allowance for loan losses	$ 453,809	$ (72,321)	$ —	$ 79,295	$ 460,783
Cumulative write-down of real estate owned	—	—	—	—	—
	$ 453,809	$ (72,321)	$	$ 79,295	$ 460,783

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
Schedule IV
Mortgage Loans on Real Estate
Rule 12-29 Loans on Real Estate
December 31, 2010

Col. A Description	Col. B Interest Rate	Col. C Final Maturity Date	Col. D Periodic Payment Terms	Col. E Prior Liens	Col. F Face Amount of Mortgage Original Amount	Col. G Carry Amount of Mortgage Investment	Col. H Principal Amount of Loans Subject to Delinquent Principal or Interest	Col. I Type of Lien	Col. J California Geographic Location
The following loans individually exceed 3% of aggregate carrying amount of mortgage investments									
Land	7.00%	01/01/16	$ 4,817	$ —	$ 621,363	$ 592,094	—	1st	Santa Clara
Comm.	9.88%	11/01/15	3,599	—	400,004	399,692	—	1st	Alameda
Comm.	9.00%	07/01/12	2,625	—	350,000	350,000	—	1st	San Francisco
Res.	6.38%	03/01/15	2,000	—	319,500	317,171	317,171	1st	Butte
Res.	9.00%	12/06/11	1,950	—	260,000	259,819	—	1st	Alameda
Comm.	10.00%	07/01/14	2,186	475,698	200,001	253,868	—	3rd	El Dorado
Res.	9.25%	06/01/12	2,057	445,918	250,000	243,601	—	2nd	Orange
Apts.	10.50%	06/01/11	2,188	—	250,002	242,172	—	1st	Napa
Res.	9.25%	06/01/10	2,057	198,779	250,000	239,446	239,446	2nd	Alameda
Res.	9.50%	11/01/13	1,682	168,133	200,000	197,263	—	2nd	Monterey
Res.	9.00%	06/01/11	1,609	1,020,306	200,000	192,852	—	2nd	Los Angeles
Res.	8.75%	01/01/15	1,433	—	182,125	180,901	—	1st	Marin
Apts.	9.00%	07/01/13	1,313	1,035,873	175,000	175,000	—	2nd	Contra Costa
Res.	5.13%	01/01/12	653	—	153,000	153,000	—	1st	Contra Costa
The remaining loans have been aggregated by their property type									
Res.	8.40%		5,609	752,303	777,300	756,694	106,649		
Total			$ 35,778	$ 4,097,010	$ 4,588,295	$ 4,553,573	$ 663,266		

Note: Most loans have balloon payments due at maturity. As required by rule 12-29, column H represents amounts 90 days or more delinquent in principal or interest payments.

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
Schedule IV
Mortgage Loans on Real Estate
Rule 12-29 Loans on Real Estate (Continued)

Reconciliation of carrying amount (cost) of loans at close of periods

	Year ended December 31, 2010	Year ended December 31, 2009
Balance, beginning of year	$ 5,382,578	$ 5,777,110
Additions during period		
New loans	35,468	447,525
Other	81,000	—
Total additions	116,468	447,525
Deductions during period		
Collections of principal	545,473	772,576
Foreclosures	400,000	—
Cost of loans sold	—	—
Amortization of premium	—	—
Other	—	69,481
Total deductions	945,473	842,057
Balance, end of year	$ 4,553,573	$ 5,382,578

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

There were no disagreements with the partnership's independent registered public accounting firm during the years ended December 31, 2010 and 2009.

Item 9A – Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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 of the end of the period covered by this report. Based upon that evaluation, the general partners concluded the partnership's disclosure controls and procedures were effective.

General Partner's Report on Internal Control Over Financial Reporting.

The general partners are 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.

The general partners and their respective managements conducted an evaluation of the effectiveness of the partnership's internal control over financial reporting based on the *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this evaluation, the general partners concluded the partnership's internal control over financial reporting was effective as of December 31, 2010.

This annual report does not include an attestation report of the partnership's independent registered public accounting firm regarding internal control over financial reporting because current law and SEC rules require such attestation reports only for large accelerated filers and accelerated filers (and the company, as a smaller reporting company, is not subject to that requirement).

Changes to Internal Control Over Financial Reporting.

There have not been any changes in the partnership's internal control over financial reporting (as such term is defined in Rules 13a-15(f) under the Exchange Act) during the quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, the partnership's internal control over financial reporting.

Item 9B – Other Information

None

Part III

Item 10 – Directors, Executive Officers and Corporate Governance

The partnership has no officers or directors. Rather, the activities of the partnership are managed by the two general partners, one of whom is an individual, Michael R. Burwell. The second general partner is Gymno Corporation, a California corporation, formed in 1986. Mr. Burwell is one of the three shareholders of Gymno Corporation, a California corporation, and has a 50% interest in the corporation. The remaining two shareholders are trusts as to which Mr. Burwell is the trustee of each trust.

The General Partners

Michael R. Burwell. Michael R. Burwell, age 54, General Partner, past member of Board of Trustees and Treasurer, Mortgage Brokers Institute (1984-1986); President, Director, Chief Financial Officer, Redwood Mortgage Corp. (1979-present); Director, Secretary and Treasurer A & B Financial Services, Inc. (1980-2009); President, Director, Chief Financial Officer and Secretary (since 1986) of Gymno Corporation; President, Director, Secretary and Treasurer of The Redwood Group, Ltd. (1979-present). Mr. Burwell is licensed as a real estate sales person.

Gymno Corporation. Gymno Corporation, General Partner, is a California corporation formed in 1986 for the purpose of acting as a general partner of this partnership and of other limited partnerships formed by the individual general partners. The shares in Gymno Corporation are held equally by Michael R. Burwell and two trusts, each of which Michael R. Burwell is the trustee. Michael R. Burwell is a director of Gymno and the director position held by D. Russell Burwell is currently vacant. Michael R. Burwell is its President, Chief Financial Officer and Secretary. Michael R. Burwell has a controlling interest in this company through his ownership of stock and as trustee of the Burwell trusts.

Financial Oversight by General Partners

The partnership does not have a board of directors or an audit committee. Accordingly, the general partners serve 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 the enforcing of the Code of Ethics. However, since the partnership does not have an audit committee and the general partners are not independent of the partnership, the partnership does not have an “audit committee financial expert.”

Code of Ethics

The general partners have adopted a Code of Ethics applicable to the general partners and to any agents, employees or independent contractors engaged by the general partners to perform the functions of a principal financial officer, principal accounting officer or controller of the partnership, if any. You may obtain a copy of this Code of Ethics, without charge, upon request by calling our Investor Services Department at (650) 365-5341.

Item 11 – Executive Compensation

COMPENSATION OF THE GENERAL PARTNERS AND AFFILIATES BY PARTNERSHIP

As indicated above in item 10, the partnership has no officers or directors. The partnership is managed by the general partners. There are certain fees and other items paid to the general partners and related parties.

Set forth below in tabular form is a description of compensation that may be received by the general partners and their affiliates from the partnership or in connection with the investment of the proceeds of the partnership's offering of units. Other than as set forth herein, no compensation will be paid to the general partners or any affiliate. These compensation arrangements have been established by the general partners and are set forth in the partnership agreement and are not the result of arms-length negotiations. However, the general partners have compared their compensation arrangements to those of unrelated parties providing the same services. The general partners have set, in some instances, maximum levels of compensation to be received by them or their affiliates; however, they have the discretion to set the actual fee received by them at an amount lower than the maximum amount allowable. The general partners have determined the following compensation levels are fair and reasonable. In their review, the general partners have:

- analyzed the compensation arrangements in other offerings,
- spoken to other professionals in the industry including issuers, promoters and broker dealers,
- examined "rate sheets" from banks and savings & loans which set forth the rates being charged by those institutions for the same or similar services
- collected data regarding compensation from trade association meetings and/or other relevant periodicals.

Thus, the general partners believe the amounts are approximately equivalent to those which would customarily be paid to unrelated parties for the same services.

OPERATING STAGE

Entity Receiving Compensation	**Form and Method of Compensation**	**Amount Paid During Year Ended December 31**	
		2009	*2010*
Redwood Mortgage Corp.	Loan brokerage commissions for services in connection with the review, selection, evaluation, negotiation and extension of the partnership loans in an amount of up to 4% of the total partnership assets per year payable solely by the borrower and not by the partnership.	$20,561	$8,000
Redwood Mortgage Corp.	Processing and escrow fees for services in connection with notary, document preparation, credit investigation, and escrow fees in an amount equal to the fees customarily charged by RMC for comparable services in the geographical area where the property securing the loan is located, payable solely by the borrower and not by the partnership.	$956	$343

Redwood Mortgage Corp.	Loan servicing fee, payable monthly, in an amount up to 1/8 of 1% of the outstanding principal amount of each loan. (1)	$47,601	$39,352
General Partners and/or Affiliates	Asset management fee payable monthly in an amount equal to 1/32 of 1% of the Net Assets Under Management.(1)	$22,118	$20,888
General Partners	Reimbursement of expenses relating to administration of the partnership, subject to certain limitations, see Article X of the partnership agreement. (2)	$7,970	$8,236
Gymno Corporation	Reconveyance fee for reconveyance of property upon full payment of loan, payable by borrower (approximately $85 per loan or market rate).	$105	$68
Redwood Mortgage Corp.	Assumption fee for assumption of loans payable by borrower as either a set fee or a percentage of the loan.	$0	$0
Redwood Mortgage Corp.	Extension fee for extending the loan period payable by borrower as a percentage of the loan.	$0	$0
General Partners	1% interest in profits, losses and distributions of earnings and cash available for distribution.	$2,535	$1,803

LIQUIDATING STAGE

Entity Receiving Compensation	Form and Method of Compensation	Amount Paid During Year Ended December 31	
		2009	*2010*
General Partners	Participation in proceeds upon liquidation of the partnership equal to 1% of proceeds from cash available for distribution.	$0	$0

(1) The general partners and their affiliates, in their sole discretion, may elect to lower the loan servicing fee or asset management fee for any period of time and thereafter raise the fees up to the stated limits. An increase or decrease in this fee within the limits set by the partnership agreement directly impacts the yield to the limited partners.

(2) The partnership will reimburse the general partners or their affiliates for the actual cost of goods and materials used for or by the partnership and obtained from unaffiliated parties. In addition, the partnership will reimburse general partners or their affiliates for the cost of administrative services necessary for the prudent operation of the partnership provided that such reimbursement will be the lesser of (i) the actual cost of such services or (ii) 90% of the amount which the partnership would be required to pay independent parties for comparable services.

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

The general partners own an aggregate total of 1% of the partnership including a 1% portion of income and losses.

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

The partnership is subject to various conflicts of interest arising out of its relationship with the general partners and their affiliates, including RMC. These conflicts include conflicts related to the arrangements pursuant to which the general partners and their affiliates will be compensated by the partnership. Because the partnership was organized and is operated by the general partners, these conflicts will not be resolved through arms length negotiations but through the exercise of the general partners' judgment consistent with their fiduciary responsibility to the limited partners and the partnership's investment objectives and policies. These conflicts include, but are not limited to, the following:

1. *The General Partners' Legal And Financial Obligations To Other Partnerships and Companies*. The general partners and their affiliates, particularly RMC, serve as the general partners or managers of other limited partnerships or companies. These entities include real estate mortgage limited partnerships and a limited liability company with investment objectives similar to those of the partnership. They may also organize other real estate mortgage limited partnerships or limited liability companies in the future, including partnerships which may have investment objectives similar to those of the partnership. The general partners and such affiliates have legal and financial obligations with respect to these partnerships which are similar to their obligations with respect to the partnership. As general partners, they may have contingent liability for the obligations of such partnerships as well as those of the partnership. The level of compensation payable to the general partners or their affiliates in connection with the organization and operation of other partnerships may exceed that payable in connection with the organization and operation of this partnership. However, the general partners and their affiliates do not intend to offer for sale, interests in any other public programs (but not necessarily private programs) with investment objectives similar to the partnership, before substantially all initial proceeds of this offering are invested or committed.

2. *Other Activities of the General Partners and Their Affiliates*. The general partners and their affiliates have conflicts of interest in allocating their time between the partnership and other activities in which they are involved. However, the general partners believe that they, and their affiliates, have sufficient personnel to discharge fully their responsibilities to the partnership and to other affiliated partnerships and ventures in which they are involved. RMC, an affiliate of the general partners, also provides loan brokerage services to investors other than the partnership. As a result, there will exist conflicts of interest on the part of the general partners between the partnership and the other partnerships or investors with which they are affiliated at such time. The general partners will decide which loans are appropriate for funding by the partnership or by such other partnerships and investors after consideration of all relevant factors, including the size of the loan, portfolio diversification, quality and credit worthiness of borrower, amount of uninvested funds and the length of time that excess funds have remained uninvested.

The general partners believe that they have sufficient financial and legal resources to meet and discharge their obligations to the partnership and to the other partnerships. In the event that a conflict were to arise, however, the general partners will undertake the following steps: (i) they will seek the advice of counsel with respect to the conflict; (ii) in the event of a short fall of resources, they will seek to allot the partnerships' financial and legal resources on a pro rata basis among the partnerships; (iii) in the event a pro rata allotment would materially adversely affect the operations of any partnership, the general partners will use their best efforts to apply available resources to that partnership so as to attempt to prevent a material adverse effect, and the remainder of the resources, if any, would be applied on a pro rata basis.

3. *Loan Brokerage Commissions and Other Compensation To The General Partners and Their Affiliates*. The general partners and their affiliates receive fees and other compensation for services relating to the partnership's offering of units and the investment and management of the partnership's assets. See Item 11 – "Compensation of the General Partners and Affiliates by Partnership" and Note 3 to the Financial Statements in Part II item 8 for more detailed information regarding these fees and other compensation. None of the compensation payable to the general partners was determined by arms length negotiations. We anticipate that the loan brokerage commissions charged to borrowers by RMC, an affiliate of the general partners, will average approximately 4-6% 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 upon the interest rates charged by the partnership on loans and thus the overall rate of return to limited partners. Conversely, if the general partners reduced the loan brokerage commissions charged by RMC a higher rate of return might be obtained for the partnership and the limited partners. This conflict of interest will exist in connection with every loan transaction, and you must rely upon the fiduciary duties of the general partners to protect their interests. In an effort to partially resolve this conflict, RMC has agreed that loan brokerage commissions to be received by it in connection with each loan arranged for the partnership will not exceed 4% of the total partnership assets per year. The general partners have reserved the right to retain the services of other firms, in addition to or in lieu of RMC, to perform the brokerage services, loan servicing and other activities in connection with the partnership's loan portfolio. Any such other firms may also be affiliated with the general partners.

4. *Arrangement Of Loans By Redwood Mortgage Corp.* RMC arranges all loans made by the partnership. RMC also arranges and makes mortgage loans for its own account and for other investors, including affiliates of the general partners. There may be a conflict of interest between the partnership and RMC or other investors for whom it selects mortgage loans for investment. This could arise from the fact that RMC may be choosing among various loans that it may have originated with different interest rates and other terms and features, for placement either in the partnership's mortgage loan portfolio or with other investors.

5. *Sale Of Real Estate Owned To Affiliates*. In the event the partnership becomes the owner of any real property by reason of foreclosure on a loan, the general partners' first priority will be to arrange the sale of the property. The general partners will attempt to obtain a price that will permit the partnership to recover the full amount of its invested capital plus accrued but unpaid interest and other charges, or so much thereof as can reasonably be obtained in light of current market conditions. In order to facilitate such a sale, the general partners may, but are not required to, arrange a sale to persons or entities controlled by them, e.g., to another partnership or entity formed by one of the general partners for the express purpose of acquiring foreclosure properties from lenders such as the partnership. The general partners will be subject to conflicts of interest in arranging such sales since they will represent both parties to the transaction. For example, the partnership and the potential buyer will have conflicting interests in determining the purchase price and other terms and conditions of sale. The general partners' decision will not be subject to review by any outside parties.

The general partners have undertaken to resolve these conflicts as follows:

(a) No foreclosed property will be sold to an affiliate unless the general partners have first used their best efforts to sell the property at a fair price on the open market for at least 60 days.

(b) In the event the property will be sold to an affiliate, the net purchase price must be more favorable to the partnership than any third party offer received. The purchase price will also be (1) no lower than the independently appraised value of such property at the time of sale, and (2) no lower than the total amount of the partnership's "investment" in the property. The partnership's investment includes without limitation the following:

- the unpaid principal amount of the partnership's loan,
- unpaid interest accrued to the date of foreclosure,
- expenditures made to protect the partnership's interest in the property such as payments to senior lienholders and for insurance and taxes,
- costs of foreclosure (including attorneys' fees actually incurred to prosecute the foreclosure or to obtain relief from a stay in bankruptcy), and
- any advances made by the general partners on behalf of the partnership for any of the foregoing.

A portion of the purchase price may be paid by the affiliate executing a promissory note in favor of the partnership. Any such note will be secured by a deed of trust on the subject property. The principal amount of such a note, plus any obligations secured by senior liens, will not exceed 75% of the purchase price of the property. The terms and conditions of such a note will be comparable to those the partnership requires when selling foreclosed properties to third parties.

In December 2008, the partnership, along with two other affiliated partnership, sold its only property to an affiliate of RMC's for the property's then current market value. The market value was determined by a nationally known appraiser. See Note 6 to the Financial Statements.

(c) Neither the general partners nor any of their affiliates would receive a real estate commission in connection with such a sale.

It is the general partners' belief that these undertakings will yield a price which is fair and reasonable for all parties. However, no assurance can be given that the partnership could not obtain a better price from an unaffiliated third party purchaser.

Since the partnership does not have a board of directors and since the general partners are not considered independent of the partnership, the partnership does not have the equivalent of independent directors.

Item 14 – Principal Accountant Fees and Services

Fees for services performed for the partnership by the principal accountant for 2010 and 2009 are as follows:

Audit Fees The aggregate fees billed during the years ended December 31, 2010 and 2009 for professional services rendered for the audit of the partnership's annual financial statements included in the partnership's Annual Report on Form 10-K and review of financial statements included in the partnership's Quarterly Reports on Form 10-Q were $80,210 and $62,335, respectively.

Audit Related Fees There were no fees billed during the years ended December 31, 2010 and 2009 for audit-related services.

Tax fees The aggregate fees billed for tax services for the years ended December 31, 2010 and 2009 were $8,098 and $3,863, respectively. These fees relate to professional services rendered primarily for tax compliance.

All Other Fees There were no other fees billed during the years ended December 31, 2010 and 2009.

All audit and non-audit services are approved by the general partner prior to the accountant being engaged by the partnership.

Part IV

Item 15 – Exhibits and Financial Statement Schedules

A. Documents filed as part of this report:

1. The Financial Statements are listed in Part II, Item 8 under A-Financial Statements.

2. The Financial Statement Schedules are listed in Part II, Item 8 under B-Financial Statement Schedules.

3. Exhibits.

Exhibit No	Description of Exhibits
3.1	Limited Partnership Agreement
3.2	Form of Certificate of Limited Partnership Interest
3.3	Certificate of Limited Partnership
10.1	Escrow Agreement
10.2	Servicing Agreement
10.3	(a)Form of Note secured by Deed of Trust which provides for principal and interest payments
	(b)Form of Note secured by Deed of Trust which provides principal and interest payments and right of assumption
	(c)Form of Note secured by Deed of Trust which provides for interest only payments
	(d)Form of Note
10.4	(a)Deed of Trust and Assignment of Rents to accompany Exhibits 10.3 (a) and (c)
	(b)Deed of Trust and Assignment of Rents to accompany Exhibits 10.3 (b)
	(c)Deed of Trust to accompany Exhibit 10.3 (d)
10.5	Promissory Note for Formation Loan
10.6	Agreement to Seek a Lender
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
99.1	Selected Portions of the Prospectus, dated September 3, 1987

All of the above exhibits other than 31.1, 31.2, 32.1, 32.2 and 99.1, were previously filed as the exhibits to Registrant’s Statement on Form S-11 (Registration No. 33-12519) and incorporated by reference herein.

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, thereto duly authorized on the 30th day of March, 2011.

REDWOOD MORTGAGE INVESTORS VI

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
& Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the registrant and in the capacity indicated on the 30th day of March, 2011.

Signature	Title	Date
/S/ Michael R. Burwell Michael R. Burwell	General Partner	March 30, 2011
/S/ Michael R. Burwell Michael R. Burwell	President, Secretary & Chief Financial Officer of Gymno Corporation (Principal Financial and Accounting Officer); Director of Gymno Corporation	March 30, 2011