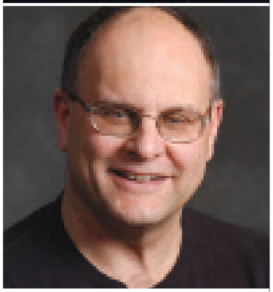
capital at the point of impact

TRF



Dear Friends:

Capital at the point of impact.

What do we mean?

As we enter our 22nd year, TRF is a leader in the field of neighborhood and economic development. With offices in three cities and an ever-expanding network of partners, our analysis, achievements and ambition enable us to envision transformations others can't, and to create change where others won't try. When we put our resources to work, it works. In the next three years, as we embark on our new three-year growth plan, look for even greater impact from TRF.

In our 21-year history, we have allocated $500 million in loans, investments and grants. In the next three years alone, we plan to allocate $270 million more. To do this, we have set a goal to increase our managed assets to $450 million. We're well on our way; at the close of this fiscal year, we have already topped the $380 million mark in assets.

Our newly established affiliate – TRF Development Partners - will acquire land in distressed urban centers for future redevelopment opportunities. Our market data and experience will enable us to have an impact in areas that many conventional developers and investors avoid. Our first major focus will be in East Baltimore.

TRF will continue to identify specific areas for large-scale targeted investment. We will explore ways to replicate our work in West Philadelphia, where we have invested more than $116 million over the last decade, in other neighborhoods of Philadelphia, as well as Camden, Chester, Baltimore, and Washington DC.

In the past year, our expertise in data analysis and research has become even more sought after, and we've expanded our services throughout the mid-Atlantic. As our national public policy profile grows, we're excited to welcome a national advisory board that will review and critique our work.

We take these steps bolstered by our long track record of building wealth and opportunity and confident in our ability to expand our capacity, leverage new technology and manage our growing assets.

This is a time of creativity and focus. It's a time for strategic decisions and measurable results. It's a time for our capital to have its most significant impact.

We are tremendously grateful to you, the TRF family of investors, partners, colleagues and staff. There's no doubt that you are our greatest capital.

Robert Keith, TRF Board Chair

Jeremy Nowak, President & CEO

capital at the point of impact

We deliver capital where it is needed most, generating growth and opportunity where others don't see the possibility.

Capital is more than financial. It is also intellectual and social. We attract the best talent in our industry. And with everything we do, we build a strong network of investors and partners.

With every opportunity to apply capital, we assess the potential for impact, using quality data and market experience. We understand that growth involves a long-term commitment and lasting change is rarely immediate.

Each new investment is about concrete improvements in the lives of families and communities. Our investments do more than create jobs, increase the number of affordable homes or generate clean energy. They reweave social fabric by delivering capital at the point of impact.

Behind every dollar we mobilize, there is a network of people who make that possible. From investors and staff to legislators and civic groups, these people enable us to build wealth and opportunity.

This year alone, TRF successfully raised over $130 million to support a range of programs — from supermarkets in Pennsylvania to affordable housing in New Jersey. And through each effort, we built new public and private partnerships.

mobilizing capital

New Market Tax Credits

In late spring, the U.S. Department of the Treasury announced its 2006 round of New Markets Tax Credit (NMTC) allocations, which includes a $75 million allocation to TRF. TRF's award will go towards supporting three project types: charter schools in the mid-Atlantic region, supermarkets in Pennsylvania and mixed-use commercial developments in highly distressed communities throughout our market. This is TRF's second NMTC allocation. Our first allocation of $38.5 million in 2004 supported the development of two large mixed-use developments in North and West Philadelphia, as well as a supermarket in Southwest Philadelphia.

TRF Growth Fund for Charter Schools

The U.S. Department of Education gave TRF a grant in support of charter school facility financing. The grant was one of only five awarded nationwide through a highly competitive process and TRF was one of only two organizations to receive the maximum amount of $10 million. The grant will go towards establishing a $50 million TRF Growth Fund for Charter Schools, which will offer a range of facility financing products including loans for predevelopment, acquisition, construction, leasehold improvements, energy efficiency and permanent mortgages.

a coalition of capital

FRESH FOOD FINANCING INITIATIVE

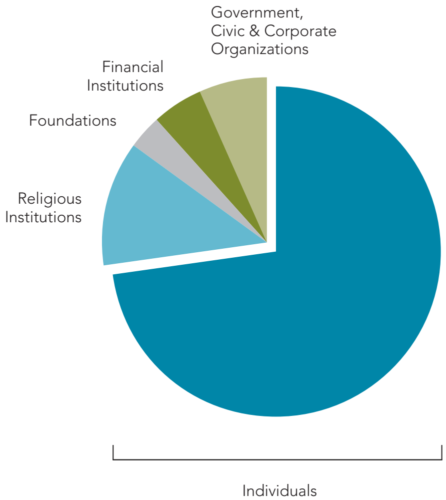
In 2003, a group of activists, food industry professionals and public officials came together to address concerns regarding access to affordable and nutritious food in underserved communities. As a result of their efforts, the Fresh Food Financing Initiative (FFFI) was launched to increase the number of high quality food retailers in those areas. Catalyzing food retail development not only improves access to quality foods but brings jobs and additional development to those communities.

Managed by TRF, FFFI was established in partnership with The Food Trust and the Greater Philadelphia Urban Affairs Coalition. It was seeded with a $10 million appropriation from the Commonwealth of Pennsylvania, which TRF committed to matching with $3 of private funds for every public dollar.

“We created FFFI to serve Pennsylvania communities’ health and economic development needs,” explains State Representative Dwight Evans, who has provided the legislative leadership for FFFI. “We chose to house it at TRF because we knew they could bring together the private capital we would need to make full use of our public investment.”

This year, with a new $40 million credit facility, TRF reached its capitalization goal for FFFI. $32 million of this capital came from a bank pool led by JPMorgan Chase, with investments from Wachovia, PNC Bank, Merrill Lynch CDC, HSBC, and Citizens Bank. TRF also received an additional $10 million from the State for the program, which will be used to leverage $30 million in financing resources from private investors.

As of June 2006, FFFI has committed $17.5 million in grants and loans to finance 14 supermarket projects across Pennsylvania, with a total of 3,542 new jobs and approximately 652,000 square feet of new food retail.



fueling innovation
INDIVIDUAL INVESTORS

For Lea Ruiz, joining TRF as a receptionist 10 years ago was the beginning of a life-changing journey. Since then Lea has gotten married, become a mother of twins, bought her own home and completed college, spurred on by TRF's tuition reimbursement program. Last spring, she graduated with a bachelor's degree in Business Management.

Lea is now a Senior Loan Portfolio Associate at TRF and one of our newest investors. Investing on behalf of her seven year-old twins, Lea is among the more than 40% of TRF staff who are also investors.

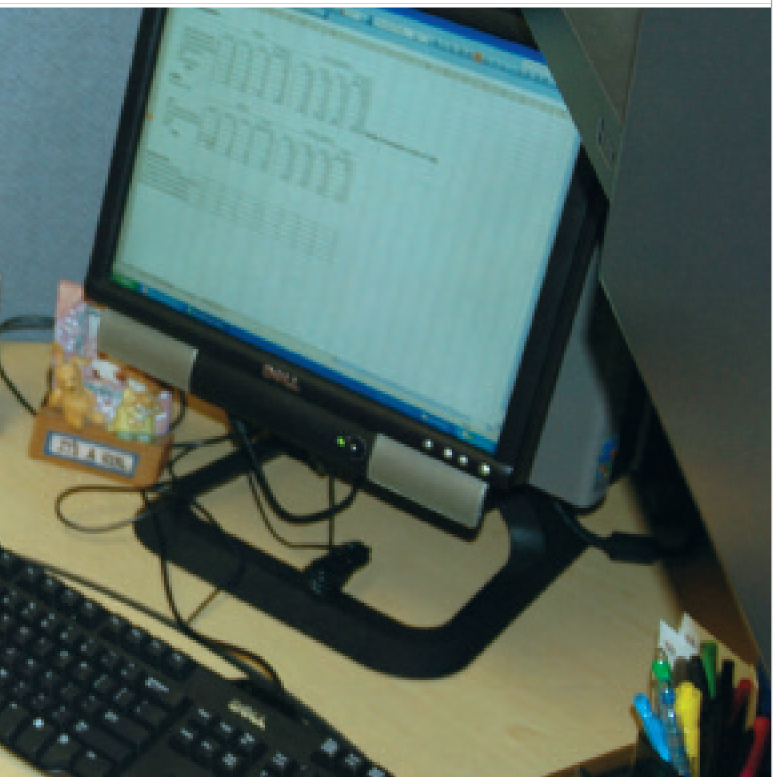
"Over the years, TRF has invested in me as an employee," explains Lea. "As I have watched TRF grow, I'm excited to finally be able to invest in TRF as well. Besides, it is a great way to instill the idea of social investing in my children."

As part of TRF's accounting team, Lea sees firsthand how TRF manages the money entrusted to us by investors, both big and small. More importantly, as the person who helps TRF generate its monthly impact reports, Lea also sees how TRF's investments benefit the communities we serve.

TRF Loan Fund Investors in Numbers

The TRF Loan Fund provides TRF with mission-driven capital that allows us to take on new initiatives to increase impact. While large institutional investors account for most of the capital in the TRF Loan Fund, the majority of its investors are individuals who create the community network that is the essence of this fund.

Lea's investment joins hundreds of other investments as well as equity contributions from individuals, religious institutions and foundations as part of the TRF Loan Fund. Established in 1985, the TRF Loan Fund is at the core of much of TRF's innovative work, enabling us to create and test new financing products that meet our markets' needs. In addition to investments from hundreds of socially-minded individuals like Lea, the TRF Loan Fund is also home to substantial equity grants from the U.S. Department of the Treasury's CDFI Fund, the Commonwealth of Pennsylvania, the U.S. Department of Education, the MacArthur Foundation and the Pew Charitable Trusts.



NEW JERSEY PREDEVELOPMENT LOAN AND ACQUISITION FUND FOR NONPROFITS (NJPLAN)

This past year, TRF worked closely with the Housing and Community Development Network of New Jersey to capitalize the $10 million New Jersey Predevelopment Loan and Acquisition Fund for Nonprofits (NJPLAN). The fund provides low-cost, early-stage financing to nonprofit housing developers. In addition to investments from the New Jersey Department of Community Affairs and the New Jersey Housing Mortgage Finance Agency, the fund has attracted private investors such as Provident Bank Foundation, Washington Mutual and North Fork Bank.

FANNIE MAE

Access to efficient, predictable sources of capital is important to TRF. It allows us to offer low-interest, flexible financing to meet the growing needs of the communities we serve. This year TRF negotiated a $15 million credit facility with Fannie Mae for our housing lending program. For TRF, this credit facility is especially significant given that, for the first time, it offers capital whose pricing is directly indexed to Fannie Mae's GSE credit rating. For Fannie Mae, this loan to TRF is an opportunity to maximize its community impact by concentrating its resources on targeted neighborhoods that are part of TRF's service area.

Across the mid-Atlantic, there are aging, urban neighborhoods in decline. We identify opportunities to breathe new life into these neighborhoods. Using our knowledge and experience, we work with government, community leaders, investors and entrepreneurs to uncover ways to rebuild communities and strengthen families.

From collaborating with the City of Baltimore on a Market Value Analysis, a data-driven housing analysis tool that will guide public resource allocation, to assisting the Wachovia Regional Foundation in measuring the broad-based impacts of its investments, TRF is a leader in applying intellectual and financial capital to create social change.

identifying opportunity

COMMUNITY DEVELOPMENT ARTS PROJECT

What role can arts and culture play in building strong communities? TRF is collaborating with the Social Impact of the Arts Project (SIAP) at the University of Pennsylvania to better understand the impact arts, culture and the creative economy can have on distressed urban neighborhoods.

Supported by the Rockefeller Foundation, this joint project will result in policy briefs and an action agenda for using arts and culture to revitalize neighborhoods.

opportunity through partnership

PATTERSON PARK

Tucked between Baltimore's Butcher's Hill and Canton neighborhoods is Patterson Park, with over 2,200 homes that surround a 155-acre green space. The median household income here is almost 50% lower than the City average. But things are slowly improving in this historic neighborhood where homes that once sold for $50,000 are now valued at close to $300,000.

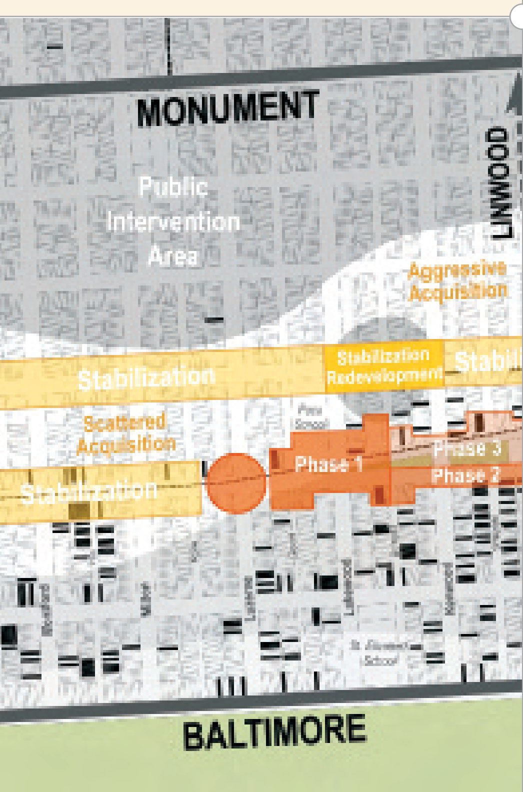
Much of the change has been due to the efforts of the Patterson Park Community Development Corporation (PPCDC). Established in 1986, PPCDC has steadily worked to remove blight from this neighborhood, rehabilitating over 350 houses and generating millions in private investment, while preserving affordable housing for the neighborhood's lower-income residents.

Last year, PPCDC took its vision a step further, partnering with TRF to develop a mixed-use investment strategy for Library Square, the neighborhood's commercial center whose commercial presence is currently limited.

"Patterson Park is full of potential," explains PPCDC Executive Director, Ed Rutkowski. "It is centrally located, and surrounded by some of the city's best assets. Revitalizing Library Square as a commercial hub will give Patterson Park the services and amenities it needs to sustain the vibrant community."

Based on data analysis and community interviews, TRF developed a detailed revitalization strategy for Library Square that includes a feasibility analysis, a suggested investment sequence and a proposed budget. The plan has helped PPCDC move to implementation. It recently received federal funding for the acquisition and development of vacant and deteriorating properties in Library Square.

TRF's study of Patterson Park includes a retail strategy to help stabilize residential markets.



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putting analysis to action

STEMMING THE FORECLOSURE TIDE

When a lender forecloses on a home, it doesn't just cost the homeowner and the lender, it costs the community, TRF found in a study it conducted for the Federal Reserve of Philadelphia this year. This study joins TRF's significant body of work on the topic throughout the mid-Atlantic region.

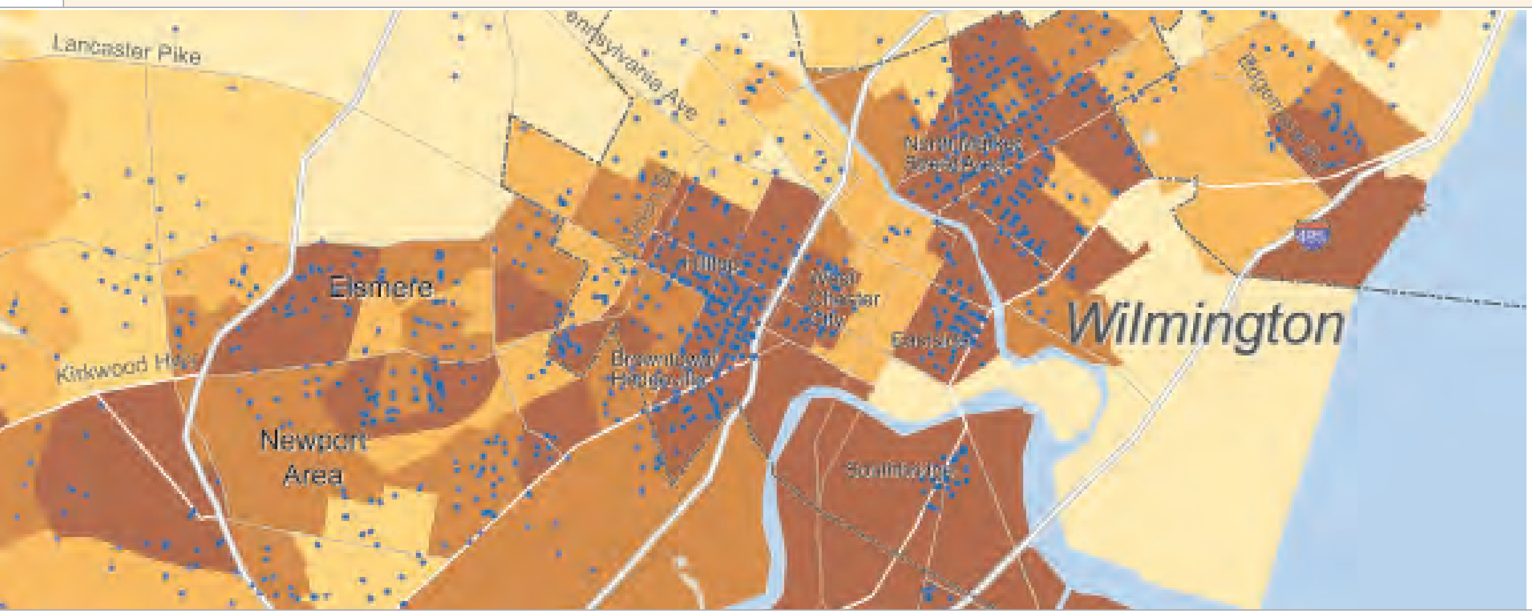
The State Banking Departments of both Pennsylvania and Delaware and the Goldseker Foundation in Baltimore have asked TRF to quantify and analyze the issue of foreclosures in their areas.

In TRF's analyses of Monroe County, PA, the Commonwealth of Pennsylvania, the State of Delaware and the City of Baltimore, TRF has examined the trends, characteristics and potential causes of foreclosure.

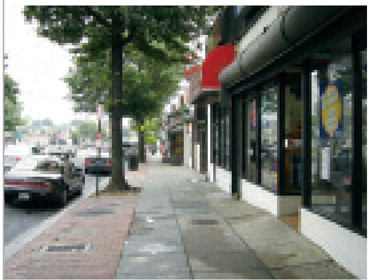
In each instance TRF's analysis has led to opportunities for official action. Based on the Delaware study, the State of Delaware has already launched a major public education campaign and has begun a pilot program for the county with the highest rates of foreclosure, modeled on the Pennsylvania Homeowners' Emergency Mortgage Assistance Program.

It is with the work conducted for the Federal Reserve this year in collaboration with Econsult, an econometric consulting firm, that TRF was able to capture more specifically the broader impact of home foreclosures on a community. For each foreclosure in a ⅛ mile radius of a home, the study shows, the sales price is 1% lower than it would otherwise be. "This work allowed us to look at cost to the community, which is a different perspective from which to consider the public policy issues associated with the rising tide of foreclosures," shares Ira Goldstein, TRF's Policy Director.

TRF's analysis of foreclosures in Delaware estimates that while just more than ½ of the owner-occupied homes in the state are in New Castle County, more than ¾ of the foreclosures occurred in that county.



BRIGHTWOOD, WASHINGTON, DC



Existing Conditions

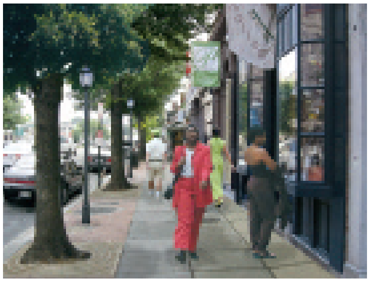


Photo Simulation of Potential Changes

When Pastor Joseph Daniels of Emory United Methodist Church in Washington, DC calls your work a "blessing," you must be doing something right. That's exactly how TRF felt.

For weeks TRF has been working with Pastor Daniels and his congregation in the District's Brightwood section to create a development and investment plan for their neighborhood.

This fall, TRF will help Pastor Daniels present this plan to leverage funds from the City's $100 million Neighborhood Investment Fund (NIF). NIF was created in response to the city's affordable housing crisis.

TRF is partnering with the Washington Interfaith Network to help Brightwood and 11 other NIF priority neighborhoods in Washington develop revitalization plans. TRF's planning model envisions neighborhood growth that is inclusive of traditional residents and sustainable over time.

PENNSYLVANIA HOUSING FINANCE AGENCY

The Pennsylvania Housing Finance Agency (PHFA) hired TRF to create a data warehouse and mapping tool, displaying not only PHFA investments, but numerous demographic, labor, housing market and school quality indicators. PHFA intends to use this tool to guide its housing investment decisions. It enables PHFA to map both its historical and projected investments with other data layers, and answer specific questions such as "How have home prices changed in areas around PHFA investments?" PHFA has already made elements of the tool web-accessible. New Jersey officials have indicated interest in creating a similar tool in their state.

This year we reached $500 million in community investment since our founding. This milestone is a testament to the commitment and drive of our borrowers and partners, who continually inspire us to seek new approaches for creating change.

From the immediate transformation of an old warehouse into a vibrant new school facility to the long-term effort of rebuilding a neighborhood like West Philadelphia, our impact is real and substantial, helping families and neighborhoods find renewed interest and optimism.

creating impact

First-graders from TRF-financed Wissahickon Charter School enjoying some morning play in front of one of many nature-themed murals at the school.

housing

1029 Perry St., NE Tenants Association, Inc.
1363 Peabody St., NW Tenants Association, Inc.
1468 Harvard St., NW Tenants Association, Inc.
21 & 25 Kennedy St. Tenants Association, Inc.
2801 15th St., NW Tenants Association, Inc.
413,415,422 Butternut St. Tenants Association, Inc.
4625 & 4627 13th St., NW Tenants Association, Inc.
5610 Colorado 2005 Tenants Association, Inc.
800 Properties, LLC
Burlington County Community Action Program
Belmont Affordable Housing VI, LP
Birdhouse Realty, LLC
Cramer Hill CDC
Curry Glass I, LP
Deer Lake Associates *
Field 4, LLC

community facilities

American Cities Foundation
DUE Season Charter School
Folk Arts Cultural Treasures Charter School
High Tech High School/Mastery Charter School-Thomas Campus
Milky Way Education Center, Inc./Paterson Charter School for Science and Technology *

private equity

Baltimore Dredges, LLC
FlagZone, LLC
MidAtlantic BroadBand *
Ricochet Manufacturing Company, Inc. *

neighborhood development

Camden Churches Organized for People
Camden City Garden Club, Inc.
Camden Redevelopment Agency
Cramer Hill CDC

$58.7 million in 175 transactions

JULY 1, 2005 – JUNE 30, 2006

69 Transactions | $22,304,811

Genesis Housing Corporation *
Hispanic Association of Contractors and Enterprise *
Hanover Housing Partnership, LP
Housing Development Corporation of Lancaster County *
Ingerman Affordable Housing, Inc. *
Kelsey Gardens 2004 Tenants Association, Inc.
LuRube Developers, LLC
Mantis Development Corporation
Manor Heights Apartments, LP
May Street Homeownership, Inc. and Pennrose Properties
Mayfair Mansions 2005 Tenants Association, Inc.
Metro Six, LLC
Monroe Meadows Housing Partnership, LP
Mt. Airy USA, Inc.
NewBridge Services, Inc.
New Jersey Housing and Neighborhood Development, Inc.
North Girard Associates, LLC
Neighborhood Restorations *
Partnership CDC *
Pearlye Urban Renewal Associates, LP
Randolph Towers Tenants Association, Inc.
Saint Joseph's Carpenter Society
Universal Community Homes, Inc. *
Unitarian Universalist Affordable Housing Corporation *
Walnut Hill Investments, LLC *
Westrum Urban Opportunity, LP *
Whittier Gardens Tenants Association, Inc.

15 Transactions | $17,085,517

Montessori Initiative for Education/ Philadelphia Montessori Charter School
The Quaker School at Horsham
Reform Congregation Keneseth Israel
Southwest Leadership Academy Charter School
Wissahickon Charter School

8 Transactions | $4,525,794

Sun & Earth, Inc. *
Traffic.com, Inc.
Your Money Access, LLC *

8 Transactions | $211,818

Greater Camden Partnership
Point Breeze Performing Arts Center
The Pennsylvania Horticultural Society
Saint Joseph's Carpenter Society

commercial real estate

24 Transactions | $9,722,795

1st Oriental Real Estate Investment LP
3002 CBMoore, LLC
40th Street Live, LP
40th Street Promenade, LP *
Allegheny West Foundation
BAF Associates, LLC
Brown's Super Stores, Inc.
Castor Avenue Markets LLC
Cover, LLC
E.H. Holdings, Inc. *
Enterprise Center CDC
Enterprise Heights CDC
Inner City Grocers, Inc. *
Kyung Su Ha
Partnership CDC *
Progress Trust, Inc.
SPEDD, Inc.

energy

51 Transactions | $4,883,930

Aerezen USA
Advanced Energy Partners
AFC First Financial
Allegheny Ridge Wind Farm LLC
Alt.Atica LTD
Bat and Wind Energy Cooperative
Casselman Windpower LLC
CEI Wind Park Bear Creek, LLC
Citizens for Pennsylvania's Future
Clean Air Council
Community Energy, Inc.
Delaware Valley Green Building Council
Energy Cooperative Association of PA
Energy Coordinating Agency of Philadelphia
Fairmount Park Conservancy
Franklin Fuel Cells, Inc.
GreenTreks Network
Heliotronics, Inc.
M & M Display, Inc.
Meyersdale Windfarm LLC
Mid Altantic Renewable Energy Coalition
Native Energy, LLC
Northeast Sustainable Energy Association
PA Department of Conservation and Natural Resources
Penn State University Energy Center
Pennsylvania Interfaith Climate Change
Philadelphia Solar Energy Association
Philadelphia University
Re:Vision Architects
SDF Solar PV Grant Program - 70 separate PV system grants
SmartPower, Inc.
Wawa
Wind Park Bear Creek

* multiple transactions

investing in long-term strength

WEST PHILADELPHIA

Like many older, urban neighborhoods, West Philadelphia faced its share of challenges – a dwindling middle class and widespread poverty, fueled by increased crime and unemployment. But when we looked at West Philadelphia, we saw potential – a neighborhood that's a stone's throw from Philadelphia's Center City and home to several universities, hospitals and transportation hubs. It's this potential that TRF has nurtured, investing $116 million over 15 years in housing and commercial development in West Philadelphia.

For more than a decade, TRF has financed efforts to preserve affordable housing and strengthen commercial growth in West Philadelphia.

This past year, in keeping with our revitalization strategy, TRF has continued to build the area's commercial corridors, a critical step toward investing in and developing a sustainable community. A majority of these investments have been along 40th, 46th and Market Streets, building off the strength of the neighborhood's institutional assets such as the University of Pennsylvania to extend revitalization efforts farther west.

Among the newest commercial investments is an acquisition loan to support the development of The Plaza at Enterprise Heights. A project of the Enterprise Center CDC, The Plaza will be the first phase of a mixed-use campus on land near the Enterprise Center and will extend the infrastructure needed to create and retain jobs and businesses in West Philadelphia.

A map showing TRF's long-term West Philadelphia investment strategy, designed to strengthen commercial corridors and connect residential markets.

MASTERY CHARTER SCHOOLS

As of June 2006, TRF has closed 54 loans to 31 charter schools, totaling $62 million. Among them is Mastery Charter Schools, which was recently awarded a charter to manage Thomas Middle School and, with TRF's help, invested more than $8 million in renovations. Philadelphia School District CEO Paul Vallas recently singled out Mastery Charter's Thomas Campus for its strong improvement in standardized tests after just a year in operation. In 2005, the U.S. Department of Education recognized Mastery Charter Schools' flagship high school in Philadelphia as one of the top charter schools in the country.

Graduates from the Mastery Charter School's Class of 2006. 97% of the graduating class is attending 2 or 4 year colleges.

RANDOLPH TOWERS, WASHINGTON, DC

One of TRF's first housing loans in Washington DC is helping to preserve up to 146 units of much-needed affordable housing. The $1.3 million acquisition loan is enabling Randolph Towers Cooperative, a tenant association, to buy its own building. The Cooperative elected to buy the building under the District's Tenant Opportunity to Purchase Act (TOPA), which gives tenants the first right of refusal should a landlord decide to sell. In the long-term, the Cooperative hopes to convert the building into a condo, giving current tenants the opportunity to purchase their apartments at affordable prices.

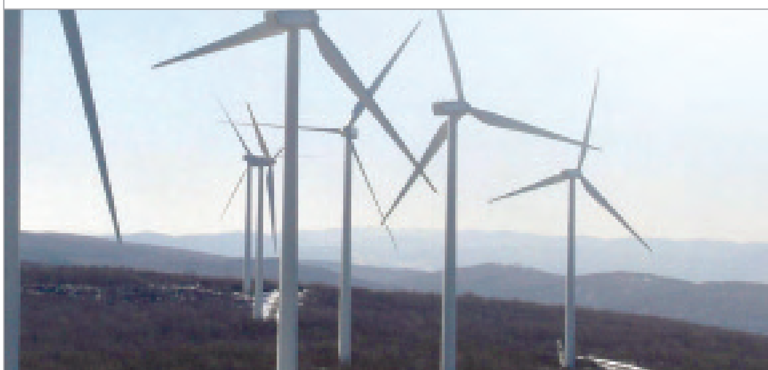
investing in clean energy

BEAR CREEK WIND FARM

Bear Creek, the newest TRF-financed wind farm, uses wind to cleanly produce 71,173 MWH of electricity per year – enough to power 8,900 households annually! TRF has now financed five of the six wind farms currently operating in Pennsylvania, making the state a regional leader in wind energy. The 15-acre wind farm was developed jointly by Community Energy and the investment banking firm Babcock and Brown.

TRF provided both a $5.75 million syndicated loan and a $2 million wind energy production incentive grant to the project. TRF financing leveraged more than $33 million in additional equity for the project, bringing together a range of other investors and lenders, many of whom were first-time institutional investors in wind energy production. TRF also provided underwriting, due diligence and legal work to launch this venture by an independent Pennsylvania wind developer.

The 12 turbines at Bear Creek are the largest in America, each generating two megawatts of power. They were manufactured by the Spanish Gamesa Energia, which recently selected Pennsylvania as its North American base for operations, bringing more than 1,000 well-paying new jobs to the state in the next five years.



Bear Creek Wind Farm is one of six wind farms currently operating in Pennsylvania. Five of these wind farms are TRF-financed.

investing in entrepreneurs and jobs

FLAGZONE

Kurt Koloseike is the energetic CEO and President of FlagZone, a flags and banners manufacturing company in Pottstown, PA. Since founding FlagZone in 1999, Koloseike has built a company known for high-quality products and strong customer service.

FlagZone competes with a small number of companies in a $300 million U.S. market for new and replacement flags. While approximately half of the company's sales are through dealer distribution, FlagZone also supplies government customers.

Koloseike was eager to diversify FlagZone's product offering and increase sales. Last year, with help from TRF Private Equity, Koloseike recapitalized the business and bought out his retiring partner. The investment allowed Koloseike and his management team to maintain control of the company while paving the way for growth.

FlagZone is also using the investment to buy new equipment. Two new digital printers will extend its product capabilities, opening doors to new markets.

Employees involved in FlagZone's cut & sew operations putting finishing touches on new American flags.

A researcher tests new cell configurations at Franklin Fuel Cells' laboratory in Malvern, PA.

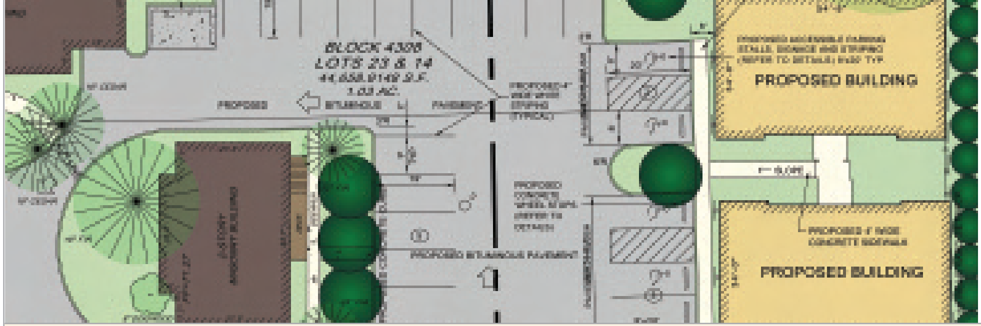
FRANKLIN FUEL CELLS

TRF's Sustainable Development Fund closed on a $500,000 equity investment in Franklin Fuel Cells, an early-stage company developing breakthrough Solid Oxide Fuel Cell (SOFC) technology. Franklin Fuel Cells has the world's only patented fuel cell technology that operates directly on hydrocarbon fuels. The technology leapfrogs conventional fuel cell technology, resulting in a much simpler and more efficient fuel cell system that is also cheaper to install and operate. It has the potential to compete with conventional power options particularly within markets such as auxiliary power units (APU) for idling trucks, boats and planes, as well as portable generators. TRF's Sustainable Development Fund was the lead investor in a $3.25 million equity round that included the venture capital firm, EnerTech Capital, as well as several angel investors and other regional clean energy funds.

It will also help increase FlagZone's market share in dealer distribution. As part of our services, TRF is providing resources to train FlagZone's employees on the new equipment and the new business processes.

More than 100 people currently work at FlagZone, many of whom are involved in their cut-and-sew operations and come from the lower income areas in Pottstown.

"This is a great opportunity for our employees to enhance their skills," explains Koloseike. "Many of them have been with us since we began in 1999, and I want them to be part of the growth I foresee for the company."



A rendering of MEND's proposed development in Moorestown, NJ.

NJ-PLAN

In New Jersey's competitive real estate market, the need to create and preserve affordable housing is especially critical. For many nonprofit affordable housing developers, the obstacle is often access to quick, low-interest financing. Since TRF's New Jersey Predevelopment Loan and Acquisition for Nonprofits (NJPLAN) program was established more than a year ago, TRF has committed financing to nine affordable housing developers across the state, including several who serve special needs populations, helping them access inexpensive, early stage capital to jumpstart their projects.

Working in coordination with the New Jersey Housing Mortgage Finance Agency's Special Needs Housing Trust Fund, the New Jersey Department of Human Services' Division of Developmental Disabilities and the U.S. Department of Housing and Urban Development, NJPLAN is helping organizations such as Allies Inc. and Jawonio NJ Inc. address the desperate demand for special needs housing.

With acquisition loans from NJPLAN, these organizations are able to purchase single family homes in well-established neighborhoods that can then be retrofitted to serve individuals with developmental disabilities.

For some borrowers, NJPLAN has provided flexible predevelopment capital. Moorestown Ecumenical Neighborhood Development (MEND) received an NJPLAN loan for the arduous planning phase for two new affordable rental housing buildings in Moorestown, an affluent suburb where affordable homes are rare.

"The NJPLAN loan was an indispensable part of the whole development process and TRF's staff became an important part of our development team, providing valuable knowledge and expertise," explains Matthew Reilly, President and CEO of MEND, which recently began construction on its project.

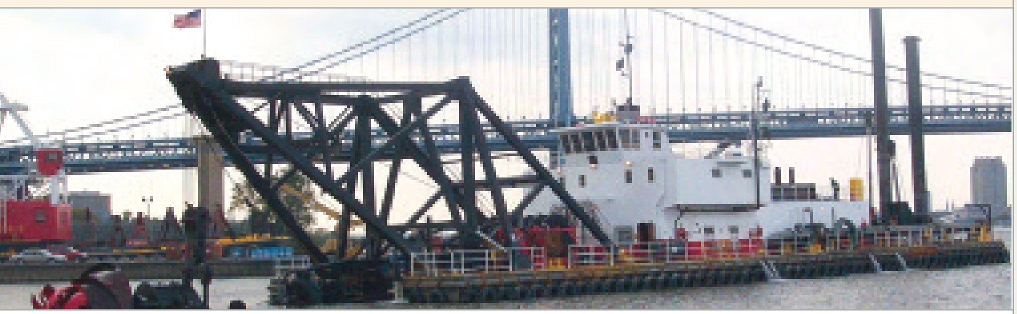
The apartments are expected to be complete by March 2007 and a majority of the units in the buildings will be home to blind or visually impaired and physically disabled individuals.

PROGRESS PLAZA

In 1968 civil rights leader Rev. Leon Sullivan built Progress Plaza, the nation's first African-American-owned shopping center. Located in North Philadelphia, much of the center had fallen into disrepair since losing its anchor supermarket tenant in 1998. This past year, with support from the State and the Fresh Food Financing Initiative, Progress Plaza launched a major refurbishing effort. A new full-service, 46,000 square foot Fresh Grocer will anchor the center, creating 240 jobs.

FFFI provided Progress Plaza with $250,000 in grants for predevelopment costs for the supermarket and has committed an additional $2.3 million in loans to the Fresh Grocer for renovations, equipment, security and training. Once redeveloped, Progress Plaza will complement other revitalization efforts in the neighborhood, including Avenue North, which received TRF's New Markets Tax Credits to finance its multiplex movie theater and retail center just across the street.

Baltimore Dredge builds five varieties of hydraulic dredges and has clients in 70 countries. Its Ellicott dredges were used in the original construction of the Panama Canal.



BALTIMORE DREDGE

As part of its investment, TRF Private Equity also offers its portfolio companies a range of human resource services. This past year, a TRF staff member has served as Baltimore Dredges' on-site HR consultant, managing a full-scale recruitment effort that resulted in 14 new hires. Given the company's continued difficulties in finding and retaining skilled candidates, TRF is also working with several local agencies to develop a work readiness and apprenticeship program to fill ten new positions in this coming year.

financial review

summary

The Reinvestment Fund, Inc. and Affiliates (TRF) ended the year with $142.1 million in total assets, an increase of $28.1 million (25%) from the prior year end. Financing assets which include loans and leases receivable, program investments and investments in limited partnerships grew by $4.6 million (7%) to end the year at $71.9 million. Capital under management totaled $388.7 million at June 30, 2006, an increase of $133.4 million (52%) over the prior year. Consolidated net assets increased $18.7 million (43%) to $62.2 million.

Net assets excluding our Sustainable Development Fund (SDF) increased $21.2 million (91%) to $44.6 million. Our capital adequacy ratio (net assets/total assets) excluding SDF ended the year at 36%. As expected, net assets of SDF declined $2.5 million to $17.6 million, as SDF deployed its capital, primarily in the form of grants, in furtherance of its mission.

The Reinvestment Fund attained several notable accomplishments during fiscal 2006:

> TRF closed 175 financing transactions totaling $58.7 million in fiscal 2006.

> TRF received a New Markets Tax Credit allocation award of $75.0 million from the U.S. Department of the Treasury.

> TRF maintained the highest rating, AAA+1, from the CDFI Assessment and Rating System (CARS), a comprehensive third party analysis assessing our impact, financial strength and performance, and public policy initiatives.

> TRF received a $1.5 million grant from the William Penn Foundation to support targeted neighborhood investments and the launch of TRF Development Partners.

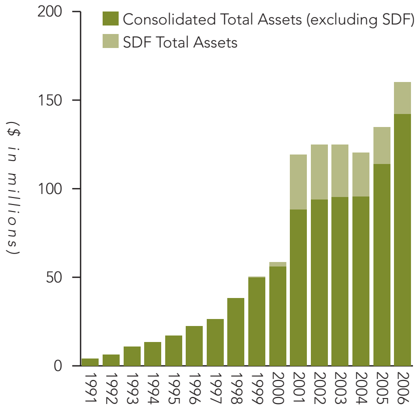
> TRF was awarded a second $10.0 million grant from the Commonwealth of Pennsylvania to expand our statewide development program, the Pennsylvania Fresh Food Financing Initiative, designed to increase the number of supermarket and other grocery stores in underserved urban and rural areas. Leveraging a portion of the grant awards, TRF raised $32.4 million in debt financing through a syndicated bank credit facility led by JPMorgan Chase. By the end of fiscal 2006, the program committed financing for 14 stores in communities across the state.

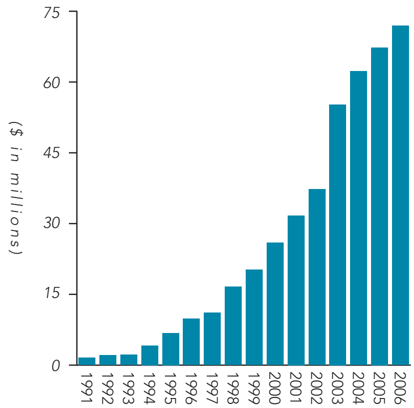
> TRF was awarded a $1.0 million grant from NJ DCA for the New Jersey Predevelopment Loan and Acquisition Fund for Nonprofits (NJ PLAN). NJ PLAN is a $10.0 million initiative to provide low-cost, early-stage funding to nonprofit housing developers.

> TRF received a $10.0 million grant from the U.S. Department of Education for the Charter School Facilities Program to enhance credit for charter schools and enable them to access non-Federal funds that will address the costs of renovating, acquiring, and constructing school facilities.

> TRF received a $950 thousand grant from the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI).

> TRF closed on a $15 million credit facility with Fannie Mae for our housing lending program. For TRF, this credit facility is especially significant given that it, for the first time, offers capital whose pricing is directly indexed to Fannie Mae's GSE credit rating. Access to efficient, predictable sources of capital such as the Fannie Mae facility is critical for TRF as we attempt to meet the growing financing needs of the communities we serve.





financial position

Consolidated Assets:
1991–2006

Financing Assets Outstanding:
1991–2006

Consolidated financing assets outstanding (including loans and leases receivable, program investments and investments in limited partnerships) totaled $71.9 million at June 30, 2006, an increase of $4.6 million (7%) over the prior year. The increase was driven by increased lending and investing activity in Community Facilities, Commercial Real Estate, and SDF.

At June 30, 2006, our allowance for losses totaled $3.3 million resulting in reserve coverage of 5% (allowance for loan & lease losses/loans & leases receivable). The maintenance of this level of reserves reflects our conservative approach to portfolio management and underwriting. Loan delinquencies (greater than 60 days past due) totaled $2.2 million or 3.3% of total loans and leases outstanding at June 30, 2006.

Net assets, excluding SDF, increased $21.2 million (91%) to end the year at $44.6 million. The increase in net assets was primarily due to grants from the MacArthur Foundation of $1.0 million, the CDFI Fund of $950 thousand, U.S. Department of Education for charter school financing of $10.0 million, partial recognition of the $20.0 million from the Pennsylvania Department of Community and Economic Development totaling $10.7 million (recognition occurs as match requirements are met), the William Penn Foundation in support of TRF Development Partners and targeted initiatives of $1.5 million, and from the NJ DCA of $1.0 million for NJ Predevelopment Loan and Acquisition for Nonprofits (NJ PLAN), a revolving loan fund.

SDF, which was fully capitalized in fiscal 2001 at $31.0 million, had net assets totaling $17.6 million at June 30, 2006. Since fiscal 2001, SDF's net assets decreased $13.4 million. The decrease in the net assets of SDF is expected to continue as SDF deploys capital, in large part through the award of grants, as it promotes the development and use of renewable and clean energy technologies.

Total capital under management increased to $388.7 million, up $133.4 million (52%) over the prior year. The increase was primarily due to new credit facilities including $5.0 million from Banc of America; $15.0 million (undrawn) from Fannie Mae; and a $32.4 million syndicated bank facility (undrawn) in support of the Fresh Food Financing Initiative. In addition to growth in credit facilities, TRF was awarded a $75.0 million New Market Tax Credit (NMTC) appropriation, and a $10.0 million grant from the U.S. Department of Education.

selected financial data

(dollars in thousands)	2006	2005	2004	2003	2002
	As of June 30				
FINANCIAL POSITION DATA					
Total assets	142,073	114,008	95,584	95,303	93,880
Loans and leases receivable	65,842	61,672	56,877	52,060	34,396
Allowance for loan and lease losses	3,292	3,083	2,848	2,779	1,793
Investments	35,239	28,350	21,235	28,249	34,657
Program investments	1,365	802	1,180	1,334	1,318
Investments in limited partnerships	4,734	4,853	4,208	1,869	1,548
Loans payable	67,585	58,617	52,110	48,684	46,952
Net assets (excluding SDF)					
Unrestricted	9,860	10,640	7,124	5,283	3,809
Temporarily restricted	18,005	5,790	3,483	3,234	2,956
Permanently restricted	16,748	6,944	5,557	5,555	5,555
	44,613	23,374	16,164	14,072	12,320
Net assets					
Sustainable Development Fund (SDF)					
Unrestricted - contractually limited as to use	11,322	11,178	9,980	5,141	3,345
Temporarily restricted - contractually limited as to use	6,254	8,917	14,047	23,721	27,059
	17,576	20,095	24,027	28,862	30,404
Total net assets	62,189	43,469	40,191	42,934	42,724
ACTIVITIES DATA					
Net interest income	4,048	3,368	3,418	2,801	2,497
Provision for loan and lease losses	948	390	49	1,080	433
Investment advisory fees	1,501	1,501	1,603	1,917	745
Grants and contributions	27,073	8,828	4,802	5,410	5,406
Program services and fees	1,838	3,103	1,325	833	535
Change in net assets					
Total, excluding SDF	21,238	7,212	2,090	1,752	757
Sustainable Development Fund	(2,518)	(3,933)	(4,834)	(1,542)	(593)
OTHER DATA					
Assets under management	388,737	255,380	213,641	200,346	138,886
Allowance for loan and lease losses as a % of total loans and leases	5.0%	5.0%	5.0%	5.3%	5.2%
Net loan loss (recovery) ratio	1.12%	0.25%	(0.03%)	0.18%	0.67%
Capital adequacy ratio, excluding SDF	36%	25%	23%	21%	20%
Self-sufficiency ratio — financing programs excluding SDF	92%	91%	93%	94%	68%

results of operations

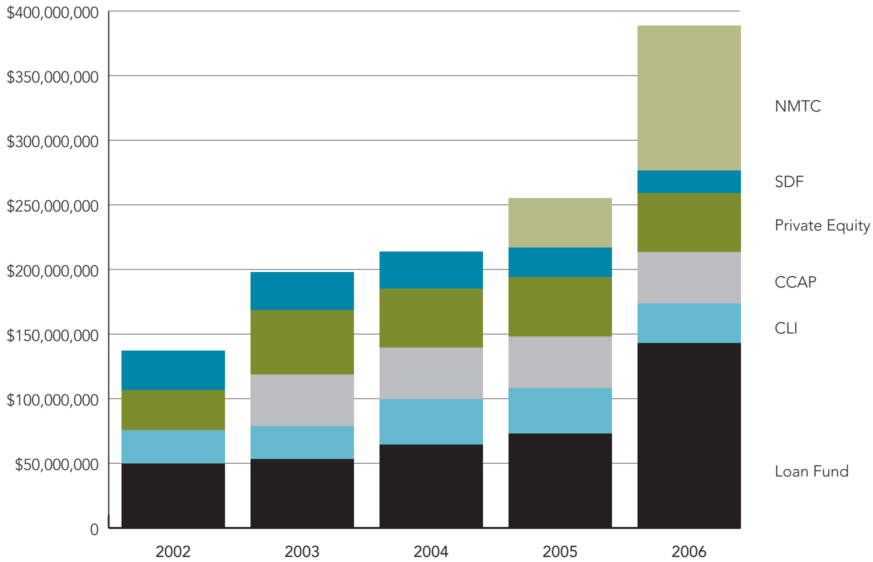
From a financial perspective, we separate our programs and services into two categories: financing programs that have a goal of self-sufficiency, and policy and workforce programs that are substantially funded by grants and contracts.

Financing Programs

We continue to stress self-sufficiency in our financing programs. Our self-sufficiency ratio in financing programs, excluding SDF, was 92% for fiscal 2006 versus 91% for fiscal 2005. This ratio measures the extent of expense coverage through earned revenue and is calculated as the sum of net interest income, loan fees and investment advisory fees as a percentage of financing program and related management and general expenses.

The Sustainable Development Fund is a financing program that is fully capitalized with total assets of $18.0 million and whose assets are targeted for renewable and clean energy projects. Given its restricted purpose and capital structure, SDF is appropriately viewed separately from our other financing programs.

Capital Under Management: 2002–2006



Total financings closed during fiscal 2006 were $49.8 million. The provision for loan losses was $948 thousand in fiscal 2006 and $390 thousand in fiscal 2005. TRF had net charge-offs of $739 thousand in fiscal 2006 and $155 thousand in fiscal 2005.

Policy, Neighborhood Development Services, and Workforce Programs

TRF has been successful in attracting significant grant and contract support from public and private investors for its policy analysis and planning services, allowing us to shape resource allocation strategies that benefit low-wealth families and neighborhoods. We continue to adhere to the financial discipline of securing financial support prior to embarking on new programs. Revenues for Policy, Neighborhood Development Services, and Workforce Programs totaled $2.4 million in fiscal 2006 and $2.0 million in fiscal 2005.

The Reinvestment Fund, Inc. and Affiliates received an unqualified opinion from its auditors for fiscal year 2006. The complete audit report, including financial statements and footnotes is available upon request at the office of The Reinvestment Fund, 718 Arch Street, Suite 300N, Philadelphia, PA 19106, telephone 215.574.5800.

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Andrea M. Thomas-Reynolds

Mark E. Thompson

Sara C. W. Thompson

Wirt L. Thompson, Jr.

David B. Thornburgh

Craig T. and Dana Toedtman

Harry G. and
Harriet H. Toland

Jane Toll

Drew Humphries and
Daniel P. Tompkins

James P. Toner

Wayne C. and
Marilyn S. Townley

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Colette de Marneffe and
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Kimberly Tynan

Paul M. and
Martha C. Van Cleve

Lee Van de Velde

Robert E. and Alice J. Vernon

M. Patricia West Vernon and
Thomas M. Vernon, M.D.

Krish Santosh and
Kavita Vijayan

Charles Auguste Philippe
von Hemert

Bertha Von Moschzisker *

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Robert B. and Audrey B.
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Geraldine Wang

Reverend John W. Wauters
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Catherine White

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David and Betsy Wice

Judith Ann Wicks

William Samuel Wilkinsky

Catharine Ewell Williams

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D.L. Wormley

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Henrietta Tower Wurts
Memorial Trust

Paul Yeakel

Mark M. Zandi

Cheryl Anne Bettigole and
Adam Zeff

Francesca Ann Zelnick

Harry Louis Zelnick

Stephen J. Kaufman and
Sydelle Zove

** Deceased*

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1260 Housing Development
Corporation

Amalgamated Abstract Company of
Pennsylvania, Inc.

Brophy & Reilly LLC

Bucks County Housing Group

Columbus Property Management

Commons & Commons LLP

Community Design Collaborative
of AIA Philadelphia

Community Development Financial
Institutions Fund

Cooke & Bieler, Inc.

Customized Energy Solutions Ltd.

E & R Homes, Inc.

Fourth Street Access LP

Frontiers International
Philadelphia Club

Funding Exchange Endowment

Funding Exchange Pooled Fund

The Grail

Hispanic Association of Contractors
& Enterprises

International Brotherhood of
Electrical Workers

Interfaith Housing Development
Corp.

Johns Hopkins University

Kaplan & Associates, Inc.

Keystone Insurance Co.

Koehler-Kheel Realty LLC

LaSalle University

The McLean Contributionship

Metropolitan Career Center

New Jersey Housing and Mortgage
Finance Agency

New Society Publishers

Northeast American Construction

Opportunity Finance Network

Page Mark Communications

Paine Webber

The Partnership CDC

Pennsylvania Community
Development Bank

Pennsylvania Department of
Community and Economic
Development

The Philadelphia Chapter of the
American Institute of Architects

The Philadelphia Contributionship

Philadelphia Parent Child Center

Philadelphia War Tax Resistance/
War Resisters League

Philadelphia Workforce Development
Corporation

The Pyramid Development Group

Regional Council of Neighborhood
Organizations

Rotary Club of Swarthmore

Safeguard Scientifics, Inc.

St. Joseph's University

S.M. Jenkins & Co.

Union Benevolent Association

The University of Pennsylvania

Verizon

V. Lamar Wilson Associates, Inc.

Walnut Thompson LP

Westrum Urban Opportunity, LP

William M. Mercer, Inc.

W.S. Cumby and Son, Inc.

RELIGIOUS INSTITUTIONS

African Episcopal Church of Saint Thomas
All Hallows Church
Arch Street United Methodist Church
Ascension Health
Atlantic-Midwest Province of the School Sisters of Notre Dame
Augustinians
Bensalem Presbyterian Church
Beth David Reform Congregation
Brandywine Deanery, Episcopal Diocese of PA
Bryn Mawr Presbyterian Church Foundation
Bucks Deanery
Calvary Church of Germantown
Cathedral Church of the Saviour
Catholic Health Initiatives
Central Philadelphia Monthly Meeting
Christ Church and Saint Michael's
Christ Church in Philadelphia
Christian Brothers of Frederick, Inc.
Church of St. Asaph
Church of St. Luke and the Epiphany
Church of St. Martin-in-the-Fields
Church of the Good Samaritan
Church of the Holy Apostles
Church of the Holy Trinity, Rittenhouse Square
Church of the Messiah
Church of the Redeemer
Church Without Walls
Congregation Kol Emet
Congregation of the Mission of St. Vincent DePaul in Germantown
Congregation of the Sisters of Charity of the Incarnate Word
Congregation of the Sisters, Servants of the Immaculate Heart of Mary
Corporation for the Relief of the Widows & Children
Corporation of Roman Catholic Clergymen
Daughters of Our Lady of Mercy
Dominican Sisters
Episcopal Diocese of Pennsylvania
Episcopal Urban Caucus
First Presbyterian Church in Germantown
First United Methodist Church of Germantown
Germantown Jewish Centre
Grace Episcopal Church
Grey Nuns of the Sacred Heart
Haddonfield Friends Meeting
Holy Innocents St. Paul's Church
Holy Redeemer Health Systems, Inc.
IHM Congregation Charitable Trust
Jewish Employment & Vocational Service
Lutheran Theological Seminary
Medical Mission Sisters
Mennonite Mutual Aid Community Development Investment, Inc.
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Missionary Servants of The Most Blessed Trinity
Monthly Meeting Friends of Philadelphia
North and Southampton Reformed Church
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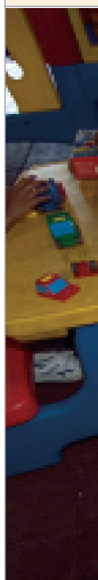
Pennypack Deanery
Presbyterian Church of Chestnut Hill
Presbytery of Philadelphia
Religious of the Assumption North American Province
St. Andrew's Episcopal Church (West Vincent)
St. Andrew's Episcopal Church (Yardley)
St. Christopher's Church
St. David's (Radnor) Episcopal Church
St. Francis-in-the-Fields Episcopal Church
St. Isaac Jogues of Valley Forge
St. James Cemetery
St. James Episcopal Church, Langhorne
St. James Episcopal Church of Kingsessing
St. John's Episcopal Church
St. Luke's Episcopal Church, Germantown
St. Luke's Episcopal Church, Newtown
St. Mary's Church at the Cathedral
St. Mary's Episcopal Church Altar Guild
St. Mary's Medical Center
St. Paul's Episcopal Church
St. Peter's Church in the Great Valley
St. Peter's Church of Philadelphia Endowment Fund
St. Philip's Church
Sisters of Charity of Saint Elizabeth
Sisters of Mercy of the Americas
Sisters of St. Francis of Philadelphia
Sisters of St. Joseph
Sisters of the Blessed Sacrament for Indians and Colored People
Sisters of the Holy Redeemer, Inc.
Society of the Holy Child Jesus
Solebury Monthly Meeting
Southeastern PA Synod of the Lutheran Church
Swarthmore Friends Meeting
Trinity Episcopal Church, Solebury
Trinity Episcopal Church, Swarthmore
Trinity Health
Trinity Memorial Episcopal Church
Trinity Presbyterian Church
TZEDEC Economic Development Fund of The Shefa Fund
Unitarian Society of Germantown
Unitarian Universalist Association of Congregations
VAAD: Board of Rabbis of Greater Philadelphia



The impact of investing with TRF: better schools, improved neighborhoods, a healthier environment.

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718 Arch Street, Suite 300 North
Philadelphia, PA 19106-1591
tel: 215-574-5800

1120 North Charles Street
Baltimore, MD 21201
tel: 410-637-8268

1025 Connecticut Avenue, NW, Suite 900
Washington, DC 20036
tel: 202-223-3361

email: info@trfund.com
web: www.trfund.com