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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2008

OR

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

For the transition period from _____ to _____

Commission File Number: 000-17573

**REDWOOD MORTGAGE INVESTORS VI,
a California Limited Partnership**

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation
or organization)

94-3031211
(I.R.S. Employer
Identification No.)

900 Veterans Blvd., Suite 500, Redwood City, CA
(Address of principal executive offices)

94063-1743
(Zip Code)

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

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes XX No _____

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
(Do not check if a smaller reporting company)			

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

Yes _____ No XX

Part I – Item I. FINANCIAL STATEMENTS

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
BALANCE SHEETS
JUNE 30, 2008 (unaudited) AND DECEMBER 31, 2007 (audited)

ASSETS

	June 30, 2008	December 31, 2007
Cash and cash equivalents	\$ 175,046	\$ 515,852
Loans		
Loans, secured by deeds of trust	5,225,718	4,944,898
Loans, unsecured, net discount of \$79,511 and \$85,627 for June 30, 2008 and December 31, 2007, respectively	793,157	769,858
Less allowance for loan losses	(344,042)	(323,916)
Net loans	<u>5,674,833</u>	<u>5,390,840</u>
Interest and other receivables		
Accrued interest and late fees	62,261	77,320
Advances on loans	1,104	578
Receivable from affiliate	12,483	12,003
Total interest and other receivables	<u>75,848</u>	<u>89,901</u>
Real estate held, net	<u>130,215</u>	<u>130,215</u>
Total assets	<u>\$ 6,055,942</u>	<u>\$ 6,126,808</u>

LIABILITIES AND PARTNERS' CAPITAL

Liabilities		
Payable to affiliate	\$ 8,413	\$ 10,193
Total liabilities	<u>8,413</u>	<u>10,193</u>
Partners' capital		
Limited partners' capital, subject to redemption	6,037,768	6,106,854
General partners' capital	9,761	9,761
Total partners' capital	<u>6,047,529</u>	<u>6,116,615</u>
Total liabilities and partners' capital	<u>\$ 6,055,942</u>	<u>\$ 6,126,808</u>

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

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
STATEMENTS OF INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (unaudited)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2008	2007	2008	2007
Revenues				
Interest on loans	\$ 124,936	\$ 105,862	\$ 245,264	\$ 230,279
Interest-interest bearing accounts	917	11,265	3,448	15,124
Late charges, prepayment penalties and fees	1,653	3,054	3,635	5,411
Total revenues	<u>127,506</u>	<u>120,181</u>	<u>252,347</u>	<u>250,814</u>
Expenses				
Mortgage servicing fees	—	—	—	—
Asset management fees	1,906	1,954	3,822	3,917
Clerical costs through Redwood Mortgage Corp.	1,587	1,831	3,224	3,739
Provision for (recovery of) losses on loans and real estate held	8,934	(2,054)	20,126	(2,010)
Professional services	19,757	16,076	37,655	35,600
Other	6,322	6,404	7,591	17,164
Total expenses	<u>38,506</u>	<u>24,211</u>	<u>72,418</u>	<u>58,410</u>
Net income	<u>\$ 89,000</u>	<u>\$ 95,970</u>	<u>\$ 179,929</u>	<u>\$ 192,404</u>
Net income: general partners (1%)	\$ 890	\$ 960	\$ 1,799	\$ 1,924
limited partners (99%)	88,110	95,010	178,130	190,480
	<u>\$ 89,000</u>	<u>\$ 95,970</u>	<u>\$ 179,929</u>	<u>\$ 192,404</u>
Net income per \$1,000 invested by limited partners for entire period				
-where income is compounded and retained	<u>\$ 14</u>	<u>\$ 16</u>	<u>\$ 29</u>	<u>\$ 31</u>
-where partner receives income in monthly distributions	<u>\$ 14</u>	<u>\$ 15</u>	<u>\$ 29</u>	<u>\$ 30</u>

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 SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (unaudited)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Net income	\$ 179,929	\$ 192,404
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for (recovery of) loan losses and real estate	20,126	(2,010)
Early withdrawal penalties credited to income	(1,415)	(1,877)
Amortization of discount on unsecured loans	(6,116)	(6,116)
Change in operating assets and liabilities		
Loans, unsecured	(17,183)	(27,972)
Accrued interest and late fees	15,059	12,892
Advances on loan	(526)	—
Receivable from affiliate	(480)	(7,137)
Payable to affiliate	(1,780)	—
Net cash provided by operating activities	<u>187,614</u>	<u>160,184</u>
Cash flows from investing activities		
Principal collected on loans	896,794	1,846,332
Loans originated	(1,177,614)	(1,265,755)
Net cash provided by (used in) investing activities	<u>(280,820)</u>	<u>580,577</u>
Cash flows from financing activities		
Partners' withdrawals	(247,600)	(264,938)
Net increase (decrease) in cash and cash equivalents	(340,806)	475,823
Cash and cash equivalents – beginning of period	<u>515,852</u>	<u>161,114</u>
Cash and cash equivalents – end of period	<u>\$ 175,046</u>	<u>\$ 636,937</u>

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

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (unaudited)

NOTE 1 – GENERAL

In the opinion of the management of the partnership, the accompanying unaudited financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary to present fairly the financial information included therein. These financial statements should be read in conjunction with the audited financial statements included in the partnership's Form 10-K for the fiscal year ended December 31, 2007 filed with the Securities and Exchange Commission. The results of operations for the six month period ended June 30, 2008 are not necessarily indicative of the operating results to be expected for the full year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Loans secured by deeds of trust

At June 30, 2008 and December 31, 2007, the partnership had three loans, past maturity or past due 90 days or more in interest payments or principal, totaling \$488,043 and \$541,952, respectively. In addition, accrued interest, late charges and advances totaled \$18,305 and \$28,007 at June 30, 2008 and December 31, 2007, respectively. The partnership does not consider any of these loans to be impaired because there is sufficient collateral to cover the outstanding amount due to the partnership, and interest is still accruing on these loans. At June 30, 2008 and December 31, 2007, as presented in Note 6, the average loan to appraised value of security based upon appraised values and prior liens at the time the loans were consummated was 57.92% and 58.00%, respectively.

Loans unsecured, net

The partnership had unsecured loans, net of a discount, from three borrowers totaling \$793,157 and \$769,858 at June 30, 2008 and December 31, 2007, respectively. Interest is not being accrued as these loans are considered impaired; however one borrower is making monthly payments of principal and interest.

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for loan losses

The composition of the allowance for loan losses was as follows:

	June 30, 2008		December 31, 2007	
		Percent of		Percent of
		loans in		loans in
		each		each
		category		category
		to total		to total
	Amount	loans	Amount	loans
Balance at end of period				
Applicable to:				
Domestic				
Real estate – mortgage				
Single family (1-4 units)	\$ 92,700	55.01%	\$ 75,283	57.67%
Apartments	4,502	11.49%	3,942	10.63%
Commercial	17,509	33.50%	19,597	31.70%
Land	—	—	—	—
Total real estate – mortgage	\$ 114,711	100%	\$ 98,822	100%
Total unsecured loans	\$ 229,331	100%	\$ 225,094	100%
Total allowance for losses	\$ 344,042	100%	\$ 323,916	100%

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for loan losses (continued)

Activity in the allowance for loan losses is as follows for the six months ended June 30, 2008 and the year ended December 31, 2007:

	June 30, 2008	December 31, 2007
Balance at beginning of period	\$ 323,916	\$ 294,507
Charge-offs		
Domestic		
Real estate – mortgage		
Single family (1-4 units)	—	(334)
Apartments	—	—
Commercial	—	—
Land	—	—
	<u>—</u>	<u>(334)</u>
Recoveries		
Domestic		
Real estate – mortgage		
Single family (1-4 units)	—	—
Apartments	—	—
Commercial	—	—
Land	—	—
	<u>—</u>	<u>—</u>
Net charge-offs	<u>—</u>	<u>(334)</u>
Additions (recovery) charge to operations	<u>20,126</u>	<u>29,743</u>
Transfer to real estate held for sale reserve	<u>—</u>	<u>—</u>
Balance at end of period	<u>\$ 344,042</u>	<u>\$ 323,916</u>
Ratio of net charge-offs during the period to average secured loans outstanding during the period	<u>0.00%</u>	<u>0.00%</u>

Income taxes

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

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net income per \$1,000 invested

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

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Such estimates relate principally to the determination of the allowance for loan losses, including the valuation of impaired loans and the valuation of real estate held. Actual results could differ significantly from these estimates.

Reclassifications

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

Profits and losses

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

NOTE 3 – GENERAL PARTNERS AND RELATED PARTIES

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

Mortgage brokerage commissions

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

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (unaudited)

NOTE 3 – GENERAL PARTNERS AND RELATED PARTIES (continued)

Mortgage servicing fees

Monthly mortgage servicing fees of up to 1/8 of 1% (1.5% annual) of the unpaid principal are paid to Redwood Mortgage Corp., an affiliate of the general partners, based on the unpaid principal balance of the loan portfolio, or such lesser amount as is reasonable and customary in the geographic area where the property securing the mortgage is located. Once a loan is categorized as impaired, mortgage servicing fees are no longer accrued. Additional servicing fees are recorded upon the receipt of any subsequent payments on impaired loans. Redwood Mortgage Corp. waived \$24,872 in mortgage servicing fees during the first half of 2008.

Asset management fee

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). During the first half of 2008, the general partners charged the partnership one-third of the maximum allowable rate, thus foregoing \$7,644 and receiving \$3,822.

Other fees

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

Clerical costs through Redwood Mortgage Corp.

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

NOTE 4 – REAL ESTATE HELD

In 1993 the partnership, together with two other affiliates, acquired through foreclosure a parcel of land located in East Palo Alto, California. The general partners believe the current market value of this property is higher than its carrying value. As of June 30, 2008, the partnership's investment in this property was \$130,215. The property is currently listed for sale.

The following table reflects the costs of real estate acquired through foreclosure and the recorded reductions to estimated fair values, including estimated costs to sell, as of June 30, 2008 and December 31, 2007:

	June 30, 2008	December 31, 2007
Cost of property	\$ 130,215	\$ 130,215
Reduction in value	<u>—</u>	<u>—</u>
Real estate held, net	<u>\$ 130,215</u>	<u>\$ 130,215</u>

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (unaudited)

NOTE 5 – FAIR VALUE

On January 1, 2008, the Partnership adopted Statement of Financial Accounting Standards No. 157, “*Fair Value Measurements*” (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements for fair value measurements. The Partnership deferred the application of SFAS 157 for nonfinancial assets and nonfinancial liabilities as provided for by FASB Staff Position (FSP) FAS 157-2, “*Effective Date of FASB Statement No. 157*.” FSP FAS 157-2 defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for nonfinancial assets and nonfinancial liabilities, except items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually).

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The partnership determines the fair values of its financial assets and financial liabilities based on the fair value hierarchy established in SFAS 157. 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.

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

- (a) Cash and cash equivalents – The carrying amount equals fair value. All amounts, including interest bearing, are subject to immediate withdrawal.
- (b) Secured loans (Level 2). The fair value of these loans of \$5,262,084 and \$4,899,012, respectively, was estimated based upon projected cash flows discounted at the estimated current interest rates at which similar loans would be made. The applicable amount of the allowance for loan losses along with accrued interest and advances related thereto should also be considered in evaluating the fair value versus the carrying value. For loans in which a specific allowance is established based on the fair value off the collateral, the Partnership records the loan as nonrecurring Level 2 if the fair value of the collateral is based on an observable market price or a current appraised value. If an appraised value is not available or the fair value of the collateral is considered impaired below the appraised value and there is no observable market price, the Partnership records the loan as nonrecurring Level 3.
- (c) Unsecured loans (Level 3). Unsecured loans are valued at their principal less any discount or loss reserves management establishes after taking into account the borrower's creditworthiness and their ability to repay the loan.

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (unaudited)

NOTE 6 – ASSET CONCENTRATIONS AND CHARACTERISTICS

At June 30, 2008 and December 31, 2007, the loans secured by recorded deeds of trust had the following characteristics:

	June 30, 2008	December 31, 2007
Number of secured loans outstanding	25	24
Total secured loans outstanding	\$ 5,225,718	\$ 4,944,898
Average secured loan outstanding	\$ 209,029	\$ 206,037
Average secured loan as percent of total secured loans	4.00%	4.17%
Average secured loan as percent of partners' capital	3.46%	3.37%
Largest secured loan outstanding	\$ 400,000	\$ 400,000
Largest secured loan as percent of total secured loans	7.65%	8.09%
Largest secured loan as percent of partners' capital	6.61%	6.54%
Largest secured loan as percent of total assets	6.61%	6.53%
Number of counties where security is located (all California)	15	14
Largest percentage of secured loans in one county	21.06%	22.26%
Number of secured loans in foreclosure status	1	—
Amounts of secured loans in foreclosure	\$ 319,500	\$ —

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

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (unaudited)

NOTE 6 – ASSET CONCENTRATIONS AND CHARACTERISTICS (continued)

The following categories of secured loans were held at June 30, 2008 and December 31, 2007:

	June 30, 2008	December 31, 2007
First trust deeds	\$ 3,050,848	\$ 2,764,524
Second trust deeds	1,974,870	1,980,374
Third trust deeds	<u>200,000</u>	<u>200,000</u>
Total loans	5,225,718	4,944,898
Prior liens due other lenders at time of loan	<u>5,715,592</u>	<u>5,715,592</u>
Total debt	<u>\$ 10,941,310</u>	<u>\$ 10,660,490</u>
Appraised property value at time of loan	<u>\$ 18,890,831</u>	<u>\$ 18,380,414</u>
Total loans as percent of appraisals based on appraised values and prior liens at time loan was consummated	<u>57.92%</u>	<u>58.00%</u>
Loans by type of property		
Single family (1-4 units)	\$ 2,874,545	\$ 2,851,528
Apartments	600,313	525,625
Commercial	<u>1,750,860</u>	<u>1,567,745</u>
	<u>\$ 5,225,718</u>	<u>\$ 4,944,898</u>

Scheduled maturity dates of secured loans as of June 30, 2008 are as follows:

Year ending December 31,	Amount
2008	\$ —
2009	1,250,860
2010	995,136
2011	1,801,621
2012	858,601
Thereafter	<u>319,500</u>
	<u>\$ 5,225,718</u>

No loans were past maturity at June 30, 2008.

REDWOOD MORTGAGE INVESTORS VI
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (unaudited)

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Workout agreements

From time to time, the partnership negotiates various contractual workout agreements with borrowers. Under the terms of these workout agreements the partnership is not obligated to make any additional monetary advances for the maintenance or repair of the collateral securing the loans. As of June 30, 2008 and December 31, 2007, there were one and three loans, respectively, in workout agreements.

Legal proceedings

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

Part I – Item 2.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OF THE PARTNERSHIP

Critical Accounting Policies.

In preparing the financial statements, management is required to make estimates based on the information available that affect the reported amounts of assets and liabilities as of the balance sheet dates and revenues and expenses for the reporting periods. Such estimates relate principally to the determination of (1) the allowance for loan losses (i.e. the amount of allowance established against loans receivable as an estimate of potential loan losses) including the accrued interest and advances that are estimated to be unrecoverable based on estimates of amounts to be collected plus estimates of the value of the property as collateral and (2) the valuation of real estate held. At June 30, 2008, there was one real estate property held, acquired through foreclosure in a prior year.

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

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

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

Recent trends in the economy have been taken into consideration in the aforementioned process of arriving at the allowance for loan losses. Actual results could vary from the aforementioned provisions for losses.

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

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

Forward-Looking Statements.

Certain statements in this Report on Form 10-Q which are not historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities 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, 2008 annualized yield estimates, the intention not to sell the partnership's loan portfolio and the expectation foreclosures will not have a material effect on liquidity. Actual results may be materially different from what is projected by such forward-looking statements. Factors that might cause such a difference include unexpected changes in economic conditions and interest rates, the impact of competition and competitive pricing and downturns in the real estate markets in which the partnership has made loans. All forward-looking statements and reasons why results may differ included in this Form 10-Q are made as of the date hereof, and we assume no obligation to update any such forward-looking statement or reason why actual results may differ.

Related Parties.

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

- ***Mortgage Brokerage Commissions*** For fees in connection with the review, selection, evaluation, negotiation and extension of loans, Redwood Mortgage Corp. may collect an amount equivalent to 12% of the loaned amount until 6 months after the termination date of the offering. Thereafter, the loan brokerage commissions (points) will be limited to an amount not to exceed 4% of the total partnership assets per year. The loan brokerage commissions are paid by the borrowers, and thus, are not an expense of the partnership. Loan brokerage commissions paid by the borrowers were \$18,500 and \$35,339 for the three month periods and \$21,000 and \$35,339 for the six month periods ended June 30, 2008 and 2007, respectively.
- ***Mortgage Servicing Fees*** 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 are paid to Redwood Mortgage Corp. or such lesser amount as is reasonable and customary in the geographic area where the property securing the mortgage is located. Redwood Mortgage Corp. waived the entire loan servicing fees, totaling \$12,388 and \$10,551 for the three month periods; and \$24,872 and \$23,518 for the six month periods, all ended June 30, 2008 and 2007, respectively.

- **Asset Management Fees** The general partners receive monthly fees for managing the partnership's portfolio and operations of up to 1/32 of 1% of the 'net asset value' (3/8 of 1% on an annual basis). The general partners have historically not charged the maximum allowable rate. The table below summarizes the results for the three and six month periods ended June 30, 2008 and 2007.

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Maximum chargeable	\$ 5,718	\$ 5,862	\$ 11,466	\$ 11,751
Waived	(3,812)	(3,908)	(7,644)	(7,834)
Net charged	<u>\$ 1,906</u>	<u>\$ 1,954</u>	<u>\$ 3,822</u>	<u>\$ 3,917</u>

- **Other Fees** The partnership agreement provides the general partners may receive other fees such as processing and escrow, reconveyance, mortgage assumption and mortgage extension fees. Such fees are incurred by the borrowers and are paid to the general partners. Such fees aggregated \$1,075 and \$2,522 for the three month periods and \$1,530 and \$2,707 for the six month periods, all ended June 30, 2008 and 2007, respectively.
- **Income and Losses** All income and losses are credited or charged to partners in relation to their respective partnership interests. The allocation to the general partners (combined) is a total of 1%, which was \$890 and \$960 for the three month periods and \$1,799 and \$1,924 for the six month periods, all ended June 30, 2008 and 2007, respectively.
- **Clerical Costs through Redwood Mortgage Corp.** An affiliate of the partnership, Redwood Mortgage Corp. is reimbursed by the partnership for all operating expenses actually incurred by it on behalf of the partnership, including without limitation, out-of-pocket general and administration expenses of the partnership, accounting and audit fees, legal fees and expenses, postage and preparation of reports to limited partners. Such reimbursement was \$1,587 and \$1,831 for the three month periods and \$3,224 and \$3,739 for the six month periods, all ended June 30, 2008 and 2007, respectively.
- **Contributed Capital** The general partners jointly and severally contribute 1/10 of 1% in cash contributions as proceeds from the offerings are received from the limited partners. As of each June 30, 2008 and 2007, a general partner, Gymno Corporation, had contributed \$9,761 as capital in accordance with the partnership agreement.

Results of Operations.

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

	Changes during the three months ended June 30, 2008 versus 2007		Changes during the six months ended June 30, 2008 versus 2007	
	Dollars	Percent	Dollars	Percent
Revenue				
Interest on loans	\$ 19,074	18.02 %	\$ 14,985	6.51 %
Interest-interest bearing accounts	(10,348)	(91.86)	(11,676)	(77.20)
Late fees, prepayment penalties and fees	(1,401)	(45.87)	(1,776)	(32.82)
Total revenues	<u>7,325</u>	<u>6.09</u>	<u>1,533</u>	<u>0.61</u>
Expenses				
Mortgage servicing fees	—	—	—	—
Asset management fees	(48)	(2.46)	(95)	(2.43)
Clerical costs through Redwood Mortgage Corp.	(244)	(13.33)	(515)	(13.77)
Provision for,(recovery of) losses on loans and real estate	10,988	(534.96)	22,136	(1,101.29)
Professional services	3,681	22.90	2,055	5.77
Other	(82)	(1.28)	(9,573)	(55.77)
Total expenses	<u>14,295</u>	<u>59.04</u>	<u>14,008</u>	<u>23.98</u>
Net income	<u>\$ (6,970)</u>	<u>(7.26) %</u>	<u>\$ (12,475)</u>	<u>(6.48) %</u>

The increases in interest on loans for the three month and six month periods ended June 30, 2008 as compared to the same periods in 2007 were due to increases in the average loan portfolio balance and the effective weighted average interest rate. For the three month period of 2008, these numbers were \$5,151,432 and 9.70% compared to \$4,385,787 and 9.66% for 2007. For the six month period of 2008, these numbers were \$5,067,370 and 9.68% compared to \$4,786,306 and 9.62% for 2007. Each three month period includes \$3,058 in income gained through amortization of discount on unsecured notes and the six month periods include \$6,116 of discount earned. After adjusting for the discount, the effective weighted average interest rates for the three month periods were 9.46% for 2008 and 9.38% for 2007, and for the six month periods the adjusted interest rates were 9.44% for 2008 and 9.37% for 2007.

The decrease in interest from interest-bearing accounts for the three month period ended June 30, 2008 as compared to 2007 was due to a lower average balance of deposits in the interest-bearing accounts and a lower average rate of interest earned. The partnership maintained an average balance of \$261,389 in 2008 as compared to \$1,143,090 in 2007. The average interest rate earned on the deposits was approximately 1.40% for 2008 and 3.94% in 2007. The six month decrease was due to the same two factors. The average balance of deposits for 2008 was \$382,052 and earned an average interest rate of 1.80%, compared to \$845,887 and 3.58% for 2007.

The decrease in late fees, prepayments penalties and fees for the three and six month periods ended June 30, 2008 as compared to the same periods in 2007 was due to a decrease in late fee income.

The increase in the provision for losses on loans and real estate for the three and six month periods ended June 30, 2008 as compared to the same periods in 2007 was due to management's decision to increase the allowances for losses for loans and real estate due to increased loan portfolio size. At June 30, 2008 the loan portfolio was \$5,225,718 compared to \$4,913,251 at June 30, 2007. Management's decision was also based upon general weakness of the U.S. economy of late, and in particular, the declines in the real estate market related to property values and available liquidity.

The increase in professional services for the three and six month periods ended June 30, 2008 as compared to the same period in 2007, was due to general increases in professional costs for legal services, audits and tax return processing.

The decrease in other expenses for the six month period ended June 30, 2008 as compared to 2007 was due to incurring \$9,676 of legal fees in 2007 on real estate property held.

Partnership capital decreased from \$6,116,615 at December 31, 2007 to \$6,047,529 at June 30, 2008. The decrease is attributable to continued earnings and capital liquidations. The partnership capital declined \$149,231 in 2007 and is anticipated to decrease at a similar rate in 2008.

The partnership began funding loans in October 1987. The aggregate principal balance of the partnership's secured loans outstanding as of June 30, 2008 and December 31, 2007 were \$5,225,718 and \$4,944,898, respectively. The partnership anticipates new loan investments meeting its loan guidelines will be funded during the remainder of 2008 as cashflow is available for new loan investments.

The partnership's delinquencies are within the normal historical range of the general partners' expectations, based upon their experience in managing similar partnerships over the last twenty-eight years. Foreclosures are a normal aspect of partnership operations and the general partners anticipate they will not have a material effect on liquidity. As of June 30, 2008, there was one loan totaling \$319,500 with a filed notice of default. As of June 30, 2008 and 2007, the partnership's real estate held account balance was \$130,215.

Cash is continually being generated from interest earnings, late charges, prepayment penalties, amortization of principal, proceeds from sale of real estate held and loan pay-offs. Typically, this amount exceeds partnership expenses and earnings and partner liquidation requirements. As loan opportunities become available, excess cash and available funds are invested in new loans.

Allowance for Losses.

The general partners periodically review the loan portfolio, examining the status of delinquencies, the underlying collateral securing these loans, real estate held for sale expenses, sales activities, borrower's payment records and other data relating to the loan portfolio. Data on the local real estate market and on the national and local economy are studied. Based upon this and other information, the allowance for loan losses is increased or decreased. Borrower foreclosures are a normal aspect of Partnership operations. The partnership is not a credit based lender and hence while it reviews the credit history and income of borrowers, and if applicable, the income from income producing properties, the general partners expect we will on occasion take back real estate security. At June 30, 2008, the partnership had no loans past maturity, three loans were 90 days or more delinquent in interest payments and three unsecured loans were considered to be impaired. The partnership occasionally enters into workout agreements with borrowers who are past maturity or delinquent in their regular payments. The partnership had one workout agreement as of June 30, 2008. 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. These workout agreements and foreclosures generally exist within our loan portfolio to varying degrees, depending primarily on the health of the economy. The number of foreclosures and workout agreements will generally rise during difficult times and conversely fall during good economic times. Workout agreements have been considered when management arrived at an appropriate allowance for loan losses and based on our experience, are reflective of our loan marketplace segment. Due to the number of variables involved, the magnitude of possible swings and the general partners' inability to control many of these factors, actual results may and do sometimes differ materially from estimates made by the general partners.

As of each of June 30, 2008 and 2007, the partnership's real estate held balance was \$130,215. The partnership has not taken back any collateral security from borrowers in 2007 or during the six months ended June 30, 2008. The partnership's real estate held inventory consists of one property. This property is an undeveloped piece of land, located in East Palo Alto, California. The partnership has held its interest in this land since April, 1993. The land is owned with two other affiliated partnerships. This property was previously under contract for sale, but the contract was terminated by the potential buyer in July, 2007. The property is currently listed for sale.

Management made provisions of \$8,934 and \$20,126 to the loan loss reserve during the three and six month periods ended June 30, 2008 respectively, as compared to recoveries of \$2,054 and \$2,010 during the same three and six month periods in 2007, respectively. The allowance for loan loss reserve of \$344,042 and \$323,916 as of June 30, 2008 and December 31, 2007, respectively, is considered to be adequate for the loan portfolio balances of \$6,018,875 and \$5,714,756, respectively.

PORTFOLIO REVIEW

Loan Portfolio

The partnership's loan portfolio consists primarily of short-term (one to five years), fixed rate loans secured by real estate. As of June 30, 2008 and 2007, the partnership's secured loans in the nine San Francisco Bay Area counties (San Mateo, Santa Clara, Alameda, San Francisco, Napa, Solano, Sonoma, Marin and Contra Costa) represented \$2,834,883 (54%) and \$2,773,888 (56%), respectively, of the outstanding secured loan portfolio. The remainder of the portfolio represented loans secured by real estate located primarily in other counties of Northern California.

As of June 30, 2008 and 2007, the partnership held 25 and 24 loans, respectively, in the following categories:

	June 30,			
	2008		2007	
Single family homes(1-4 units)	\$2,874,545	55.01%	\$3,125,296	63.61%
Apartments (5+ units)	600,313	11.49%	342,500	6.97%
Commercial	1,750,860	33.50%	1,445,455	29.42%
Total	<u>\$5,225,718</u>	<u>100.00%</u>	<u>\$4,913,251</u>	<u>100.00%</u>

The following table sets forth the priorities, asset concentrations and maturities of the loans held by the partnership as of June 30, 2008:

	<u># of Loans</u>	<u>Amount</u>	<u>Percent</u>
First trust deeds	13	\$3,050,848	58.38%
Second trust deeds	11	1,974,870	37.79%
Third trust deeds	1	200,000	3.83%
Total	<u>25</u>	<u>\$5,225,718</u>	<u>100.00%</u>
Maturing prior to 12/31/08	—	—	—
Maturing during 2009	5	1,250,860	23.94%
Maturing during 2010	4	995,136	19.04%
Maturing after 12/31/10	16	2,979,722	57.02%
Total	<u>25</u>	<u>\$5,225,718</u>	<u>100.00%</u>
Average Loan		\$ 209,029	4.00%
Largest Loan		400,000	7.65%
Smallest Loan		63,727	1.22%
Average Loan-to-Value, based upon appraisals and senior liens at date of inception of loan			57.92%

The partnership's largest loan in the principal amount of \$400,000 represents 7.65% of outstanding secured loans and 6.61% of partnership assets. At times, a specific loan may increase above 10% of the secured loan portfolio or partnership assets as the loan portfolio and assets of the partnership decrease due to loan payoffs and/or limited partner withdrawals.

Liquidity and Capital Resources.

The partnership relies upon loan payoffs and borrowers' mortgage payments for the source of funds for loans. Recently, mortgage interest rates have decreased somewhat from those available at the inception of the partnership. If interest rates were to increase substantially, the yield of the partnership's loans may provide lower yields than other comparable debt-related investments. Additionally, since the partnership has made primarily fixed rate loans, if interest rates were to rise, the likely result would be a slower prepayment rate for the partnership. This could cause a lower degree of liquidity as well as a slowdown in the ability of the partnership to invest in loans at the then current interest rates. Conversely, in the event interest rates were to decline, the partnership could experience significant borrower prepayments, which, if the partnership can only obtain the then existing lower rates of interest may cause a dilution of the partnership's yield on loans, thereby lowering the partnership's overall yield to the limited partners. Cash is constantly being generated from borrower interest payments, late charges, amortization of loan principal and loan payoffs. Currently, cash flow exceeds partnership expenses, earnings and limited partner capital payout requirements. Excess cash flow will be invested in new loan opportunities, when available, and in other partnership business.

At the time of subscription to the partnership, limited partners made a decision to either take distributions of earnings monthly, quarterly or annually or to compound earnings in their capital account. The table below summarizes these allocation elections. As of June 30, 2008 and 2007, limited partners electing to withdraw earnings represented 40% and 39%, respectively, of the limited partners' outstanding capital accounts.

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Distributing	\$ 35,318	\$ 37,212	\$ 70,423	\$ 75,136
Compounding	\$ 52,792	\$ 57,798	\$ 107,707	\$ 115,344

The partnership also allows the limited partners to withdraw their capital account (see table below) subject to certain limitations and penalties (see "Withdrawal From Partnership" in the Limited Partnership Agreement). These withdrawals are within the normally anticipated range the general partners would expect in their experience in this and other partnerships. The general partners expect a small percentage of limited partners will elect to liquidate their capital accounts over one year with a 10% and/or 8% early withdrawal penalty. In originally conceiving the partnership, the general partners wanted to provide limited partners needing their capital returned a degree of liquidity. Generally, limited partners electing to withdraw over one year need to liquidate investments to raise cash. The demand the partnership is experiencing in withdrawals by limited partners electing a one year liquidation program represents a small percentage of limited partner capital as of June 30, 2008 and 2007, and is expected by the general partners to commonly occur at these levels.

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Capital liquidations-without penalty	\$ 83,484	\$ 88,345	\$ 159,101	\$ 165,156
Capital liquidations-subject to penalty	\$ 6,804	\$ 13,576	\$ 17,692	\$ 24,599

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 that 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 partnership 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 partnership’s Units and none is likely to develop. Thus, there is no certainty that 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.

Current Economic Conditions.

The partnership makes mortgage loans in California where the bulk of its lending is concentrated in the San Francisco Bay Area and outlying communities. The economic health of California and the San Francisco Bay Area play a significant role in the performance of the real estate industry and property values in general, which provide the underlying collateral for our loans. California’s economic vitality is driven by numerous, diverse industries, including tourism, finance, entertainment, shipping, technology, agriculture and government.

The United States Gross Domestic Product (GDP) continued in positive territory during the second quarter of 2008 rising at an estimated 1.9 percent rate. Many had raised fears that the numerous factors currently affecting the economy, including a weak housing market, credit crunch, rising unemployment, increased inflation and bank mortgage debt write-downs would weigh heavily enough upon growth to further slow or push the economy into negative growth. The United States economy has proven to be resilient to the numerous factors weighing upon it and rose above the 0.9 percent increase in GDP for the first quarter of 2008.

Inflation as measured by the Consumer Price Index (CPI) accelerated rapidly in the second quarter of 2008. Consumer prices advanced at a seasonally adjusted annualized rate of 7.9 percent in the second quarter after increasing at a 3.1 percent rate in the first three month of 2008. This brings the year-to-date annual rate to 5.5 percent and compares with an increase of 4.1 percent in all of 2007. The outlook for continued strong inflation may change with the recent strong reduction in oil and other commodity prices during July and early August of 2008. The price of a barrel of oil fell from its July highs of approximately \$145 per barrel to less than \$118 per barrel in early August 2008. The cost of energy has been a leading contributor to advances in the CPI.

Unemployment, a factor in borrowers’ ability to service their indebtedness, increased during the second quarter of 2008. Both the United States and the California unemployment rates increased to 5.5 percent and 6.9 percent, respectively. These unemployment rates evidence the steady increase in unemployment particularly when compared to the unemployment rates existing in June of 2007 of 4.6 percent and 5.3 percent for the United States and California, respectively.

The Federal Reserve, after having left the Federal Funds Rate unchanged at 5.25 percent for more than two years, began to react to the slowing economy, rising unemployment, and turmoil created by contractions in the credit market. The Fed's initial goals were to stimulate the economy while keeping inflation in check and create jobs. Later their efforts expanded to include increasing liquidity in the financial system. In September of 2007, the Federal Funds Rate was 5.25 percent when the Federal Reserve began to lower the rate. The present Federal Funds Rate of 2.00 percent has been left unchanged during its last two sessions. Like the Federal Funds Rate, banks have lowered their Prime Rate to 5.00 percent from its most recent high of 8.25 percent. Short-term Treasury yields have also fallen, but longer term yields represented by the 10 year treasury bonds have not decreased as dramatically. As of July 28, 2008 the 10 year treasury yield was 4.09 percent and has remained near the 4.00 percent range through much of the 2008 second quarter. Mortgage interest rates have not been significantly affected by the Federal Reserve's actions but are lower than one year ago. Freddie Mac reports that during the week ending July 17, 2008 the 30-year fixed-rate mortgage averaged 6.26 percent with an average 0.6 point fee. One year ago, the 30-year fixed-rate mortgage average 6.73 percent with a 0.4 point fee. The current 30-year mortgage rate is slightly higher than the rates that existed during the Spring of 2008 when comparable mortgage rates were in the high 5.00 percent range.

On a national and local level, both residential sales volumes and median home prices have declined from their highs in 2005 and 2006. Dataquick reported that sales of new, resale and condominiums increased 6.6 percent from May 2008 to June 2008, but on a comparative basis between June of 2007 and 2008 they declined 8.1 percent to a total sales volume of 35,024 units. The California Association of Realtors (CAR) reported the median price of an existing, single-family detached home in California decreased 37.7 percent to \$368,250 in June of 2008 when compared to June 2007. The significant decline in the median price is largely due to a dramatic shift in the sales mix since the onset of the credit crunch and the increase in the share of distressed sales. A year ago, the under \$500,000 price range accounted for 40 percent of sales, the middle segment made up about 45 percent, and the over \$1,000,000 segment captured 15 percent of the market. As of June 2008, the shares had shifted to 67 percent, 24 percent and 9 percent, respectively. CAR's unsold Inventory Index for existing, single-family detached homes in June 2008 was 7.7 months compared with 10.2 months for June of 2007. This falling index, which indicates the months needed to deplete the market supply of homes at the current sales rate, is a good omen indicating the market may be moving toward balance with normal amounts of inventory available for real estate buyers to select from.

Loan delinquencies and foreclosures on residential real estate have been rising. Mortgage servicers recorded 121,341 "notices of default" during the April-through-June period. That was up 6.6 percent from a revised 113,809 for this year's first quarter, and up 124.9 percent from 53,943 in second-quarter 2007, according to DataQuick Information Systems.

The partnership's loans outstanding as of June 30, 2008 carried an average loan-to-value ratio of 57.92% based on appraised value and senior liens as of the date the loan was made. In the current environment, borrowers owning residential properties may find it difficult to refinance or sell their properties should they encounter difficulty in making their mortgage payments. In these circumstances, the lender will have to decide whether to work with the borrowers to assist them through a period of financial difficulty or proceed with remedies incorporated into the loan documents, often resulting in a foreclosure of the property. Slow and longer sales periods and often lower property values, coupled with a general lack of financing alternatives and tough underwriting standards have forced many borrowers and lenders to make difficult choices. The partnership's average loan to value ratio may help provide sufficient equity to recoup individual outstanding loan balances in connection with foreclosure of properties which may increase during the remainder of 2008.

Commercial and multifamily real estate have continued to fare well in 2008. Rents have continued to rise but vacancies have begun to increase. NAIBT Commercial reported the San Francisco Bay Area office market posted a moderate increase in vacancies in the second quarter of 2008. The Bay Area office market saw an increase in vacancies, from 11.0 percent at the close of 2007 to 12.8 percent. Average asking rental rates though now leveling pushed slightly further above the \$3.00 mark to \$3.09 per square foot for full service during the second quarter of 2008. A stable commercial and apartment rental market helps keep values stable, a benefit to the partnership. Stable rents and stable property values provide support for the partnership's expectation that loans secured by these properties will continue to perform.

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

The following table contains information about the cash held in money market accounts, and loans held in the partnership's portfolio. The presentation, for each category of information, aggregates the assets and liabilities by their maturity dates for maturities occurring in each of the years 2008 through 2012 and separately aggregates the information for all maturities arising after 2012. The carrying values of these assets and liabilities approximate their fair market values as of June 30, 2008:

	2008	2009	2010	2011	2012	Thereafter	Total
Interest earning assets:							
Money market accounts	\$ 15,773						\$ 15,773
Average interest rate	0.87%						0.87%
Unsecured loans				\$ 793,157			\$ 793,157
Average interest rate				0.00%			0.00%
Loans secured by deeds of trust		\$1,250,860	995,136	1,801,621	858,601	319,500	\$5,225,718
Average interest rate		9.74%	9.50%	9.42%	9.34%	9.63%	9.51%

Market Risk.

The partnership's primary market risk in terms of its profitability is the exposure to fluctuations in general interest rates. The majority of the partnership's mortgage loans earn interest at fixed rates. Changes in interest rates may also affect the value of the partnership's investment in mortgage loans and the rates the partnership reinvests funds obtained from loan repayments and new capital contributions from limited partners. If interest rates increase, the interest rates the partnership obtains from reinvested funds will generally increase, but the value of the partnership's existing loans at fixed rates will generally tend to decrease. The risk is mitigated as the partnership does not intend to sell its loan portfolio, rather such loans are held until they are paid off. If interest rates decrease, the amounts becoming available to the partnership for investment due to repayment of partnership loans may be reinvested at lower rates than the partnership had been able to obtain in prior investments, or than the rates on the repaid loans. In addition, interest rate decreases may encourage borrowers to refinance their loans with the partnership at a time where the partnership is unable to reinvest in loans of comparable value. The partnership does not hedge or otherwise seek to manage interest rate risk. The partnership does not enter into risk sensitive instruments for trading purposes.

Asset Quality

A consequence of lending activities is occasionally losses will be experienced and the amount of such losses will vary from time to time, depending upon the risk characteristics of the loan portfolio as affected by economic conditions and the financial experiences of borrowers. Many of these factors are beyond the control of the general partners. There is no precise method of predicting specific losses or amounts that ultimately may be charged off on particular segments of the loan portfolio, especially in light of the current economic environment.

The conclusion a loan may become uncollectible, in whole or in part, is a matter of judgment. Although institutional lenders are subject to requirements and regulations that, among other things, require them to perform ongoing analyses of their portfolios, loan-to-value ratios, reserves, etc., and to obtain and maintain current information regarding their borrowers and the securing properties, the partnership is not subject to these regulations and has not adopted certain of these practices. Rather, the general partners, in connection with the periodic closing of the accounting records of the partnership and the preparation of the financial statements, determine whether the allowance for loan losses is adequate to cover potential loan losses of the partnership. As of June 30, 2008 the general partners have determined the allowance for loan losses and real estate owned of \$344,042 (5.69% of partners' capital) is adequate in amount. Because of the number of variables involved, the magnitude of the swings possible and the general partners' inability to control many of these factors, actual results may and do sometimes differ significantly from estimates made by the general partners. As of June 30, 2008, one loan was past maturity or in foreclosure. Three loans totaling \$488,043 were 90 days or more delinquent in interest payments.

The partnership owns (through previous foreclosure) one property; an undeveloped property located in East Palo Alto, California. The land is owned with two other affiliated partnerships. The partnership's net investment in the land at June 30, 2008 was \$130,215, or 2.15% of partnership assets. This property is currently listed for sale.

Part I – Item 4. CONTROLS AND PROCEDURES

As of June 30, 2008, 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 pursuant to Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the general partners concluded as of the end of the period covered by this report, the partnership's disclosure controls and procedures are effective in timely accumulating and alerting the general partners to material information needed to allow timely decisions regarding disclosures required to be included in our periodic filings with the Securities and Exchange Commission.

There were no significant changes in the partnership's internal control over financial reporting during the three months ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, the partnership's internal control over financial reporting.

Part II – OTHER INFORMATION

Item 1. **Legal Proceedings**

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

Item 1A. **Risk Factors**

Not Applicable

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

Not Applicable.

Item 3. **Defaults upon Senior Securities**

Not Applicable.

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

Not Applicable.

Item 5. **Other Information**

Not Applicable.

Item 6. **Exhibits**

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

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized on the 14th day of August, 2008.

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/Treasurer & Chief Financial Officer

GENERAL PARTNER CERTIFICATION

I, Michael R. Burwell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Redwood Mortgage Investors VI, a California Limited Partnership (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)) for the Registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's forth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Michael R. Burwell

Michael R. Burwell, General Partner
August 14, 2008

PRESIDENT AND CHIEF FINANCIAL OFFICER CERTIFICATION

I, Michael R. Burwell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Redwood Mortgage Investors VI, a California Limited Partnership (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)) for the Registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s forth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

/s/ Michael R. Burwell

Michael R. Burwell, President, Secretary/Treasurer and
 Chief Financial Officer, of Gymno
 Corporation, General Partner
 August 14, 2008

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

In connection with the Quarterly Report of Redwood Mortgage Investors VI (the "Partnership") on Form 10-Q for the period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Michael R. Burwell, General Partner of the partnership, certify, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the partnership at the dates and for the periods indicated.

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

/s/ Michael R. Burwell

Michael R. Burwell, General Partner
August 14, 2008

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

In connection with the Quarterly Report of Redwood Mortgage Investors VI (the "Partnership") on Form 10-Q for the period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Michael R. Burwell, President, Secretary/Treasurer & Chief Financial Officer of Gymno Corporation, General Partner of the partnership, certify, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the partnership at the dates and for the periods indicated.

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

/s/ Michael R. Burwell

Michael R. Burwell, President,
Secretary/Treasurer & Chief Financial
Officer of Gymno Corporation, General Partner
August 14, 2008