Capital at the point of impact.

Resilience

The Reinvestment Fund 2009 Annual Report

As of the publication of this report our nation is still in a recession. This will turn out to be the longest recession of the post World War II period and one of the deepest, with unemployment rates climbing towards double digits.

What has this meant for The Reinvestment Fund?

"We can never lose sight of the fact that the greatest impact of the downturn is in the communities where we lend."

The economic downturn has had an impact on every aspect of our work. We have had to pay close attention to liquidity (the availability of cash), asset management (the quality of our loan portfolio), and our capital base. While we continue to be strong in those areas, we are more challenged in each area than a year ago.

For the first time in many years, our lending activity declined in terms of total capital loaned out. This did not happen because of the lack of credit-worthy projects but because our supply of money was more restricted, creating limits to our allocation of new project financing. In this annual report, you will find examples of high impact projects such as charter schools and supermarkets that have thrived through TRF financing.

Our loan portfolio continues to perform well although there has been an increase in residential real estate impairment. Like any good asset manager we have responded to this deterioration by conservatively reserving against potential losses and directing our attention to projects that require restructuring.

As loan originations declined and our loan loss reserve requirements increased, there has been a slight deterioration in our equity base. But we continue to boast a very strong capital ratio; two to three times stronger than a solid bank. We are dedicated to managing our finances with long-term sustainability in mind, and we will continue to make appropriate management decisions as circumstances dictate. As our investors and partners, you can count on transparency and decisiveness in all that we do.

While the volume of both our lending and our real estate development activity (through our affiliate TRF Development Partners) is slower than we had hoped, there has been increased demand for our ability to provide policy solutions and information services. TRF's analytical skills and our proprietary data platform (policymap.com) are delivering strategic advice and actionable solutions to municipalities and state governments across the nation. We are providing data-based decision-making tools that can help during these difficult times.

Our policy reputation has even reached the White House. The White House Office of Urban Affairs visited a supermarket we financed on the first stop in their National Conversation on the Future of America's Cities and Metropolitan Areas. We hosted a town hall meeting that also featured two Cabinet Secretaries (Agriculture and Commerce) and one Undersecretary (Housing and Urban Development). Moreover, I was honored to be one of twenty people from around the country invited to the White House for a one-day policy summit on cities and regions.

We can never lose sight of the fact that the greatest impact of the downturn is in the communities where we lend. Over the past ten years, we warned of the escalating impact of foreclosures through irresponsible lending. We published report after report on the subject, tracing the growth of high-priced subprime loans and the unwillingness of public and private regulators to address the long-term consequences of these products.

Unfortunately, we were more right than we could ever imagine.

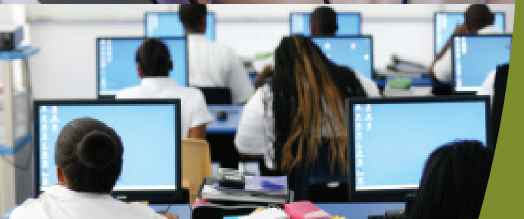
We remain dedicated to serving those communities that have been hit so hard by the economic crisis. This is no time to be discouraged. We will continue to make development credit available and we will continue to use our analytical advantage to leverage private capital, as well as resources from the public sector. Where we are able to demonstrate accomplishments that can inform national policy, – as with our Fresh Food Financing Initiative – we will not be shy about promoting our work.

Just as importantly, we will continue to call it as we see it as it relates to the pressing policy issues that affect all of our communities. This has not always been the most popular thing to do. But it is more important than ever that an organization like TRF use its experience and judgment to demand something better than the destructive use of capital.

One result of this crisis will be a reappraisal of what constitutes sustainable economic growth. As the housing price bubble burst, the financial system began to unravel. And as the unraveling occurred, the weakness of our regulatory and consumer protection system became apparent.

Today we search for a new social contract between public regulation and economic markets; between consumer protection and product innovation; and between the past (what we earn) and the future (how we invest). TRF's success in delivering public value through private capital gives us an opportunity to play a role in this emerging dialogue. We owe it to you, our investors, our partners, and most of all the customers and communities we serve, to speak out and carry on.

Jeremy Nowak
President & CEO



Breaking the Code to Success in Public Education

Only 18% of Philadelphia public school students who enter first grade graduate from college – a staggering trend as noted by Scott Gordon, CEO of Mastery Charter Schools in his testimony on high school reform and competitiveness to a U.S. House Committee last spring. In the face of such a challenge, Mastery and some other high-performing Charter Management Organizations (CMO) seem to have broken the code on effecting change in failing urban schools.

In 2006, the School District of Philadelphia invited Mastery to convert the failing Shoemaker Middle School to a charter school, its third in the city. Keeping existing students, Mastery created an achievement-focused culture, insisting on high expectations and strong support to help students succeed. Additionally, it upgraded and repaired the facility with financing from TRF. In just two years, Mastery closed the achievement gap between the low-income minority students at Shoemaker and their statewide peers.

Committed to helping successful CMO schools replicate their models, TRF has also financed each of the Mastery Schools, Uncommon School's North Star Academy in Newark, NJ and Knowledge Is Power Program (KIPP) schools in Washington, DC.

Improving Access to Affordable Fresh Foods

As the only remaining supermarket in Gettysburg, Kennie's Market was determined to serve the growing needs of the local community without moving outside the city. But its facility was small, outdated and in need of replacement. For a store large enough to accommodate the needs of the community, Kennie's would have to purchase several adjacent properties and build a new store on those lots. However, to do so was cost prohibitive.

Kennie's turned to TRF for help figuring how to take on such development in its downtown location. With financing from the Pennsylvania Fresh Food Financing Initiative, Kennie's was able to lower costs associated with the construction and attract an additional $6 million in private capital for the project. Kennie's opened a new 32,000 square foot facility and parking garage, doubling employees to 100 and extending its selection of local produce considerably. Since then, this family- and employee-owned supermarket has seen total sales double, with produce sales, in particular, growing three-fold.

Our Results

FOR FY
2009*

Our community investments have totaled $82.7 million, including $79.4 million in loans and investments and $3.3 million in grants.

THESE INVESTMENTS RESULTED IN:

- **1,257 homes**
- **796,033 square feet of commercial** space
- **11 charter schools** serving **3,532 students**
- **2 child care facilities** serving **101 children**
- **60 businesses** and **3,670 jobs**
- **629,332 MWh of energy** conserved or created, enough to power 67,400 homes for a year

SINCE INCEPTION
1985*

Our community investments have totaled $865.6 million, leveraging $2.9 billion in total development capital.

THESE INVESTMENTS RESULTED IN:

- **18,512 homes** through more than **1,300 housing investments totaling $390 million**
- **7.8 million square feet of commercial space** and **505 businesses** from **$153 million** in commercial real estate investments
- **74 supermarkets** across Pennsylvania, with **4,854 jobs** and over 1.5 million square feet of fresh food retail
- **57 charter schools** serving **27,447 students** from **$178 million** in facility financing
- **52 child care facilities** serving **9,725 children** from **$15.5** million in investments
- **2.51 million MWh of energy** conserved or created, enough to power 268,800 homes for a year

(as of 6/30/09)

TRF Financing Transactions Closed in Fiscal Year 2009:

$82.7 Million in 123 Transactions

Housing

$17,628,904
Total: 38 Transactions

Abundant Life CDC
Allentown Center Square Housing Partnership, LP
Arbor Place Phase III, LP
ARC of Atlantic County , Inc. *
Beulah Community Improvement Corporation *
Bookbindery Associates
Camden Lutheran Housing, Inc.
Cerebral Palsy of North Jersey, Inc.
Collaborative Support Programs of New Jersey, Inc.
Connections CSP
Cramer Hill CDC
Declarations, Inc.
Dix Street Corridor Senior Housing, LP
Gloucester Senior Housing Campus, LP ✪
Homes for All, Inc. *
Impact Services Corporation
JSDD, Inc.
Marcella's House, LP
Mt. Lebanon CDC
Pennrose Service Company *
Salt and Light Company, Inc. *
SEED Corp *
SERV Properties and Mgt, Inc. *
SP-V Green Properties, LLC
Wellington Ridge Housing Partnership II, LP

Community Facilities

$26,669,360
Total: 27 Transactions

Center for Student Learning Charter School at Pennsbury ✪
City Neighbors Charter School, Inc. ✪
Common Market Philadelphia, Inc.
Experiential Environmental Education, Inc./
The Green School of Baltimore
Friends of Academy Charter High School, Inc./Academy Charter High School, Inc. *
Latin American Bilingual Montessori Public Charter School, Inc. *✪
The Learning Community Charter High School, Inc. *
LIIF Investment Fund I, LLC/North Star Academy Charter School of Newark, Inc.
Mayfield Scholastic LTC/The Green School of Baltimore & Afya Baltimore, Inc. *✪
Mental Health Association of Southeastern Pennsylvania
Moonstone, Inc.
Paul Robeson Charter School for the Humanities
The Prestige Academy Foundation, LLC/ Prestige Academy, Inc. *
Pride Academy Charter School
Programs Employing People
S. Lowan Pitts Day Care Center of Whatcoat United Methodist Church, Inc.
Vision of Hope Community Development Corporation/ Marion P. Thomas Charter School, Inc.

Commercial Real Estate

$35,684,088
Total: 45 Transactions

Bill's Market
Bloss Holiday Market
Boyer's Food Markets *✪
Brighter Hope LP *
The Button Whole Market
Chester Co-Op
Community Design Collaborative
Covington Country Market
Eagle Supermarket
The Food Trust
The Fresh Grocer *
Gerrity's Supermarkets
Heritage Fresh Food
Johnstown BiLo Foods
Landis Better Markets
Lock Haven Organics
Mosaic Development Partners
Polly's ShurSave Market
Radnor Property Group *
Redevelopment Authority of the City of Butler
Riccardo's Market
Safran Bros
SolarWorks NJ
Teres Holdings
Weavers Way
Windber BiLo Foods
Wyoming Foods

Private Equity

$575,500
Total: 6 Transactions

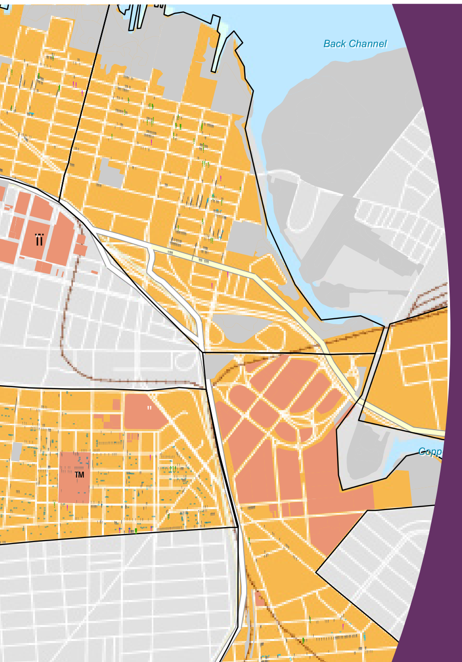
FlagZone, LLC
Ricochet Manufacturing Company, Inc. *
Sun and Earth, Inc. *

Energy

$2,124,808
Total: 7 Transactions

✪ Denotes transactions in TRF's financing business lines that include an energy component.

* Multiple Transactions



Providing Actionable Solutions through Data and Analyses

Early this year, the Obama administration authorized a second round of Neighborhood Stabilization Program (NSP) funds, offering grants to states and local communities to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of neighborhood housing values.

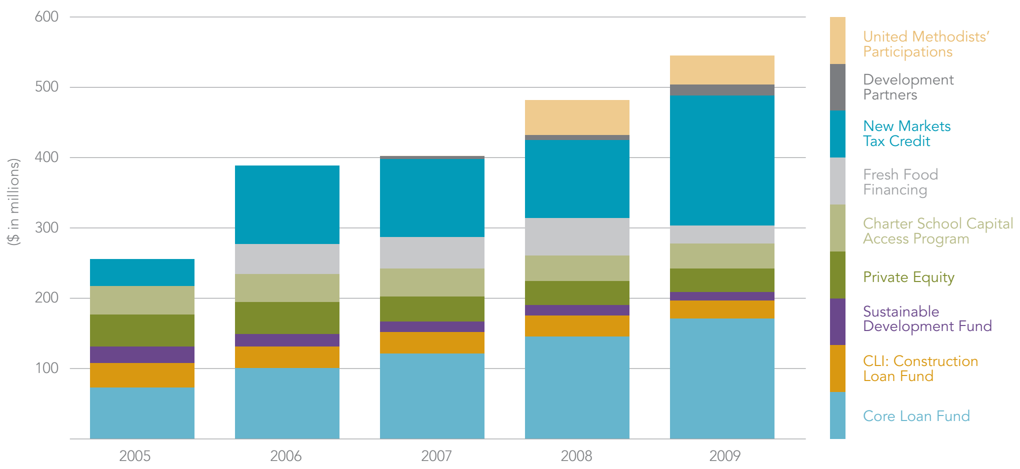
As with the first round, TRF's PolicyMap provided applicants with an effective tool to quickly understand HUD's key indicators. PolicyMap mapped HUD's data, allowing applicants to easily visualize a place and determine eligibility for NSP funds. TRF also offered applicants customized assistance and more fine-grained data analyses to better target foreclosure intervention resources. This included using comprehensive market data to identify those areas where state policy objectives could be supported with NSP-eligible activities.

Pennsylvania and New Jersey turned to TRF for analytical expertise with their first round NSP plans. In addition to helping these states identify high priority need and investment areas, TRF also helped them make the analyses available to their counties seeking to distribute those funds within local communities. Together these two state governments received roughly $110 million of the $3.97 billion of first round NSP resources.

Financial Summary

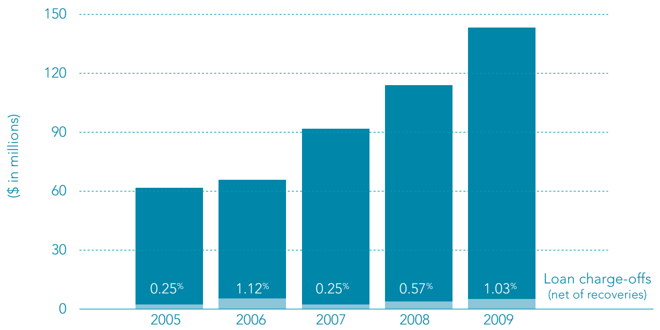
The following are selected financial highlights from the past year. A complete Audit Report for fiscal 2009 and listing of TRF's financial investors and supporters can be found on our website at www.trfund.com/AR2009.

Capital Under Management



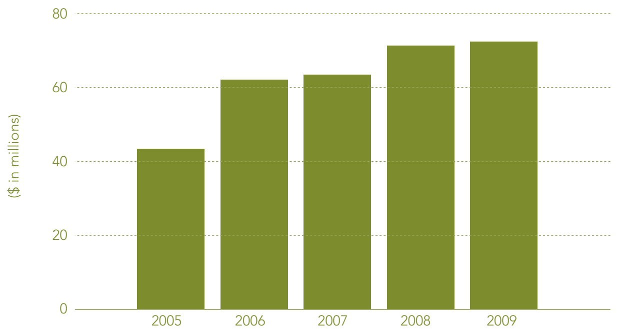
Total capital under management increased by 13% to $545 million. Components of the growth include a $75 million New Markets Tax Credit allocation from the U.S. Department of Treasury's CDFI Fund, $7 million in investments from foundations and civic investors, and $8 million in support of our real estate development efforts. $20 million in new bank credit facilities was offset by a reduction in credit availability on maturing syndicated bank loan facilities and loan participation facilities.

Loans and Leases Outstanding



Loans & leases outstanding increased by almost $30 million (26%) in 2009 over 2008, driven by closings of $78.8 million and by recent years' longer term loans, particularly for charter schools and supermarkets. We had significant increases in most program areas partially offset by a slight decline in housing receivables. Net loan charge-offs totaled $1.5 million or 1.03% of total outstanding, below the average for U.S banks. Two-thirds of TRF charge-offs were offset by dedicated grant funds raised for such purposes.

Consolidated Net Assets



Total consolidated net assets increased by $1 million to $73 million. Significant activity impacting net assets included the conversion of a loan to an equity investment by the William Penn Foundation in support of TRF's financing activities, recognition of additional grants from PA DCED in support of our PA Fresh Food Financing Initiative, partially offset by costs associated with TRF's start-up businesses as well as a significant prudent increase in our provision for loan losses.

FINANCIAL REVIEW HIGHLIGHTS
As of June 30

(dollars in thousands)	2009	2008	2007	2006	2005
FINANCIAL POSITION DATA					
Total assets	234,177	194,358	179,886	156,133	114,008
Loans and leases receivable	143,334	113,829	91,646	65,842	61,672
Allowance for loan and lease losses	9,039	5,692	4,580	3,292	3,083
Investments in marketable securities	22,471	33,340	37,319	35,467	28,350
Program investments	326	389	948	1,365	802
Investments in limited partnerships	1,806	2,048	2,568	3,176	4,853
Private equity investments *	6,940	7,708	11,140	11,179	-
Loans payable	149,711	107,363	95,520	67,585	58,617
Net assets (excluding SDF)					
Unrestricted	8,289	11,649	9,943	9,860	10,640
Temporarily restricted	25,179	20,551	15,488	18,005	5,790
Permanently restricted	27,771	27,467	22,757	16,748	6,944
	61,239	59,667	48,188	44,613	23,374
Sustainable Development Fund (SDF) net assets					
Unrestricted - contractually limited as to use	10,179	10,108	10,777	11,322	11,178
Temporarily restricted - contractually limited as to use	1,130	1,727	4,685	6,254	8,917
	11,309	11,835	15,462	17,576	20,095
Total consolidated net assets	72,548	71,502	63,650	62,189	43,469

Years ended June 30

(dollars in thousands)	2009	2008	2007	2006	2005
ACTIVITIES DATA					
Net interest income (including loan and lease fees)	5,957	6,704	6,407	5,169	3,368
Provision for loan and lease losses	3,888	1,217	1,521	948	390
Asset management fees	927	873	690	689	1,501
Grants and contributions	11,557	19,057	8,174	27,073	8,828
Program services and fees and Other income	2,479	2,077	2,764	1,443	3,103
Change in net assets					
Total, excluding The Sustainable Development Fund	1,572	11,479	3,575	21,238	7,212
Sustainable Development Fund	(526)	(3,628)	(2,114)	(2,518)	(3,933)
Change in consolidated net assets	1,046	7,851	1,461	18,720	3,279
OTHER DATA					
Capital under management	544,928	481,692	402,617	388,737	255,380
Allowance for loan and lease losses					
as a % of total loans and leases	6.3%	5.0%	5.0%	5.0%	5.0%
Net loan loss (recovery) ratio **	1.03%	0.57%	0.25%	1.12%	0.25%
Capital adequacy ratio, excluding SDF***	28%	33%	29%	32%	25%
Self-sufficiency ratio – financing programs excluding SDF****	99%	94%	97%	95%	91%

** TRF Urban Growth Partners, L.P. is included in the consolidated results of TRF and Affiliates effective for fiscal 2006 and later.*
*** Fiscal 2009 includes $930 thousand and fiscal 2008 includes $547 thousand of charge-offs supported by dedicated grants funds.*
**** Capital adequacy ratio is calculated as net assets as a percentage of total assets.*
***** Self-sufficiency ratio is calculated as the sum of net interest income, loan fees, asset management fees and grant revenue designated for lending as a percentage of financing programs and related management and general expenses.*

TRF BOARD OF DIRECTORS

TRF MANAGEMENT

Jeremy Nowak [1]
President and Chief Executive Officer

Suzanne Aloi
Controller

Margaret Berger Bradley [1]
Director, Communications and Investor Development

C. Sean Closkey
President, TRF Development Partners

Michael M. Crist [1]
Executive Vice President and Chief Financial Officer

Peggy Downs
Manager, Credit Administration

Lori Glass
Director, Washington DC & Government Relations

Ira Goldstein
Director, Policy and Information Services

Donald R. Hinkle-Brown [1]
President, Lending and Community Investments

Maggie B. McCullough
Director, PolicyMap

Patricia Muraresku
Director, Human Resource Services

John Page
Chief Technology Officer

Robert Sanders
Managing Director, Energy Finance

Patricia Smith
Director of Special Initiatives

Sara Vernon Sterman
Managing Director, Community Facility Finance

Nancy Wagner-Hislip
Managing Director, Housing Finance

[1] *Corporate Officer*

Capital at the point of impact.

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

1120 North Charles Street
Suite 102
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

TRF's Audit Report and a complete listing of boards, committees, investors and supporters are available online. Please visit www.trfund.com/AR2009.

Printed on 15% post-consumer fiber paper with environmentally friendly inks.