REDWOOD MORTGAGE INVESTORS VI,
a California Limited Partnership

2015 Financial Statements

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2015 Financial Statements

CONTENTS

	Page No.
Balance Sheet	1
Statement of Changes in Partners' Capital	1
Statement of Income	2
Statement of Cash Receipts and Disbursements	2
Notes to Financial Statements	3 – 17

REDWOOD MORTGAGE INVESTORS VI,
a California Limited Partnership
December 31, 2015

Balance Sheet

Assets

Cash in banks	$ 1,105,884
Loans, net	2,548,298
Total assets	$ 3,654,182

Liabilities and Partners' Capital

Liabilities - payable to affiliate	$ 10,029
Partners' capital	3,644,153
Total liabilities and partners' capital	$ 3,654,182

Statement of Changes in Partners' Capital

	Limited Partners	General Partners	Total
Balances at December 31, 2014	$ 4,086,870	$ 17,750	$ 4,104,620
Net income	67,493	682	68,175
Early withdrawal penalties	(11,174)	—	(11,174)
Withdrawals	(517,468)	—	(517,468)
Balances at December 31, 2015	$ 3,625,721	$ 18,432	$ 3,644,153

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

REDWOOD MORTGAGE INVESTORS VI,
a California Limited Partnership
For the Year Ended December 31, 2015

Statement of Income

Revenues		
Interest on loans	$	260,109
Late fees		1,039
Early withdrawal penalties		11,174
Total revenues		272,322
Provision for (recovery of) loan losses		97,064
Operating expenses		
Mortgage servicing fees		44,826
Asset management fees		14,295
Costs from Redwood Mortgage Corp.		29,167
Professional services		8,656
REO		
Holding Costs		3,937
(Gain)/Loss on Sale of REO		3,743
Other		2,459
Total operating expenses		107,083
Net income	$	68,175

Statement of Cash Receipts and Disbursements

Receipts		
Loan principal and interest	$	1,883,107
REO sales		232,718
Total receipts		2,115,825
Disbursements		
Loans and advances made		1,495,696
Operating expenses		151,268
Distributions/ liquidations		517,468
Total disbursements		2,164,432
Net increase/(decrease) in cash	$	(48,607)
Cash, beginning of period	$	1,154,491
Cash, end of period	$	1,105,884

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

Notes to Financial Statements

Note 1 – Organization and General

Redwood Mortgage Investors VI (RMI VI), is a California Limited Partnership formed in 1987 to engage in business as a mortgage lender and investor by making and holding-for-investment loans secured by California real estate, primarily first and second deeds of trust.

The partnership is externally managed. Redwood Mortgage Corp. (or RMC) and Michael R. Burwell (Burwell), an individual are the general partners of the partnership. Gymno LLC was a general partner prior to its merger into RMC effective June 30, 2015. The mortgage loans the partnership funds and/or invests in are arranged and generally are serviced by RMC.

The general partners are solely responsible for managing the business and affairs of the partnership, 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.

The rights, duties and powers of the general and limited partners of the partnership are governed by the limited partnership agreement dated August 27, 1987 and Sections 15900 et seq. of the California Corporations Code. Limited partners should refer to the company's limited partnership agreement for complete disclosure of its provisions.

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 all the 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 after 1% of the profits and losses are allocated to the general partners. 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.

The ongoing sources of funds for loans are the proceeds from (1) loan payoffs, (2) borrowers' monthly principal and interest payments, and (3) earnings not distributed to limited partners. Cash generated from loan payoffs and borrower payments of principal and interest is used for operating expenses, income distributions to partners' and redemptions. The cash flow, if any, in excess of these uses is re-invested in new loans.

Election to receive monthly, quarterly or annual distributions

At the time of their subscription, partners elect to have distributed to them their monthly, quarterly or annual allocation of profits, or to have profits allocated to their capital accounts to compound. Subject to certain limitations, partners electing compounding (i.e. to not take earnings distributions) may subsequently change their election. A partner's election to have cash distributions is irrevocable.

Liquidity, capital withdrawals and early withdrawals

There are substantial restrictions on transferability of partnership interests.

Once a limited partner has been in the partnership for the minimum five-year period, no penalty is imposed if withdrawal is made in twenty quarterly installments or longer.

Notes to Financial Statements

Note 1 – Organization and General (continued)

Liquidity, capital withdrawals and early withdrawals (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. No more than 20% of the total limited partners' capital accounts outstanding at the beginning of the year may be liquidated during a calendar year.

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 loan combined with the outstanding debt, if any, secured by a senior deed of trust on the real property, plus any claims senior to the loan, generally will not exceed a specified percentage of the appraised value of the property (the loan to value ratio or LTV). The appraised value is determined by an independent written appraisal at the time the loan is made, confirmed by the experience and market knowledge of the general partners. The loan-to-value ratio generally will not exceed 80% for residential properties (including multi-family), 70% for commercial properties, and 50% for land.

Termination

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

Note 2 – Summary of Significant Accounting Policies

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions about the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Such estimates relate principally to the determination of the fair value of loans, primarily loans designated impaired, and the fair value of the related real estate collateral and real estate owned, if any. Actual results could differ significantly from these estimates.

- Fair Value Estimates

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 (i.e. the balance sheet date). An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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.

Note 2 – Summary of Significant Accounting Policies (continued)

- Fair Value Estimates (continued)

- 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.

For secured loans, the collaterals' 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 performing or designated impaired).

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. These sources would be considered Level 2 inputs.

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).

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 for property types – or individual properties that – do not transact regularly and/or would not qualify for traditional (e.g. bank) financing.

- Allowance for loan losses

Loans and the related advances and accrued interest are analyzed on a quarterly basis for ultimate recoverability. Delinquencies are identified and followed as part of the loan system. Delinquencies are determined based upon contractual terms. If events and or changes in circumstances cause management to have serious doubts about the collectability of the payment of interest and principal in accordance with the loan agreement, a loan may be designated as impaired (impaired loans). Any subsequent payments on impaired loans are applied to late fees, then to the accrued interest, then to advances, and lastly to principal.

Performing loans, are aggregated 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.

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 such that the net carrying amount (principal, plus advances, plus accrued interest less the specific

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

- Allowance for loan losses (continued)

allowance) is reduced to the estimated fair value of the related collateral, net of any senior loans and net of any costs to sell in arriving at net realizable value if planned disposition of the asset securing a loan is by way of sale.

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 and for individual loans in the loan portfolio. Because the partnership is an asset-based lender, except as to certain consumer loans, and because specific regions, neighborhoods and even properties within the same neighborhoods, vary significantly as to real estate values and transaction activity, general market trends, which may be indicative of a change in the risk of a loss, and a borrower's credit worthiness are secondary to the condition of the property, the property type and the neighborhood/region in which the property is located.

The partnership charges off uncollectible loans and related receivables directly to the allowance account once it is determined the full amount is not collectible.

Cash in bank

Periodically, partnership cash balances in banks exceed federally insured limits.

Loans and interest income

Loans generally are stated at the unpaid principal balance (principal). 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 generally are stated at the outstanding balance and accrue interest until repaid by the borrower.

From time to time, the partnership negotiates and enters into loan modifications with borrowers whose loans are delinquent. If the loan modification results in a significant reduction in the cash flow compared to the original note, the modification is deemed a troubled debt restructuring and a loss is recognized. In the normal course of the partnership's operations, loans that mature may be renewed at then current market rates and terms for new loans. Such renewals are not designated as impaired, unless the matured loan was previously designated as impaired.

Interest is accrued daily based on, the unpaid principal balance and advances, of the loans. Loans are 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; 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.

Real estate owned (REO)

REO includes real estate acquired in full or partial settlement of loan obligations generally through foreclosure, and 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 (NRV), which is the fair value less senior debt and estimated costs to dispose. The partnership's preferred method for determining the fair market value is the sale comparison method. Sales costs are estimated based on local market conventions.

Note 2 – Summary of Significant Accounting Policies (continued)

Real estate owned (REO) (continued)

Any excess of the recorded investment in the loan over the net realizable value is charged against the allowance for loan losses. REO 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 operating expense.

Note 3 – General Partners and Related Parties

The general partners are entitled to one percent of the profits, which amounted to $682 for 2015.

Commissions and/or fees are paid by the borrowers to the general partners and their affiliates and are not an expense of the partnership.

- *Brokerage commissions, loan originations*

The partnership agreement provides for (RMC), an affiliate of the general partners, to collect a loan brokerage commission for fees in connection with the review, selection, evaluation, negotiation and extension of loans, up to 12% of the principal amount of each loan made. These fees totaled $27,063.

- *Other fees*

RMC receives fees for processing, notary, document preparation, credit investigation, reconveyance, and other mortgage related fee amounts customary in the geographic area where the property securing the loan is located. Other fees collected by RMC were $2,623 for 2015.

The following fees are paid by the partnership.

- *Mortgage servicing fees*

RMC may earn mortgage servicing fees of up to 1.5% annually of the unpaid principal balance of the loan portfolio or such lesser amount as is reasonable and customary in the geographic area where the property securing the mortgage is located from RMI VI. Mortgage servicing fees incurred and paid were $44,826.

Notes to Financial Statements

Note 3 – General Partners and 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). Asset management fees paid to the general partners were $14,295 for 2015.

- *Costs from RMC*

RMC is reimbursed by RMI VI for operating expenses incurred on behalf of the partnership, including without limitation, accounting and audit fees, legal fees and expenses, postage and preparation of statements to limited partners, and out-of-pocket general and administration expenses. The decision to request reimbursement of any qualifying charges is made by RMC in its sole discretion. Expenses reimbursed to RMC totaled $29,167 for 2015. RMC did not waive its right to request reimbursement of any qualifying charges during any period reported.

Note 4 – Loans

Loans generally are funded at a fixed interest rate with a loan term of up to five-years. Loans acquired are generally done so within the first six months of origination, and purchased at the current par value, which approximates fair value. Substantially all loans are written without a prepayment penalty provision. As of December 31, 2015, 3 loans outstanding (representing 37% 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 loan maturity. The remaining loans require monthly payments consisting of principal and interest, typically calculated on a 30-year amortization with the remaining principal balance due at maturity.

Notes to Financial Statements

Note 4 – Loans (continued)

Loan transactions and details of loan balances are summarized in the following table for 2015.

	Secured	Unsecured (1)	Total
Principal balance – December 31, 2014	$ 3,066,082	$ 34,311	$ 3,100,393
Loans funded or acquired	1,530,000	—	1,530,000
Principal collected	(1,629,021)	(26,311)	(1,655,332)
Other – loans charged off against allowance	(67,500)	—	(67,500)
Loans foreclosed upon and transferred to REO	(216,000)	—	(216,000)
Principal balance – December 31, 2015	2,683,561	8,000	2,691,561
Advances	10,588	—	10,588
Interest accrued	13,149	—	13,149
Total loan balance – December 31, 2015	2,707,298	8,000	2,715,298
Allowance for loan loss and discount	(167,000)	—	(167,000)
Total loan balance, net	$ 2,540,298	$ 8,000	$ 2,548,298

(1) The unsecured loan was paid in full in 2016

Allowance for loan losses activity is presented in the following table for 2015.

Balance - December 31, 2014	$ 179,000
Provision for (recovery of) loan losses	98,000
Charge-offs	(110,000)
Balance - December 31, 2015	$ 167,000

Scheduled maturities

Secured loans are scheduled to mature as presented in the following table.

Scheduled maturities, as of December 31, 2015	Loans	Principal	Percent
2016	3	$ 434,413	16%
2017	2	743,854	28
2018	2	328,978	12
2019	3	600,181	22
2020	2	576,135	22
Total future maturities	12	2,683,561	100
Matured as of December 31, 2015	—	—	—
Total secured loan balance	12	$ 2,683,561	100%

One loan with a principal balance of $80,473 was renewed during 2015, this loan was performing at the time of renewal.

Notes to Financial Statements

Note 4 – Loans (continued)

Secured loans had the characteristics presented in the following table for 2015.

Number of secured loans	12
Secured loans – principal	$ 2,683,561
Secured loans – lowest interest rate	5.0%
Secured loans – highest interest rate	9.5%
Average secured loan - principal	223,630
Average principal as percent of total principal	8.3%
Average principal as percent of limited partners' capital	6.1%
Average principal as percent of total assets	6.1%
Largest secured loan – principal	650,000
Largest principal as percent of total principal	24.2%
Largest principal as percent of limited partners' capital	17.8%
Largest principal as percent of total assets	17.8%
Smallest secured loan – principal	80,460
Smallest principal as percent of total principal	3.0%
Smallest principal as percent of limited partners' capital	2.2%
Smallest principal as percent of total assets	2.2%
Number of counties where security is located (all California)	9
Largest percentage of principal in one county	38.6%

As of December 31, 2015, the partnership's largest loan with a principal balance of $650,000 represented 24.2% of outstanding secured loans and 17.8% of company assets. The loan is secured by a commercial property located in Los Angeles County California, bears an interest rate of 8.25% per annum and matures on May 1, 2017.

Note 4 – Loans (continued)

Lien position

Secured loans had the lien positions presented in the following table.

	Loans	Principal	Percent
First trust deeds	8	$ 1,980,444	74%
Second trust deeds	3	449,249	17
Third Trust Deeds	1	253,868	9
Total secured loans	12	2,683,561	100%
Liens due other lenders at loan closing		1,739,860	
Total debt		$ 4,423,421	
Appraised property value at loan closing		$ 8,146,858	
Percent of total debt to appraised values (LTV) at loan closing(1)		54%	

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

Property type

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

	Loans	Principal	Percent
Single family(2)	10	$ 1,779,693	66%
Commercial	2	903,868	34
Total secured loan balance	12	$ 2,683,561	100%

(2) Single family property type as of December 31, 2015 consists of 3 loans with principal of $374,510 that are owner occupied and 7 loans with principal of $1,405,183 that are non-owner occupied.

Notes to Financial Statements

Note 4 – Loans (continued)

Delinquency

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

	Loans	Amount
Current	11	$ 2,583,476
Past Due		
30-89 days	—	—
90-179 days	—	—
180 or more days	1	100,085
Total secured loan balance	12	$ 2,683,561

No loan modifications were made during 2015.

At December 31, 2015, two loans with principal of $193,939 were designated as impaired with an allowance for loan losses of $157,000 and were designated in non-accrual status.

Notes to Financial Statements

Note 4 – Loans (continued)

Distribution of loans within California

Secured loans are distributed within California as summarized in the following table for 2015.

	Principal	Percent
San Francisco Bay Area		
Santa Clara	$ 302,571	5 %
San Mateo	295,832	11
Contra Costa	140,759	11
	739,162	27
Other Northern California		
El Dorado	253,868	10
Monterey	188,219	7
Shasta	93,854	3
	535,941	20
Northern California total	$ 1,275,103	47 %
Southern California		
Los Angeles	$ 1,034,808	39 %
Ventura	273,565	10
San Bernardino	100,085	4
Southern California total	1,408,458	53
Total secured loans	$ 2,683,561	100 %

Note 4 – Loans (continued)

Fair Value

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

The recorded amount of performing loans (i.e. the loan balance) is deemed to approximate the fair value, as substantially all loans are written without a prepayment-penalty clause. Non-performing loans are recorded at the lower of loan balance or net realizable value of the underlying collateral. The loan to value ratio (LTV) is the sum of our loan and any liens senior to our loan, divided by the fair value of the collateral securing our loan.

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

(a) Secured loans, other than those designated impaired (Level 2) – The recorded amount of the performing loans (i.e. the loan balance) is deemed to approximate the fair value. The partnership prices its loans individually and in general, pricing does not react to other than significant changes in the prevailing interest rate indices (e.g. the Fed Funds rate or the 10-year Treasury Note rate). In determining fair value, each loan is reviewed for its delinquency, protective equity (LTV) adjusted for the most recent valuation of the underlying collateral, remaining term to maturity, borrower's payment history and other factors. Also considered is the limited resale market for the loans. Most companies or individuals making similar loans as the partnership intend to hold the loans until maturity as the average contractual term of the loans (and the historical experience of the time the loan is outstanding due to pre-payments) is shorter than conventional mortgages. Further, for substantially all loans, there are no prepayment-penalties to be collected which may cause the duration of the loan (i.e. the term it is outstanding) to be uncertain. This would cause any potential loan purchasers to be unwilling to pay a premium to par. Due to these factors sales of the secured loans are infrequent and an active market does not exist. The recorded amount of the performing loans (i.e. the loan balance) – for the reasons noted above – is deemed to approximate the fair value.

(b) Secured loans, designated impaired (Level 2) – Secured loans, designated impaired are deemed collateral dependent, and the fair value of the loan is the lesser of the fair value of the collateral or the enforceable amount owing under the note. 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.

    On a non-recurring basis, loans designated impaired which had a change during the year to their specific allowance for loan loss, will be recorded at fair value. For those such loans, their fair values were $219,000 at December 31, 2015.

(c) Unsecured loans (Level 3). 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.

Notes to Financial Statements

Note 4 – Loans (continued)

Fair value (continued)

The following methods are used depending upon the property type of the collateral of the secured loans.

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

Where sufficient, applicable sale comparables are not available, management will seek additional information in the form of broker's opinions of value or appraisals.

Multi-family residential – The partnership's multi-family residential assets consist of either multiple owned units at fractured condominium projects and wholly owned apartment complexes with condominium overlays, management's fair market value analysis compares the aggregate retail value of the units as for-sale condominiums against the asset's value as an income-producing rental property in determining its most favorable market.

Management's preferred method for determining the aggregate retail value of its multifamily units is the sale comparison method for the individual condominium units. Management primarily obtains sale comparables via its subscription to the RealQuest service, but also uses free online services such as Zillow.com to supplement this data. Sale comparables are reviewed for similarity to the subject property, examining features such as proximity to subject, number of bedrooms and bathrooms, square footage, sale date, condition, amenities and year built. For fractured condominium projects, sales of units within the same community are preferred.

Management compiles the list of the most relevant sale comparables and derives an average price per square foot, which is then applied to the average square footage of collateral units at the subject property to determine the average price per unit and the gross square footage of all units to determine the aggregate retail value of the units as for-sale condominiums.

Where adequate sale comparables are not available, management will seek additional information in the form of broker's opinions of value or appraisals.

Management's preferred method for valuing its multifamily assets as income-producing rental operations is the direct capitalization method when rental operations are consistent and rental income and expenses have been normalized. In order to determine market capitalization rates, management refers to published data from reliable third-party sources such as the CBRE Cap Rate Survey. Management then applies the appropriate capitalization rate to the subject's most recent available annual net operating income to determine the property's value as an income-producing project. When reliable net operating income information is not available or the project is under development or is under-performing to market, management will seek additional information and analysis to determine the cost to improve and the intrinsic fair value.

Note 4 – Loans (continued)

Fair value (continued)

Multi-family residential (continued) – Where such information is available, management may also determine the asset's value as an income-producing rental project via the sale comparison method by comparing the value of similar multifamily assets sold recently. This method typically applies only to wholly owned apartment complexes.

Management compares the aggregate retail value to the value as an income-producing rental project to determine the property's current highest and best use/ most favorable market, setting the fair market value accordingly.

Commercial buildings – Where commercial rental income information is available, management's preferred method for determining the fair value of its commercial real estate assets is the direct capitalization method. In order to determine market capitalization rates for properties of the same class and location as the subject, management refers to reputable third-party sources such as the CBRE Cap Rate Survey. Management then applies the appropriate capitalization rate to the subject's most recent available annual net operating income to determine the property's value as an income-producing commercial rental project. When reliable net operating income information is not available or the project is under development or is under-performing to market, management will seek additional information and analysis to determine the cost to improve and the intrinsic fair value of stabilized properties performing at market, less any cost to improve.

Supplemental, and particularly when reliable net operating income is not available or the project is under development, management will seek additional information in the form of a sale comparison analysis (where adequate sale comparables are available), broker's opinion of value, or appraisal.

Commercial land – Commercial land has many variations/uses, thus requiring management to employ a variety of methods depending upon the unique characteristics of the subject land.

Note 5 – Real Estate Owned (REO), net

In 2015, RMI VI sold one property located in Butte County for $236,461, with a loss of approximately $3,700.

Note 6 – Comments and Contingencies, other than Loan and REO Commitments

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 provisions of the deeds of trust, collect the debt owed under promissory notes, or to protect, or recoup its investment from 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.

Commitments

There were no commitments other than those disclosed in Notes 4 and 5.

Note 7 – Subsequent Events

The general partners have evaluated events through June 15, 2016, the date the financial statements were available to be issued. There were no reportable events other than events listed in other notes.