



**President's Report**  
September 2009

During the second quarter of 2009, more signs appeared that indicated that the U.S. recession was bottoming out. However, there is still much uncertainty over the speed, strength and duration of the economic recovery. While new business opportunities remained low for CDT in this very challenging environment, our existing debt and equity portfolios continued to perform well. CDT's financial performance for the second quarter of 2009 remained steady with Operating Funds From Operations (Operating FFO) at \$0.21 per share versus \$0.16 per share in the second quarter of 2008. In particular, our equity portfolio continued to perform better than expected due to improved occupancy and lower utility and turnover expenses.

As we enter the second half of 2009, the performance of the existing portfolios will continue to be a major factor in our overall financial performance. While the first two quarters of 2009 resulted in solid performance, we remain cautious as the economic environment remains uncertain. We will continue to place emphasis on closely monitoring our existing debt and equity portfolios and proactively address issues on investments, before they become problematic.

Market participants continue to be cautiously optimistic that affordable housing construction will begin to increase in the last half of the year. Two of the federal government programs provided for in the stimulus package that are expected to boost LIHTC investment activity are the Tax Credit Exchange Program (Exchange) and the Tax Credit Assistance Program (TCAP). These programs issued their implementation guidance in May and require the funds to be committed by specific deadlines. Hopefully, this will generate a corresponding increase in demand for debt financing to facilitate the closing of these LIHTC transactions. Our strong balance sheet and liquidity position will put us in a very advantageous position to compete for these opportunities.

We look forward to updating you again next quarter on our progress.

Sincerely,

Joseph F. Reilly  
President & CEO

**New Investment: San Gabriel Senior Village**



In September 2009, CDT purchased a \$3,270,000 first mortgage on San Gabriel Senior Village. This property is a newly constructed, 100-unit, age-restricted affordable housing community for seniors located in Georgetown, Texas. San Gabriel Senior Village consists of three, two-story buildings, including a community clubroom with a kitchen area and computer room. Additional project amenities include a pool, a community garden and a beauty salon. The property has a mix of one and two bedroom units available for tenants who meet the 30% or 60% AMI requirement.

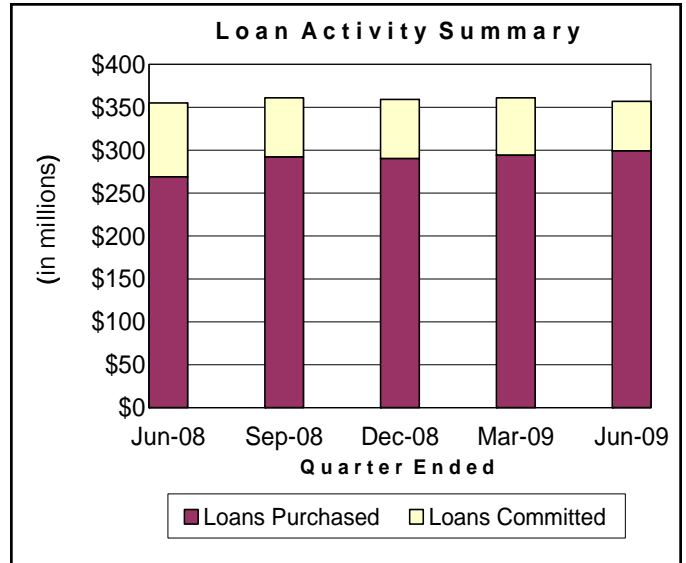
San Gabriel Senior Village was developed by Denison Development and Construction (DDC), founded in 1997 by Colby Denison. The property is managed by UAH Property Management in Texas.

In addition to the permanent financing provided to JPMorgan Chase Bank, CDT's originator, the project received LIHTC equity in the amount of \$7,582,919. The tax credits were originally syndicated by MMA Financial.

**Debt Program Update**

The reduction in available LIHTC equity depressed new construction activity in the first half of 2009. However, we have seen an increase in activity related to transactions using the TCAP and Exchange programs. This increase is consistent with projections made at this year’s NCSHA Tax Credit conference in June 2009. At that conference, several industry leaders projected that investment and lending activity will likely be substantially higher in the second half of 2009 compared to the first two quarters. The following is a summary of CDT’s second quarter activity:

- We closed \$7.6 million in new loans. This represents the conversion of existing forward commitments to permanent mortgages. Through mid-September, we have funded \$22 million in loans. We project to convert a total of \$30 million by year-end 2009.
- Commitment activity totaled \$2.9 million in the second quarter. Our current inquiry pipeline, including individual loan requests and potential portfolio purchases, is close to \$60 million.
- As of June 30, 2009, we had outstanding loan commitments totaling \$58.0 million.

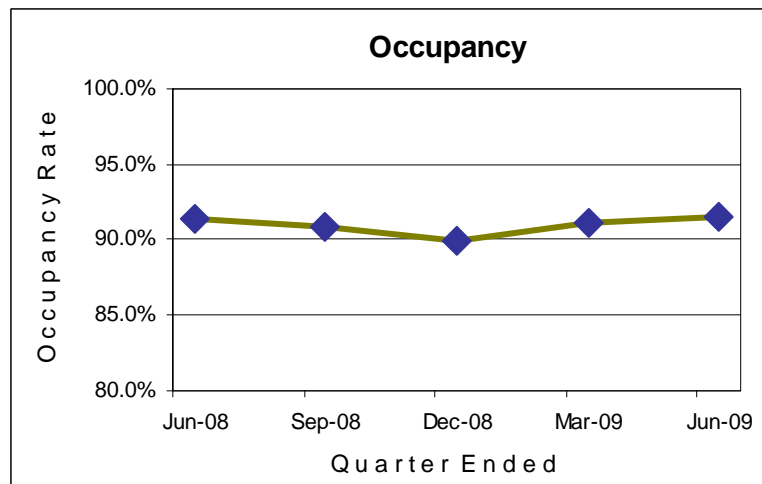


**PORTFOLIO PERFORMANCE**

**Equity Portfolio:**

CDT’s equity portfolio continues to perform well. Highlights of the second quarter are as follows:

- Same Unit Occupancy for the second quarter of 2009, of 91.5%, was basically unchanged at 91.4% as compared to the same quarter a year ago.
- Same Unit Monthly Rental Income for the second quarter of 2009 increased 1.9% compared to the same quarter a year ago.
- Same Unit Quarterly Operating Expenses for the second quarter of 2009 increased 3.8% compared to the same quarter a year ago.
- Same Unit Quarterly Net Operating Income for the second quarter of 2009 was 2.0% lower than the same quarter a year ago.





**Preserving America's  
Communities**

*CDT is the country's only private real estate investment trust with a public purpose. Working with local and national partners, our organization makes long-term equity investments in affordable communities and serves as a secondary market provider for low-income multifamily mortgages. After ten years of operations, CDT has invested or committed more than \$724 million in debt and equity capital to properties in 39 states and regions—helping to preserve or add approximately 28,000 units to the nation's affordable housing stock.*

**THE COMMUNITY DEVELOPMENT TRUST, INC.  
FINANCIAL SUMMARY - SECOND QUARTER 2009**

UNAUDITED

(in thousands, except per share data)

**Balance Sheet**

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 15,031	\$ 33,510
Restricted cash	1,268	1,228
Investments	12,280	-
Real estate, including investments in joint ventures	37,332	38,661
Subordinate mortgage loans, net	28,286	27,438
Senior mortgage loan participations	5,550	6,686
Mortgage loans, net	7,397	6,750
Loan participations	4,000	4,000
Other assets	1,282	855
Total Assets	<u>\$ 112,426</u>	<u>\$ 119,128</u>
<b>Liabilities and Equity</b>		
Mortgages payable	\$ 7,659	\$ 7,803
Secured revolving credit facilities	7,500	10,000
Other liabilities	6,164	7,659
Total Liabilities	<u>21,323</u>	<u>25,462</u>
Company stockholders' equity	91,145	93,664
Noncontrolling interest	(42)	2
Total equity	<u>91,103</u>	<u>93,666</u>
Total Liabilities and Equity	<u>\$ 112,426</u>	<u>\$ 119,128</u>

**Income Statement**

	<b>For the quarter ended</b>			
	<b>June 30, 2009</b>		<b>June 30, 2008</b>	
	<u>Amount</u>	<u>Per share</u>	<u>Amount</u>	<u>Per share</u>
Total revenues	\$ 2,779		\$ 10,650	
Total expenses	2,343		6,112	
Consolidated net income	\$ 436		\$ 4,538	
Net income applicable to noncontrolling interests	28		57	
Preferred stock dividend	(680)		(680)	
Net income (loss) applicable to common stock	\$ (272)	\$ (0.05)	\$ 3,801	\$ 0.69
Add back property depreciation	1,297		1,035	
Subtract gain on sale of investment	-		(6,909)	
Other GAAP adjustments, net	109		153	
Funds from operations	\$ 1,134	\$ 0.21	\$ (1,920)	\$ (0.35)
Add impairment loss	-		1,988	
Add provision for loan loss	-		800	
Operating funds from operations	<u>\$ 1,134</u>	<u>\$ 0.21</u>	<u>\$ 868</u>	<u>\$ 0.16</u>
Common dividends paid				
	<u>\$ 794</u>	<u>\$ 0.15</u>	<u>\$ 984</u>	<u>\$ 0.18</u>
Weighted average number of shares				
outstanding - Basic		<u>5,300</u>		<u>5,474</u>

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