

ABOUT THE AFL-CIO BUILDING INVESTMENT TRUST

The AFL-CIO Building Investment Trust (BIT) is a \$2.552 billion pooled real estate fund serving pension plans with union beneficiaries. The mission of the Trust is to provide competitive risk-adjusted returns for its participants through its investments in institutional quality commercial real estate while promoting economic development for communities across the country and creating union jobs for America's working men and women.

The BIT is managed by a bank Trustee, PNC Bank, National Association (PNC Bank), located in Pittsburgh, Pennsylvania. PNC Bank is wholly owned by The PNC Financial Services Group, Inc. PNC Realty Investors, Inc., located in Washington, D.C., provides investment advisory services to the BIT. The AFL-CIO Investment Trust Corporation in Washington, D.C., provides non-fiduciary services that include marketing, labor relations and investor relations services.



CELEBRATING TWENTY YEARS OF SUCCESS

Since its founding in 1988, the AFL-CIO Building Investment Trust (BIT) has worked to be the investment vehicle of choice for Taft-Hartley and public employee pension plans seeking to invest in real estate. For plans considering an investment in this important asset class, the BIT offers a valuable opportunity to diversify their portfolios, minimize risk and enhance returns through investments in commercial real estate. The BIT's principal objective in making real estate investments is to obtain reasonable income and long-term capital appreciation while protecting investors' capital and providing retirement security for union members. The BIT also seeks to create union jobs and to help build communities where working families live. These goals will continue to guide the BIT into its third decade of service to its investors and the American labor movement.

THE BIT AT A GLANCE

at December 31, 2008

Net Asset Value	\$2,552 million	3-Year Rolling Gross Return	6.53%
1-Year Gross Return	(9.23)%	Number of Participants	166
1-Year Net Return	(10.10)%	Number of Properties	93



CORNERSTONE OFFICE PARK II, PLANTATION, FL (2003)

The BIT's investment in this \$32 million office building near Ft. Lauderdale helped spur local community development efforts. The successful implementation of BIT labor policies brought good union jobs to an area where unions are seeking to increase market share. The BIT also has an equity interest in other properties in the office park.

BIT MILESTONES



Creation of the BIT was unanimously endorsed by the AFL-CIO Executive Council in February 1987.

photo courtesy of the George Meany Memorial Archives

1988 First investment: Holiday Inn, Taos, NM



Holiday Inn, Taos, NM

1991 First participating interest: Aqua Chem, Milwaukee, WI



Aqua Chem, Milwaukee, WI

1992 First biotechnology investment: Four Biotech, Worcester, MA

1993 First equity investment: Veteran Affairs Office Building, St. Louis

1995 First project in Southern region: Jacksonville (FL) Hilton



Jacksonville (FL) Hilton

Message from the AFL-CIO President



Twenty years ago, the AFL-CIO launched the AFL-CIO Building Investment Trust to provide union pension plans a prudent means to invest in commercial real estate while also achieving the important secondary objectives of promoting economic development and union jobs. On this 20th anniversary, we can proudly state that the BIT has more than lived up to the high standards originally set for it by the AFL-CIO.

The BIT has tangibly improved the lives of working men and women by investing pension funds in their communities, generating good union jobs and building retirement security. Since inception, through December 31, 2008, the BIT produced a total annualized gross return of 8.42 percent through investments of over \$4.3 billion in real estate projects across the country. These investments have generated an estimated 54 million hours of employment for members of the building and construction trades unions and countless jobs in related industries. In addition, the BIT's labor policies generate thousands of permanent union jobs in the maintenance, service and operation of the properties in which the BIT has an ownership interest. In 2008, that translated into jobs for members of 16 international unions under 266 collective bargaining agreements with service contractors.

Today our country faces its worst economic crisis in 80 years, with too many hard-working families losing their jobs, their homes and their hope for a secure retirement. This crisis underscores the importance of labor-supported institutions like the BIT. Through its sound real estate investments and industry-leading labor policies, the BIT is generating employment for union members at family-supporting wages with health, welfare and pension benefits. It is creating these jobs without deviating from its primary responsibility of investing union pension capital wisely and well.

With its 20-year record of providing financial security to union members and retirees, the BIT remains a unique resource for the American labor movement and one that deserves our continued support.

John J. Sweeney

- **1999** Highest rating from AFL-CIO Executive Council's review of worker friendly funds
- **2000** Assets top \$1 billion
- **2002** Number of participants exceeds 100
- **2003** \$400 million National Apartment Initiative (NAI) launched
- **2004** Assets pass \$2 billion mark
- **2005** BIT completes repositioning to primarily equity real estate investment
- **2007** Record year for new participant
- **2008** BIT observes 20th anniversary July 1



Most comprehensive union labor policies in the U.S. investment industry



Opal at Kew Gardens, Queens, NY: first NAI project



Cumulative union jobs generated by BIT investments exceed 27,000 in 2007



Ballard Park, Seattle, WA: 2007 equity investment



GALLERY PLACE, WASHINGTON, DC (2000)

The BIT used its expertise to put together a public-private equity group to help finance the landmark \$260 million Gallery Place project in Washington, DC. Designed as a key element in the city's downtown revitalization strategy, the 1.1 million-square-foot complex is situated on a prime urban development site and has helped attract retail, office, entertainment and residential growth in the area.

HARNESSING THE POWER AND POTENTIAL OF UNION CAPITAL

The AFL-CIO marked an important milestone for union pension beneficiaries 20 years ago when it endorsed the establishment of the AFL-CIO Building Investment Trust (BIT) as a means of giving union pension plans a vehicle for the prudent investment of pension funds in a diversified real estate portfolio. By offering Taft-Hartley and public employee pension plans an attractive option for investment in commercial real estate, the BIT generated greater economic power for working men and women and successfully expanded the scope of the AFL-CIO Investment Program beyond its original focus on housing.

Today, the BIT is a premier real estate investment fund for Taft-Hartley and public sector pension plans, with a record of competitive risk-adjusted returns and job-generating investment activity. The BIT's solid performance, sound management and prudent investment strategy have enhanced the retirement security of tens of thousands of union members over the past two decades. Its strong track record has attracted a growing number of investors, with net assets of over \$2.5 billion in 2008. As a result, the BIT has been recognized as a significant source of capital for commercial real estate and job-generating economic development.



"I am proud to say that our union's pension fund was one of the first to invest with the AFL-CIO Building Investment Trust. The well-managed program and competitive returns of the BIT have been helping to build retirement security for our members for 20 years."

Frank Hurt, International President
Bakery, Confectionery, Tobacco Workers and Grain Millers International Union

SERVING THE MEN AND WOMEN OF THE UNION MOVEMENT

As a major player in real estate finance, the BIT has worked for two decades to advance important social and economic goals of the labor movement. The BIT has implemented one of the investment industry's most comprehensive labor policies, resulting in the creation of thousands of jobs offering family-supporting union wages and benefits in the construction industry as well as in property maintenance and operations.

The BIT also helps strengthen the vitality of America's urban centers where union families live and work through innovative investment initiatives that produce housing, spur economic growth and generate union job opportunities after the construction work is finished.

EXPANDING CAPACITY TO MEET THE NEEDS OF UNION PENSION BENEFICIARIES

In two decades of operation, the BIT has far exceeded its founders' expectations, proving itself to be a prudent means for union pension plans to diversify their portfolios through real estate investments. Through its steady management and disciplined approach to investment, the BIT has consistently provided participants with a high degree of security and competitive risk-adjusted returns.

The BIT has focused primarily on supply-constrained urban markets and credit tenants to build a high-quality real estate portfolio. The portfolio itself has evolved to meet the changing investment needs of pension plans and their union member beneficiaries.

Initially focused on real estate debt, the BIT helped pension plans avoid the risks of direct real estate investments by investing in a mix of property types and geographic areas. As the portfolio matured during the 1990s, the BIT added real estate equity holdings, giving it flexibility to invest in debt or equity instruments depending upon market conditions. Then as its assets passed the \$1 billion mark in early 2000, the BIT began strategically to increase its equity investments with the goal of enhancing overall returns while balancing risks. Today, with a primarily equity portfolio, the BIT is structured to be an active participant in new development while producing reliable, income-oriented returns from its equity holdings for a growing investor base.



Two Decades of Achievement

Solid long-term performance providing a 7.31% net return over the life of the fund

Growth to over \$2.5 billion in net assets and 166 investors at year-end 2008

Participation in over **\$4.3 billion in real estate investments** nationwide

Development or acquisition of **178 properties**—office, retail, multifamily, hotel, warehouse and mixed-use


Generation of an estimated **54 million hours of employment** for members of the building and construction trades

Creation of thousands of **permanent union jobs** in the service, maintenance and operation of BIT-owned properties



SHOREHAM, CHICAGO, IL (2003)

The BIT took advantage of a unique urban development opportunity by providing equity capital for a \$113 million Class A apartment complex to be built on a prime site in downtown Chicago. The project was part of the first phase of a master plan development known as Lakeshore East. With a \$70.0 million commitment for 14 additional land parcels on the site, the BIT gained the right of first look for financing future multifamily development. The BIT made a commitment of \$40 million to a joint venture equity interest in the Shoreham.



ONE RIVER TERRACE NEW YORK, NY (2006)

The BIT has a \$74 million investment in this \$430 million high-rise apartment development in New York's Battery Park City. The project boasts a Gold LEED certification, making it one of New York's greenest condominium buildings. Construction of One River Terrace has generated more than 2,300 union jobs.

THE TIDES CHICAGO, IL (2005)

The Tides was the second BIT investment at Chicago's Lakeshore East development. The 607-unit, Class A, high-rise apartment complex includes 4,849 square feet of retail space and boasts a prime downtown location where Lake Michigan meets the Chicago River.





HUDSON CROSSING, NEW YORK, NY (2001)

The BIT helped put together the financing for the first high-rise residential building to break ground in Manhattan after the 9/11 tragedy. The BIT made a \$25 million equity investment in this \$75 million apartment development in West-Midtown Manhattan. The project was the BIT's first investment in connection with the AFL-CIO Investment Program's New York City Community Investment Initiative, under which the BIT to date has invested in properties valued at \$920 million to promote economic activity and jobs.



GTECH OFFICE BUILDING, GREENWICH, RI (1989)

The BIT spearheaded an innovative partnership between labor, business and state and local government to develop this \$10 million project that generated employment for local union members while helping promote the state's larger economic development efforts.



FOUR BIOTECH, WORCESTER, MA (1992)

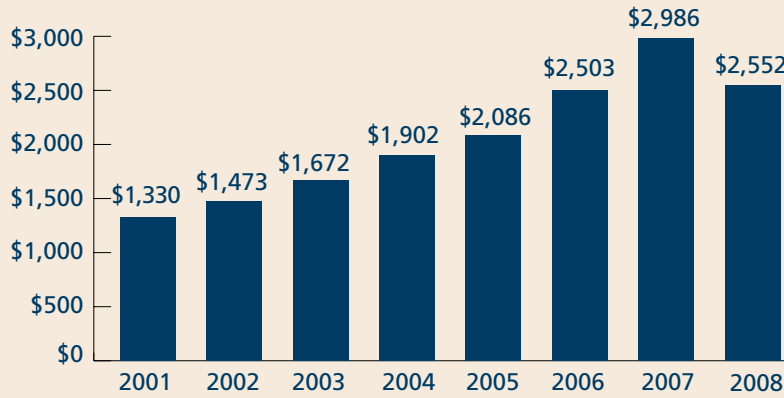
The BIT helped spur development and jobs during an economic downturn in Massachusetts by providing construction and long-term financing for this 93,000 square-foot biotech building in Worcester. The \$14.1 million project provided an important stimulus to New England's biotechnology industry. The investment generated jobs for members of the local building and construction trades, which were suffering from a depressed construction industry.



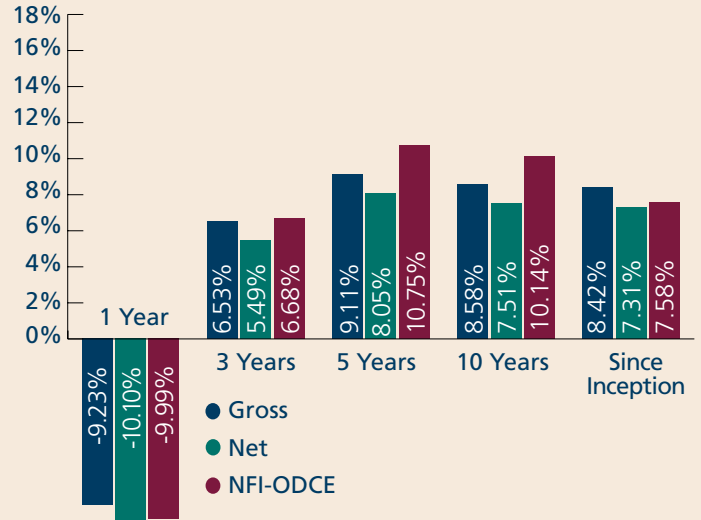
"BAC pension plans have been entrusting pension capital to the AFL-CIO Building Investment Trust for 20 years. We are pleased that the BIT continues to seek prudent investments that put pension funds to work generating good jobs for our members."

John J. Flynn, President
International Union of Bricklayers and Allied Craftworkers

TOTAL NET ASSETS as of December 31 (\$ in millions)



RETURNS SUMMARY as of December 31, 2008



The Year in Review

In 2008, commercial real estate markets faced challenging conditions as the national and global economies dramatically slowed. For the full year 2008, the BIT reported gross and net returns of -9.23% and -10.10%, respectively. These returns are indicative of market conditions and compare to the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open End Diversified Core Equity (NFI-ODCE) gross and net Index returns of -9.99% and -10.70%, respectively, for the same periods. These returns represent a dramatic reversal of the 16% average total returns generated by the BIT and the NFI-ODCE Index during the three year period from 2005 to 2007.



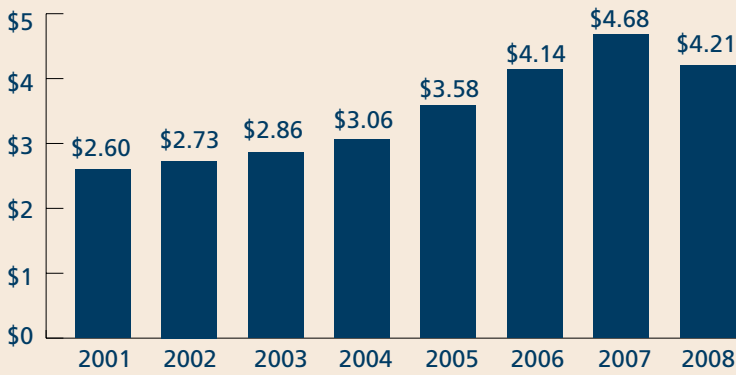
The BIT puts union pension capital to work generating thousands of permanent union jobs in the maintenance, service and operation of properties in which the BIT has an ownership interest.

The 2008 commercial real estate market was characterized by a significant contraction in available credit, which led to a pronounced liquidity crisis, heightened investor uncertainty, anemic transaction volumes, and the near complete evaporation of the securitization market. At the same time, the national and global recessions adversely impacted commercial real estate tenants further weakening property fundamentals.

A 14.20% decline in the BIT’s portfolio net asset value was partially offset by a solid 5.56% income return for 2008. As of year end, the BIT portfolio was well diversified among major property sectors and geographic regions, with commercial occupancy at 91% and multifamily occupancy at 93%, both above the national average.

Market challenges will continue into 2009. The availability and cost of credit combined with the lack of a viable securitization vehicle will continue to put upward pressure on debt and equity returns requirements and negatively impact asset values. Further, as the global recession accelerates, demand fundamentals will weaken and lead to a reduction in demand from all space users. With vacancy levels rising in virtually all markets and sectors, rental rates will come under increasing pressure as space users become more cautious and cost conscious.

UNIT VALUE As of December 31 (\$ in thousands)



The BIT will continue to be affected by forces impacting industry fundamentals and capital markets. Important objectives for 2009 will be retaining existing tenants and leasing vacant space, while carefully controlling operating and capital expenditures. As of year-end 2008, portfolio leverage remained modest at 28% and the BIT faced manageable third party debt maturities in 2009 and 2010. The average loan-to-value ratio for three loans maturing in 2009 is 32%, which should make refinancing readily achievable.

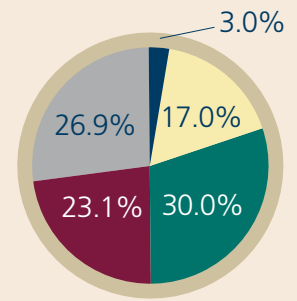
It will take some time for the U.S. and global economies to recover and for the capital markets to stabilize. When commercial real estate values do stabilize, we believe significant investment opportunities will likely present themselves for well-positioned, long-term institutional investors like the BIT.



The BIT made an investment in the Battery Wharf project in Boston, generating over 1,500 union construction jobs.

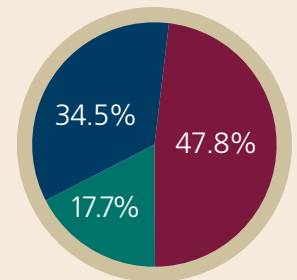
PORTFOLIO DIVERSIFICATION (at December 31, 2008)
Net asset value, excluding cash

PROPERTY TYPE



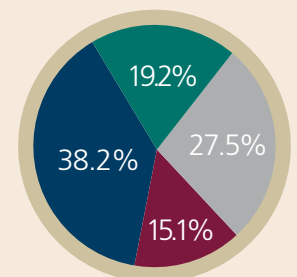
- Multifamily
- Office
- Retail
- Industrial
- Hotel

PROPERTY SIZE



- <\$20 MM
- >\$50 MM
- \$20 MM-\$50 MM

REGIONAL



- South
- East
- Midwest
- West

EXPERIENCED LEADERSHIP, SOUND MANAGEMENT

PNC Bank, National Association is the trustee for the BIT. With roots in commercial banking going back more than 150 years, PNC is today one of the nation's largest financial services companies with assets of \$291 billion as of December 31, 2008, and a diversified business mix that includes retail and corporate banking, wealth and asset management, and global processing businesses.

Investment advisory services for the BIT are provided by **PNC Realty Investors, Inc.**, whose leadership team has a long association with the BIT. PRI uses its knowledge of real estate to build a portfolio of diversified, well-leased and well-located assets, positioning the BIT for further growth and competitive performance going forward.

The professional staff of the **AFL-CIO Investment Trust Corporation** continues to provide marketing, investor relations and labor relations services for the BIT. The ITC serves the BIT in a non-fiduciary capacity with a focus on raising new capital, managing investor communications, and providing the market's only full time labor relations division, a valuable aid to the Trustee in implementing the strongest labor policies in the industry.

AFL-CIO BUILDING INVESTMENT TRUST CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007,
AND INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report

To PNC Bank, National Association,
as Trustee for, and the Participants of the
AFL-CIO Building Investment Trust
Baltimore, Maryland

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We have audited the consolidated statements of net assets, including the schedules of investments, of the AFL CIO Building Investment Trust (the "Trust") as of December 31, 2008 and 2007, and the related consolidated statements of operations and changes in net assets, cash flows, and financial highlights for the years then ended. These consolidated financial statements and financial highlights are the responsibility of the Trustee. Our responsibility is to express an opinion on these consolidated financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements and financial highlights present fairly, in all material respects, the financial position of the Trust as of December 31, 2008 and 2007, and the results of its operations, its cash flows, changes in its net assets, and financial highlights for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Real estate and related investments, including the net partnership equity interests in joint ventures, are stated at fair value at December 31, 2008 and 2007, as discussed in Note 2 to the consolidated financial statements. Real estate investments fair value are determined in accordance with the policies and procedures of the Appraisal Standards Board and the Appraisal Foundation or readily available market data or by using a discounted cash flow methodology. Determination of fair value involves subjective judgment because the actual market value of real estate can be determined only by negotiation between the parties in a sales transaction and the difference could be material.

Deloitte & Touche LLP

March 20, 2009

CONSOLIDATED STATEMENTS OF NET ASSETS

AS OF DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS:		
Real estate investments — at fair value (Note 2):		
Direct equity investments (cost of \$1,447,406,526 and \$1,410,314,178 in 2008 and 2007, respectively)	\$ 1,533,015,174	\$ 1,693,433,440
Joint venture equity investments and related notes receivable (cost of \$964,685,460 and \$889,522,921 in 2008 and 2007, respectively)	972,847,385	1,146,925,703
Mortgage loans receivable — net (cost of \$193,959,395 and \$257,841,567 in 2008 and 2007, respectively)	197,567,954	271,653,382
Total real estate and related investments — at fair value	2,703,430,513	3,112,012,525
Cash and cash equivalents	61,937,890	144,214,075
Accrued interest receivable	14,226,425	23,043,631
Other assets	26,098,293	34,640,230
Total assets	2,805,693,121	3,313,910,461
LIABILITIES:		
Line of credit	80,000,000	
Mortgage and other notes payable	150,763,389	302,630,867
Accounts payable and accrued expenses	12,719,436	14,448,544
Total liabilities	243,482,825	317,079,411
MINORITY INTEREST	10,185,057	11,159,548
NET ASSETS	\$ 2,552,025,239	\$ 2,985,671,502
NUMBER OF UNITS OUTSTANDING	606,293	637,642
VALUE PER UNIT OUTSTANDING	\$ 4,209	\$ 4,682

See notes to consolidated financial statements.

SCHEDULE OF INVESTMENTS

AS OF DECEMBER 31, 2008

Property Name	Ownership	City	State	Sq. Ft./Units (Unaudited)	Cost Basis	Market Value
OFFICE INVESTMENTS:						
Bixby Land Company JV	EJV	Seal Beach	CA	1,119,754	\$ 140,143,841	\$ 47,809,848
Cedar Hill I & III	DE	Vienna	VA	102,686	33,208,798	28,100,000
Century Park II	DE	San Diego	CA	198,306	25,976,379	43,895,000
Chamber Building	EJV	San Diego	CA	179,778	18,096,907	18,527,494
Columbia Office	DE	Columbia	MD	138,158	21,208,182	15,789,000
Fair Lakes	DE	Fairfax	VA	309,757	76,396,369	85,800,000
Four Woodfield Lakes	DE	Schaumburg	IL	106,382	19,447,929	17,500,000
Fremont Office	EJV	San Francisco	CA	402,529	127,127,582	116,127,574
Marin Executive Center	DE	San Rafael	CA	141,917	32,808,528	39,200,000
One Tower Bridge	EJV	West Conshohocken	PA	269,226	32,604,632	45,791,599
Plantation One	DE	Plantation	FL	170,152	50,422,244	50,531,000
Plantation Two	DE	Plantation	FL	109,659	20,394,175	31,950,000
Plantation Park	EJV	Plantation	FL	26 acres	1,686,016	8,195,509
Sawgrass Corporate Centre I	DE	Sunrise	FL	90,970	23,269,847	19,810,000
Sawgrass Corporate Centre III	DE	Sunrise	FL	98,926	25,366,617	17,862,000
Sawgrass International Place	DE	Sunrise	FL	93,780	23,724,656	20,805,000
Sawgrass Plaza	DE	Sunrise	FL	60,584	15,319,796	12,419,000
Technology Centre	EJV	North Brunswick	NJ	274,693	27,633,787	31,632,997
Town Center I & II	DE	Woodlands	TX	280,395	42,614,797	59,369,000
Washington Building	NR	Los Angeles	CA	97,081	10,431,665	9,980,796
Total office investments					767,882,747	721,095,817
MULTIFAMILY INVESTMENTS:						
91 Sidney Street	EJV	Cambridge	MA	135 units	11,617,027	16,196,598
Ballard Park	EJV	Seattle	WA	268 units	30,692,517	31,879,939
Battery Wharf	DE	Boston	MA	104 units	178,244,885	169,223,950
Cultural Trust	DE	Pittsburgh	PA	151 units	33,740,787	32,600,000
Curling Club	DE	Hoboken	NJ	240 units	79,551,439	96,000,000
Lakeshore East Land Sites	NR	Chicago	IL	28 acres	41,792,603	42,829,269
North Shore	NR	Pittsburgh	PA	232 units	19,450,000	28,986,323
One River Terrace	NR	New York	NY	264 units	74,000,000	74,000,000
Opal at Kew Gardens	EJV	Queens	NY	388 units	32,482,290	36,873,049
Ovaltine Courts	NR	Villa Park	IL	344 units	2,645,403	2,645,403
Ovaltine Courts	EJV	Villa Park	IL	344 units	14,249,191	18,544,358
Park Meadows	EJV	Littleton	CO	518 units	21,328,164	34,476,504
Park Towers II	EJV	Atlanta	GA	300 units	15,765,923	16,947,173
Queens Family Courthouse	EJV	Queens	NY	345 units	39,516,340	42,194,981
Shoreham	EJV	Chicago	IL	548 units	16,740,503	34,661,957
St. Tropez	DE	Plantation	FL	376 units	61,711,320	74,587,000
Tides	EJV	Chicago	IL	607 units	22,510,000	28,382,010
Village Green at Cantera	EJV	Warrenville	IL	343 units	7,144,029	19,031,340
Village of Lemont	NR	Lemont	IL	83 units	27,639,724	20,986,163
Villas at Katy Trails	DE	Dallas	TX	252 units	35,268,776	28,350,000
Unearned Commitments					(64,340)	(64,340)
Total multifamily investments					766,026,581	849,331,677

(Continued)

SCHEDULE OF INVESTMENTS

AS OF DECEMBER 31, 2008

Property Name	Ownership	City	State	Sq. Ft./Units (Unaudited)	Cost Basis	Market Value
INDUSTRIAL INVESTMENTS:						
Albrecht Drive	DE	Lake Bluff	IL	256,431	\$ 16,204,756	\$ 13,906,000
Boldt Park	EJV	Romeoville	IL	55 acres	5,940,175	9,936,906
Carlisle Industrial	DE	Carlisle	PA	1,226,525	65,609,007	69,500,000
DuPage Distribution Center	DE	Addison	IL	453,361	23,186,659	19,110,000
Etiwanda Distribution Center	DE	Ontario	CA	302,020	13,469,132	21,662,000
Fountain Lakes	DE	St. Charles	MO	852,523	38,731,141	36,100,000
Fremont Distribution Center	DE	Fremont	CA	494,202	40,447,962	38,200,000
LakeView Distribution	DE	Pleasant Prairie	WI	534,384	22,352,651	24,864,560
Metro West	DE	Plymouth	MI	258,000	21,764,429	15,100,000
National Archives	DE	Philadelphia	PA	300,000	18,625,211	22,000,000
ProLogis Properties	EJV	Indianapolis	IN	4,111,557	73,357,297	98,713,093
Renton Commerce Center	DE	Seattle	WA	114,307	14,195,876	14,708,000
Valley Distribution	DE	Renton	WA	480,820	24,703,080	38,307,000
Weingarten Properties	EJV	Richmond	VA	4,067,689	168,307,135	156,786,373
Wilsonville Business Center	DE	Portland	OR	530,002	41,814,256	39,597,000
Total industrial investments					588,708,767	618,490,932
RETAIL INVESTMENTS:						
Gallery Place	EJV	Washington	DC	478,728	273,692	16,334,190
Gateway Shopping Center	DE	Brea	CA	181,854	45,553,605	57,822,665
Hacienda Crossing	DE	Dublin	CA	262,285	69,090,358	79,044,000
Oak Park Commons	DE	South Plainfield	NJ	136,694	40,960,825	38,240,000
Prairie Point Shopping Center	DE	Aurora	IL	91,535	12,914,021	18,200,000
Ritchie Station	EJV	Capitol Heights	MD	996,433	36,541,002	37,904,349
Riverhead Center	DE	Riverhead	NY	395,158	69,872,298	73,500,000
Village at Bedminster	DE	Bedminster	NJ	109,800	40,369,087	36,683,000
Weingarten Retail	EJV	Dallas	TX	715,408	120,991,750	105,963,883
Woodinville Plaza	DE	Woodinville	WA	170,823	28,866,648	32,680,000
Total retail investments					465,433,286	496,372,087
HOTEL INVESTMENTS:						
Jacksonville Crowne Plaza	NR	Jacksonville	FL	292 units	18,000,000	18,140,000
Total hotel investments					18,000,000	18,140,000
TOTAL REAL ESTATE INVESTMENTS					\$ 2,606,051,381	\$ 2,703,430,513

DE — Direct Equity

EJV — Equity Joint Venture

NR — Mortgage Loans Receivable

See notes to consolidated financial statements.

(Concluded)

SCHEDULE OF INVESTMENTS

AS OF DECEMBER 31, 2007

Property Name	Ownership	City	State	Sq. Ft./Units (Unaudited)	Cost Basis	Market Value
OFFICE INVESTMENTS:						
15th & L Street	EJV	Washington	DC	174,536	\$ 96,849,312	\$ 149,169,749
Bixby Land Company JV	EJV	Seal Beach	CA	1,119,754	136,495,827	136,495,827
Cedar Hill I & III	DE	Vienna	VA	102,686	33,153,703	33,153,703
Century Park II	DE	San Diego	CA	198,306	25,407,149	57,074,618
Chamber Building	EJV	San Diego	CA	179,778	18,096,907	18,427,500
Columbia Office	DE	Columbia	MD	138,158	20,980,465	20,980,465
Fair Lakes	DE	Fairfax	VA	309,757	76,396,368	92,000,000
Four Woodfield Lakes	DE	Schaumburg	IL	106,382	19,423,929	18,900,000
Fremont Office	EJV	San Francisco	CA	402,529	5,000,000	5,000,000
Marin Executive Center	DE	San Rafael	CA	141,917	32,689,439	44,000,000
One Tower Bridge	EJV	West Conshohocken	PA	269,226	32,604,632	44,791,186
Plantation One	DE	Plantation	FL	170,152	50,182,674	59,500,000
Plantation Two	DE	Plantation	FL	109,659	20,394,175	35,300,000
Plantation Park	EJV	Plantation	FL	26 acres	1,303,244	7,674,784
Sawgrass Corporate Centre I	DE	Sunrise	FL	90,970	23,065,851	23,065,851
Sawgrass Corporate Centre III	DE	Sunrise	FL	98,926	25,028,430	25,028,430
Sawgrass International Place	DE	Sunrise	FL	93,780	23,719,979	23,719,979
Sawgrass Plaza	DE	Sunrise	FL	60,584	15,315,691	15,315,691
Technology Centre	EJV	North Brunswick	NJ	274,693	27,633,787	31,527,283
Town Center I & II	DE	Woodlands	TX	280,395	41,660,704	65,287,964
Washington Building	NR	Los Angeles	CA	97,081	12,768,220	12,768,220
Total office investments					738,170,486	919,181,250
MULTIFAMILY INVESTMENTS:						
91 Sidney Street	EJV	Cambridge	MA	135 units	11,617,027	16,213,028
Ballard Park	EJV	Seattle	WA	268 units	3,590,814	3,590,814
Battery Wharf	DE	Boston	MA	104 units	170,001,870	170,004,319
Cultural Trust	NR	Pittsburgh	PA	151 units	30,700,000	29,088,230
Curling Club	DE	Hoboken	NJ	240 units	79,167,262	106,000,000
Lakeshore East Land Sites	NR	Chicago	IL	28 acres	42,723,978	44,415,500
North Shore	NR	Pittsburgh	PA	232 units	19,450,000	30,311,353
One River Terrace	NR	New York	NY	264 units	74,000,000	74,000,000
Opal at Kew Gardens	EJV	Queens	NY	388 units	32,482,290	49,848,809
Ovaltine Courts	NR	Villa Park	IL	344 units	2,917,632	2,917,632
Ovaltine Courts	EJV	Villa Park	IL	344 units	14,249,191	22,808,525
Park Meadows	EJV	Littleton	CO	518 units	21,328,164	36,534,511
Park Towers II	EJV	Atlanta	GA	300 units	15,765,923	26,230,719
Queens Family Courthouse	EJV	Queens	NY	345 units	27,989,251	29,126,155
Shoreham	EJV	Chicago	IL	548 units	16,740,503	39,916,222
St. Tropez	DE	Plantation	FL	376 units	60,461,403	88,500,000
Tides	EJV	Chicago	IL	607 units	22,510,000	25,942,430
Village Green at Cantera	EJV	Warrenville	IL	343 units	7,144,029	19,112,970
Village of Lemont	NR	Lemont	IL	83 units	19,132,446	19,132,446
Villas at Katy Trails	DE	Dallas	TX	252 units	35,197,923	35,000,000
Westside Commons	NR	Philadelphia	PA	282 units	38,149,291	40,410,000
Unearned Commitments					(64,339)	(64,339)
Total multifamily investments					745,254,658	909,039,324

(Continued)

SCHEDULE OF INVESTMENTS

AS OF DECEMBER 31, 2007

Property Name	Ownership	City	State	Sq. Ft./Units (Unaudited)	Cost Basis	Value
INDUSTRIAL INVESTMENTS:						
Albrecht Drive	DE	Lake Bluff	IL	256,431	\$ 16,204,756	\$ 19,000,000
Boldt Park	EJV	Romeoville	IL	55 acres	5,587,293	10,051,956
Carlisle Industrial	DE	Carlisle	PA	1,226,525	65,609,007	78,700,000
City Commerce Park	DE	Seattle	WA	179,413	12,120,262	16,619,077
DuPage Distribution Center	DE	Addison	IL	453,361	22,977,540	21,676,251
Etiwanda Distribution Center	DE	Ontario	CA	302,020	13,457,032	23,500,000
Fountain Lakes	DE	St. Charles	MO	852,523	37,932,505	37,100,000
Fremont Distribution Center	DE	Fremont	CA	494,202	39,809,397	41,400,000
LakeView Distribution	DE	Pleasant Prairie	WI	534,384	21,949,481	27,200,000
Metro West	DE	Plymouth	MI	258,000	21,764,429	16,000,000
National Archives	DE	Philadelphia	PA	300,000	18,625,211	24,900,000
ProLogis Properties	EJV	Indianapolis	IN	4,314,961	75,319,747	115,890,339
Renton Commerce Center	DE	Seattle	WA	114,307	13,920,549	16,000,000
Valley Distribution	DE	Renton	WA	480,820	24,703,080	40,900,000
Weingarten Properties	EJV	Richmond	VA	4,067,689	168,307,135	179,554,968
Wilsonville Business Center	DE	Portland	OR	530,002	41,304,254	42,000,000
Total industrial investments					599,591,678	710,492,591
RETAIL INVESTMENTS:						
Gallery Place	EJV	Washington	DC	478,728	273,692	29,396,705
Gateway Shopping Center	DE	Brea	CA	181,854	46,543,668	61,607,093
Hacienda Crossing	DE	Dublin	CA	262,285	69,005,626	93,000,000
Oak Park Commons	DE	South Plainfield	NJ	136,694	40,936,674	43,000,000
Prairie Point Shopping Center	DE	Aurora	IL	91,535	12,877,984	18,500,000
Ritchie Station	EJV	Capitol Heights	MD	996,433	27,706,741	27,706,741
Riverhead Center	DE	Riverhead	NY	395,158	69,869,763	82,000,000
Village at Bedminster	DE	Bedminster	NJ	109,800	39,908,166	40,000,000
Weingarten Retail	EJV	Dallas	TX	715,408	120,991,751	121,978,821
Woodinville Plaza	DE	Woodinville	WA	170,823	28,547,779	37,500,000
Total retail investments					456,661,844	554,689,360
HOTEL INVESTMENTS						
Jacksonville Crowne Plaza	NR	Jacksonville	FL	292 units	18,000,000	18,610,000
Total hotel investments					18,000,000	18,610,000
TOTAL REAL ESTATE INVESTMENTS					\$ 2,557,678,666	\$ 3,112,012,525

DE — Direct Equity

EJV — Equity Joint Venture

NR — Mortgage Loans Receivable

See notes to consolidated financial statements.

(Concluded)

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
INVESTMENT INCOME:		
Income from direct equity investments in real estate, net of minority interest	\$ 76,538,792	\$ 78,452,509
Income from mortgage loans receivable	25,656,788	44,517,097
Equity in income from joint venture equities	58,788,784	39,613,098
Income from short-term investments	1,954,778	6,430,152
Other	143,745	267,041
Total investment income	163,082,887	169,279,897
EXPENSES:		
Trustee fees	27,400,829	26,668,596
Operating expenses	2,745,950	1,938,633
Total expenses	30,146,779	28,607,229
NET INVESTMENT INCOME	132,936,108	140,672,668
REALIZED AND UNREALIZED GAIN:		
Net proceeds received from sales and dispositions	281,907,219	264,897,080
Less cost of investments sold and disposed	243,182,550	250,747,788
Realized gain from sales and dispositions	38,724,669	14,149,292
Less previously recorded unrealized gain on sales and dispositions	(59,079,962)	(16,152,922)
Net realized loss recognized from sales and dispositions	(20,355,293)	(2,003,630)
Change in (loss) gain on investments held at year-end	(397,874,766)	200,096,828
NET REALIZED AND UNREALIZED (LOSS) GAIN	(418,230,059)	198,093,198
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	(285,293,951)	338,765,866
NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM PARTICIPANT TRANSACTIONS:		
Proceeds from unit sales	72,594,073	183,540,674
Redemption of units	(220,946,385)	(39,205,218)
Net (decrease) increase in net assets resulting from participant transactions	(148,352,312)	144,335,456
(DECREASE) INCREASE IN NET ASSETS	(433,646,263)	483,101,322
NET ASSETS — Beginning of year	2,985,671,502	2,502,570,180
NET ASSETS — End of year	\$ 2,552,025,239	\$ 2,985,671,502

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) increase in net assets resulting from operations	\$ (285,293,951)	\$ 338,765,866
Adjustments to reconcile (decrease) increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized and unrealized loss (gain)	418,230,059	(198,093,198)
Amortization of deferred financing costs	402,159	558,183
Amortization of notes payable premium	(1,527,852)	(1,527,852)
Minority interest in income (loss) from consolidated joint ventures	(974,490)	678,372
(Decrease) increase in accrued interest receivable	8,817,206	(12,474,966)
(Decrease) increase in other assets	8,389,777	(16,559,239)
(Decrease) increase in accounts payable and accrued expenses	(1,729,108)	1,593,594
Equity investments in real estate	(102,769,967)	(114,285,548)
Equity investments in joint ventures	(180,663,841)	(416,885,237)
Proceeds from real estate investments sold	100,028,645	131,047,273
Proceeds from joint venture investments sold	138,612,494	10,721,715
Return of capital from equity joint venture investments	1,962,450	34,661,500
Investment in mortgage loans receivable	(10,354,984)	(19,273,164)
Repayments of mortgage loans receivable	43,537,156	106,222,342
Net cash provided by (used in) operating activities	136,665,753	(154,850,359)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	160,000,000	
Repayments on line of credit	(80,000,000)	
Payments for deferred financing costs	(250,000)	(582,096)
Proceeds from notes payable	61,354,332	
Principal payments on notes payable	(211,693,958)	(25,500,264)
Proceeds from sales of units to participants	72,594,073	183,540,674
Redemption of participant units	(220,946,385)	(39,205,218)
Net cash (used in) provided by financing activities	(218,941,938)	118,253,096
DECREASE IN CASH AND CASH EQUIVALENTS	(82,276,185)	(36,597,263)
CASH AND CASH EQUIVALENTS — Beginning of year	144,214,075	180,811,338
CASH AND CASH EQUIVALENTS — End of year	\$ 61,937,890	\$ 144,214,075
SUPPLEMENTAL DISCLOSURES:		
Noncash investing activity:		
Increase in notes payable from acquisition of equity investments in real estate (Note 7)	\$ -	\$ 144,592,125
Reclassification of investment from mortgage loan receivable and joint venture to direct equity (Note 7)	\$ (30,700,000)	\$ (57,794,326)
Proceeds from the sale of joint venture property financed by the Trust (Note 7)	\$ -	\$ 18,427,500

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. ORGANIZATION

The AFL CIO Building Investment Trust (the "Trust" or the "BIT") was established as of December 31, 1987. The Trust is a collective trust that provides qualified pension plans the opportunity to invest indirectly in commercial real estate developments and acquisitions located throughout the United States of America. In January 1992, Mercantile Safe Deposit & Trust Company (the "Mercantile") became the trustee for the BIT. Subsequently, effective upon the merger of Mercantile with and into PNC Bank, National Association, a national bank organized under the laws of the United States, on September 14, 2007, PNC Bank, National Association became the trustee to the BIT pursuant to a newly adopted Second Amended and Restated Declaration of Trust dated as of the same date (the "Declaration of Trust"). The Declaration of Trust provides a description of the current trustee fee received by the Trustee in exchange for its management and administration of the Trust. Hereinafter PNC Bank, National Association and Mercantile are referred to collectively and individually as "PNC Bank" or "Trustee."

The AFL CIO Investment Trust Corporation (the "ITC") has been retained by PNC Bank to provide certain services, including marketing and other nonfiduciary services, in connection with the Trust. PNC Bank, at its sole cost and expense, pays to the ITC a fee for its services. The current fees are outlined more specifically in a Trust Services Agreement dated effective as of January 1, 2007. The annual fees paid by PNC Bank to the ITC aggregated approximately \$5,175,000 and \$5,218,000 for the years ended December 31, 2008 and 2007, respectively.

During the years 2007 and 2008, PNC Bank retained one investment advisor, PNC Realty Investors, Inc. (PRI) for the performance of investment advisory and management services in connection with the Trust pursuant to certain investment advisory agreements. PRI is a wholly owned subsidiary of PNC Holding, LLC, which is a wholly owned subsidiary of The PNC Financial Services Group, Inc. During 2007 and 2008, PNC Bank, at its sole cost and expense, paid asset management fees to PRI for its services. The asset management fees paid by PNC Bank from its own assets to PRI aggregated approximately \$16,721,000 and \$16,088,000 for the years ended December 31, 2008 and 2007, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Trust are as follows:

Basis of Accounting — The accompanying consolidated financial statements of the Trust have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). These consolidated financial statements include the financial position and results of operations of the Trust and its majority owned and controlled partnerships. All significant intercompany accounts and transactions among the Trust and its controlled partnerships have been eliminated in consolidation.

Cash and Cash Equivalents — Cash and cash equivalents consist of cash and money market funds. All highly liquid investments with maturities of three months or less are considered to be cash equivalents.

Investment Transactions — Real estate property acquisitions, sales, and dispositions are recorded as of the date of closing. Mortgage loans receivable, capital contributions to joint ventures, and investments in real estate and mortgage backed securities are recorded as of the date funds are advanced. Distributions of income and return of capital from joint ventures and principal repayments of mortgage loans receivable are recorded as of the date funds are received.

Expenditures that extend the economic life of the property or directly relate to revenues of future periods, including tenant improvements and leasing commissions, are capitalized. For properties under development or major expansion, carrying costs related to the development or expansion are capitalized. Capitalized amounts are not depreciated or amortized since appraisals take into account the estimated effect of physical depreciation.

The Trust determines realized gain (loss) by comparing net proceeds from the sale or disposition of investments to the cost of the investments sold. The unrealized gain (loss) previously recorded for these investments is then reversed and reported as realization of unrealized gain (loss) on investments sold or disposed in the consolidated statements of operations and changes in net assets.

Investment Income and Expenses — Income from direct equity investments in real estate represents the net operating income from such investments. Rental income is recognized when due in accordance with the terms of the respective leases, rather than being recorded on a straight line basis over the terms of the leases. Additional rents, which are provided for in individual tenant leases, primarily relate to the reimbursement of certain operating expenses of the real estate properties and rents based on a percentage of the tenants' revenues. The Trust recognizes such reimbursement of expenses by tenants in the period applicable expenses are incurred and percentage rents as revenue upon the tenants' sales exceeding the stipulated breakpoints.

Expenses are recognized when incurred. Premiums or discounts related to the issuance of notes payable are amortized to interest expense over the term of the related note using the straight line method, which does not differ materially from the effective interest method. Costs incurred in connection with obtaining borrowings are deferred and amortized to interest expense over the term of the related debt using the straight line method, which does not differ materially from the effective interest method. Interest expense is included in income from direct equity investments in real estate in the accompanying consolidated statements of operations and changes in net assets.

Interest income from mortgage loans receivable and short term investments is recognized when earned. Mortgage loans receivable are ordinarily placed on nonaccrual status when, in management's opinion, the collection of principal or interest is unlikely, or when the collection of principal or interest is 120 days or more past due. Accrued but uncollectible interest is reversed and netted as a contra account component of income from mortgage loans receivable when the loan is placed on nonaccrual status. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral is sufficient to recover the principal balance and accrued interest. Interest payments received on nonaccrual loans are normally applied to late fees, delinquent interest, contingent interest, and then principal, unless otherwise designated by the loan documents. At December 31, 2008 and 2007, there is no interest related to mortgage loans receivable included in accrued interest receivable in the consolidated balance sheet because of nonaccrual status.

Income from joint venture equity investments represents the Trust's share of joint venture income giving consideration to any preferential return provisions in the joint venture agreements.

Valuation of Real Estate Investments — Real estate investments are recorded at estimated fair value, which is determined in accordance with the policies and procedures of the Appraisal Standards Board and the Appraisal Foundation and readily available market data and or by using a discounted cash flow methodology. Ultimate realization of the fair value is dependent to a great extent on economic and other conditions that are beyond the Trust's control, such as general economic conditions, conditions affecting tenants, and other events occurring in the markets in which individual properties are located. Further, values do not necessarily represent the prices at which the real estate investments would sell since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller.

Because the determination of fair value involves subjective judgments, and given the inherent uncertainty of real estate valuations related to assumptions regarding capitalization rates, discount rates, leasing, and other factors, the estimated fair values reflected in the consolidated financial statements may differ from values that would be determined by negotiation between independent willing parties and an orderly disposition of assets, that is, other than a forced or liquidation sale, the difference in such values could be material.

Fair value considers the financial aspects of a property, market transactions, and the relative yield for an asset as measured against alternative investments. Although the fair values represent subjective estimates, the Trustee believes that these fair values are reasonable approximations of estimated market prices for the Trust's real estate investments.

Direct Equity and Joint Venture Equity Investments — The values of real estate properties and real estate properties held in underlying joint ventures have been prepared giving consideration to the income, cost, and sales comparison approaches of estimating property value. The income approach estimates an income stream for a property (typically 10 years) and discounts this income plus a reversion (presumed sale) into a

present value at a risk adjusted rate. Yield rates and growth assumptions utilized in this approach are derived from market transactions, as well as other financial and industry data. The cost approach estimates the replacement cost of the building, less physical depreciation plus the land value. Generally, this approach provides a check on the value derived using the income approach. The sales comparison approach compares recent transactions to the appraised property. Adjustments are made for dissimilarities, which typically provide a range of value. Generally, the income approach carries the most weight in the value reconciliation.

Investment values are determined annually from limited restricted appraisals, in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), which include less documentation but nevertheless meet the minimum requirements of the Appraisal Standards Board and the Appraisal Foundation and are considered appraisals. In these appraisals, a full discounted cash flow analysis, which is the basis of an income approach, is the primary focus. Interim quarterly valuation adjustments, if necessary, are determined by the Trustee by giving consideration to material events related to the investment or the prevailing market conditions. Full appraisal reports are prepared on a rotating basis for all properties, so each property receives a full appraisal report at least once every three years.

Since appraisals take into consideration the estimated effect of physical depreciation, a more meaningful financial statement presentation is achieved by excluding historical cost depreciation and amortization on real estate related assets from net investment income.

During 2008 and 2007, all appraisals for the Trust were prepared by independent external appraisers. All appraisal reports and appraisal reviews comply with the currently published USPAP, as promulgated by the Appraisal Foundation.

Real estate investments that are expected to be sold are recorded at estimated fair value, less estimated costs to sell. Fair value is generally determined based on sale negotiations, purchase offers received, broker quotes, appraisals, or comparable sales in the market. The Trust had two office and three industrial property valued at \$141.0 million at December 31, 2008, and one office, and one industrial property valued at \$165.8 million at December 31, 2007, that met the criteria above and were included in real estate investments in the consolidated statements of net assets.

The values of properties undergoing development have been prepared giving consideration to key development risk factors, including entitlement risk, construction risk, leasing/sales risk, operating expense risk, credit risk, partnership risk (if applicable), capital market risk, pricing risk, event risk, and valuation risk. The fair value of properties undergoing development includes the timely recognition of estimated entrepreneurial profit after such considerations.

Joint venture equity investments are stated at the Trust's equity in the net assets of the joint ventures, which reflects the estimated fair value of the real estate properties held by the joint venture, net of the outstanding principal balance of any debt, and giving consideration to any applicable preferential return provisions in the applicable joint venture agreement.

Mortgage Loans Receivable — Mortgage loans receivable are carried at fair value as determined quarterly by the Trustee based on independent pricing services. Such loans provide for stated interest rates ranging from 6% to 13% and have maturity dates ranging from 2009 to 2017. In addition to principal and interest payments, certain mortgage loan agreements provide for the Trust to receive a portion of the cash flow generated by the underlying secured investment and a portion of the increase in the appraised value of the underlying collateral between the origination and maturity of the loan. Fair value is estimated by discounting the expected future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, including the value associated with the Trust's participation in operating cash flows and participation in the appreciation of the value of the property collateralizing the note receivable. Estimates of discounted cash flows consider the effect of estimated credit losses and delinquencies, as well as the effect of expected principal prepayments and prepayment penalties. Additionally, the Trustee will adjust these values to reflect any risks associated with the physical nature of the property, market factors, and other performance measurements.

Other Financial Instruments — The carrying values of the Trust's cash and cash equivalents, and other receivables, at December 31, 2008 and 2007, approximate fair value due to the short term nature of these instruments.

Income Taxes — The Internal Revenue Service has ruled that the Trust is a qualified trust as described in Revenue Ruling 81-100 and is exempt from income tax under Section 501(a) of the Internal Revenue Code. Accordingly, no provision for federal or state income tax has been made. If an uncertain income tax position were to be identified, the Trust would account for such in accordance with Financial Accounting Standards Board Statement (SFAS) 5, *Accounting for Contingencies*.

Commitment and Other Fees — The Trust generally receives fees resulting from the origination or restructuring of mortgage loans receivable. Unearned commitment fees, included as a contra account component of mortgage loans receivable in the consolidated statements of net assets, totaled approximately \$64,000 at December 31, 2008 and 2007.

Lease Termination and Mortgage Loan Prepayment Fees — The Trust periodically receives fees from tenants who choose to terminate their lease prior to the end of the lease term and from mortgage loans receivable that are repaid prior to their stated maturity. These fees are recorded as income from direct equity investments and income from mortgage loans receivable. For the years ended December 31, 2008 and 2007, prepayment penalty fees from mortgage loans receivable of \$1,199,899 and \$1,685,330, respectively, are included as income from mortgage loans receivable.

Use of Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of

assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, realized gain (loss), and unrealized gain (loss) during the reporting period. Actual results could differ from those estimates.

The most significant estimates and assumptions for the Trust relate to the valuations of real estate investments.

Minority Interest — Minority interest represents the economic equity interests of the consolidated joint venture equity investments that are not owned by the Trust. The earnings or losses and distributions for the applicable partnerships are allocated based on the minority partner's share of joint venture income giving consideration to any preferential return provisions in the joint venture agreements. Income from direct equity investments in real estate and change in unrealized gain on investments are shown net of the effect of minority interest.

New Accounting Pronouncements — In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS 159, *Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*. SFAS 159 permits companies to measure many financial instruments and certain other items at fair value. SFAS 159 was effective for the Trust on January 1, 2008. Management has elected not to adopt SFAS 159 for its existing liabilities at January 1, 2008.

In December 2007, the FASB issued SFAS 141 (revised 2007), *Business Combinations*. SFAS 141R broadens the guidance of SFAS 141, extending its applicability to all transactions and other events in which one entity obtains control over one or more other businesses. It broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations. SFAS 141R expands on required disclosures to improve the statement users' abilities to evaluate the nature and financial effects of business combinations. SFAS 141R was effective for the Trust on January 1, 2009. Management is still evaluating the impact of the adoption of SFAS 141R on its consolidated financial statements.

In July 2006, the FASB released FASB Interpretation (FIN) 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement 109*. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken in the course of preparing the Trust's tax returns to determine whether tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. FIN 48 was to be effective as of January 1, 2008; however, the Trust elected to defer adoption until January 1, 2009, in accordance with FASB Staff Position (FSP) FIN No. 48-3, *Effective Date of Interpretation No. 48 for Certain Nonpublic Enterprises*. The Trust does not expect the adoption to have a material impact on the Trust's consolidated financial statements.

3. FAIR VALUE MEASUREMENTS

The Trust adopted SFAS 157, *Fair Value Measurements*, which became effective as of January 1, 2008, which defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about investments that are measured and reported at fair value. SFAS 157 establishes a three tier valuation hierarchy to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three levels of the fair value hierarchy under SFAS 157 are described as follows:

- Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that are accessible at the measurement date;
- Level 2 — Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

- Level 3 — Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

In accordance with SFAS 157, in determining the fair value of its real estate investments, the Trust uses appropriate valuation techniques based on available inputs. If market data is not readily available, fair value is based upon other significant unobservable inputs such as inputs that reflect the Trust's own assumptions about the inputs market participants would use in valuing the investment. As required by SFAS 157, investments valued using unobservable inputs are classified to the lowest level of any input that is most significant to the valuation. Thus, a valuation may be classified as Level 3 even though the valuation may include significant inputs that are readily observable.

The valuation of the Trust's investments in real estate are considered Level 2 and Level 3 measurements. The following table presents the changes in the Level 3 fair value category for the year ended December 31, 2008:

YEAR ENDED DECEMBER 31, 2008 INVESTMENTS IN REAL ESTATE

	Level 2	Level 3	Total
Beginning balance — January 1, 2008	\$ 271,653,382	\$ 2,840,359,143	\$ 3,112,012,525
Purchases	10,354,984	283,433,808	293,788,792
Sales and repayments	(74,237,156)	(209,903,589)	(284,140,745)
Net realized and unrealized losses	(10,203,256)	(408,026,803)	(418,230,059)
Ending balance — December 31, 2008	\$ 197,567,954	\$ 2,505,862,559	\$ 2,703,430,513
Net change in unrealized depreciation from investments still held — December 31, 2008	\$ (7,942,547)	\$ (389,932,219)	\$ (397,874,766)

Total net realized and unrealized gains recorded for Level 2 and Level 3 investments in real estate are reported in the statement of operations and changes in net assets.

The Trust makes direct or indirect investments in real estate meeting the Trust's criteria and objectives. In selecting real estate investment, one of the Trust's principal objectives is to generate competitive net adjusted returns by investing in real estate investments that have potential to offer the Trust current cash return, long term capital appreciation or both. The Trust generally invests in real estate through equity investment or provision of financing.

In 2008, global economic growth slowed substantially and the world's financial markets experienced unprecedented volatility and declines in valuations across all asset classes. Revenues and operating cash flows for most businesses are being impacted by this slowdown. Also, the financial industry has experienced significant losses, which has stalled substantially the lending markets, leaving many businesses unable to borrow or limiting leveraged transactions. These restrictions on obtaining available financing,

coupled with the current economic uncertainties and deteriorating financial results, have resulted in a low volume of purchase and sale transactions across all industries, which has limited the amount of observable inputs available to the Trust in estimating the fair value of the Trust's investments. The Trust estimates the fair value of real estate for all investments for which observable market prices in active markets do not exist based on the best information available, which may differ significantly from values that would have been used had a ready market for the investments existed and the differences could be material.

Market conditions may continue to deteriorate, which may negatively impact the estimated fair value of the Trust's investments or the amounts which are ultimately realized for such investments. Economic and market conditions are beyond the control of the Trust and Trustee, and cannot be predicted. The Trust estimates the fair value of its real estate investments based on the best information available. Such estimates may differ significantly from values that would have been used had a ready market for the investments existed and the differences could be material.

4. ADMISSIONS, WITHDRAWALS, AND DISTRIBUTIONS

Unit values are determined at the end of each calendar quarter. Participants are admitted to and withdrawn from the Trust on the basis of the preceding quarterly unit value.

Income earned by the Trust may be retained for reinvestment and added to the unit value or may be distributed to participants at the Trustee's discretion. Since PNC Bank has been retained as trustee for the Trust, no distributions of income have been made to the participants.

In 2008, the Trust was the subject of an examination by the Department of Labor (DOL). The DOL concluded that certain asset management fees paid to third party investment advisors were not authorized by the BIT Declaration of Trust in effect at the time and should be reimbursed to the Trust and its participants. PNC entered into a settlement agreement with the DOL on September 29, 2008, pursuant to which PNC, from its own assets, reimbursed \$5,883,258 in total disputed fees to participants who invested in the Trust during the years 2004 to 2006, the period during which such fees were paid. Those participants who were no longer invested in the Trust received their applicable portion of the reimbursement, plus interest, in the fourth quarter of 2008. For those participants who were still invested in the Trust as of December 31, 2008, their applicable portion of the reimbursement totaling \$5,453,853, plus interest, was converted into additional units in the Trust effective first quarter 2009.

The Trustee currently has received one redemption request in the approximate amount of \$161.8 million and several redemption requests in the aggregate amount of approximately \$322.3 million which, pursuant to current OCC regulations, must be paid in calendar years 2009 and 2010, respectively.

The BIT intends to fund all redemption requests in less than one year, to the extent the BIT determines that cash is available for funding.

Because the Trustee is a nationally chartered bank, it and the BIT are subject to regulation by the Office of the Comptroller of the

Currency (OCC). In the case of a bank collective trust that invests in real estate or other assets that are not readily marketable, the OCC regulations mandate that all redemptions be completed no later than the expiration of a one-year notice period. The Trustee is requesting a clarification of, and potentially a waiver from, the OCC of the one-year redemption requirement. If the Trustee does not obtain relief from the OCC requirement, it would be required to make in-kind distributions of trust assets following the expiration of the one-year notice period in order to satisfy the OCC requirements regarding redemptions.

5. INVESTMENT COMMITMENTS

As of December 31, 2008, the Trust had outstanding commitments to fund approximately \$100,457,000 of real estate investments, which are expected to be funded during 2009 and 2010.

6. RELATED-PARTY TRANSACTIONS

The Trust invests in a money market fund administered by PNC Bank. At December 31, 2008 and 2007, the balance of this investment was approximately \$61,938,000 and \$144,214,000, respectively. Income earned on this investment balance for the years ended December 31, 2008 and 2007, was \$1,955,000 and \$6,430,000, respectively. The related interest receivable was approximately \$52,000 and \$584,000, at December 31, 2008 and 2007, respectively.

Pursuant to the investment advisory agreement with PRI, PNC Bank paid asset management fees to PRI of approximately \$16,721,000 and \$16,088,000 in 2008 and 2007, respectively. The investment advisory agreement with PRI does not allow for, or require, the payment of any incentive or acquisition fees to PRI by PNC Bank or the Trust.

The Trust pays a management fee to the Trustee based on a percentage of the fair value of the real estate assets and commitments of the Trust. The fee is paid quarterly in arrears. The Trust paid management fees to the Trustee totaling approximately \$27,399,000 and \$26,669,000 for the years ended December 31, 2008 and 2007, respectively.

7. REAL ESTATE INVESTMENTS

The Trust's real estate investments at December 31, 2008 and 2007, are as follows (in millions):

	2008		2007	
	Cost	Value	Cost	Value
DIRECT EQUITY INVESTMENTS:				
Office	\$ 410.2	\$ 443.0	\$ 407.4	\$ 513.3
Retail	307.6	336.2	307.7	375.6
Industrial/R&D	341.1	353.0	350.4	405.0
Multifamily	388.5	400.8	344.8	399.5
Total direct equity investments	1,447.4	1,533.0	1,410.3	1,693.4
JOINT VENTURE EQUITY INVESTMENTS AND RELATED NOTES RECEIVABLE:				
Office	347.3	268.1	318.0	393.1
Retail	157.8	160.2	149.0	179.1
Industrial/R&D	247.6	265.4	249.2	305.5
Multifamily	212.0	279.1	173.3	269.2
Total joint venture equity investments and related notes receivable	964.7	972.8	889.5	1,146.9
MORTGAGE LOANS RECEIVABLE:				
Office	10.4	10.0	12.8	12.8
Multifamily	165.5	169.5	227.1	240.3
Hotel	18.0	18.1	18.0	18.6
Total mortgage loans receivable	193.9	197.6	257.9	271.7
Total real estate investments	\$ 2,606.0	\$ 2,703.4	\$ 2,557.7	\$ 3,112.0

The Trust's real estate investment acquisitions and investments in 2008 and 2007 include the following significant investments:

2008 Acquisitions and investments	Type	Month Acquired	Purchase Price (In Millions)
Direct equity:			
Cultural Trust	Multifamily	October	\$ 33.7 (2)
Battery Wharf	Multifamily	(1)	95.5
Mortgage loans receivable:			
Village of Lemont	Multifamily	(1)	8.5
Lakeshore East	Multifamily	(1)	1.8
Joint venture equity:			
Fremont Office	Office	January	122.1
15th & L	Office	(1)	6.7
Ballard Park	Multifamily	(1)	27.1
Bixby Land Co	Office	(1)	3.6
Boldt Park	Industrial	(1)	0.4
Plantation Park	Office	(1)	0.4
Queens Family Courthouse	Multifamily	(1)	11.5
Ritchie Station	Retail	(1)	8.8
Total			\$ 320.1

(1) The property was in the development stage during the year and the purchase price represents development funding during the year.

(2) The Trust acquired one multifamily property valued at approximately \$30.7 million through foreclosure of a mortgage loan receivable.

During 2008, a mortgage loan receivable secured by one multifamily property was paid off, two secured by multifamily properties and one by an office property were paid down totaling approximately \$43.2 million. The Trust realized approximately \$1.1 million in prepayment fees, which were included in income from mortgage loans receivable in the consolidated statement of operations and changes in net assets.

During 2008, the Trust sold one industrial property valued at approximately \$16.7 million and units in a multifamily property valued at approximately \$84.2 million realizing a net gain of

approximately \$3.7 million. The Trust and a joint venture partner sold an office property with an investment value of approximately \$155.9 million. The Trust realized a net gain of approximately \$35.1 million and approximately \$16.5 million of preferred return, which is included in equity in income from joint ventures in the statement of operations and changes in net assets. A portion of the preferred return was previously recorded as an unrealized gain.

During 2008, the Trust received capital returned from a joint venture, which holds industrial properties of approximately \$2.0 million.

2007 Acquisitions and investments	Type	Month Acquired	Purchase Price (In Millions)
Direct equity:			
Columbia Office	Office	February	\$ 20.0 (2)
Cedar Hill	Office	February	32.0 (2)
Sawgrass Corporate Centre I	Office	September	22.9
Sawgrass Corporate Centre III	Office	September	24.9
Sawgrass International Place	Office	September	23.6
Sawgrass Plaza	Office	September	15.2
Mortgage loans receivable:			
Urban Glass	Multifamily	(1)	2.1
Bella Condominiums	Multifamily	(1)	1.0
Battery Wharf	Multifamily	(1)	2.8 (3)
Columbus Avenue	Multifamily	(1)	1.6
Village of Lemont	Multifamily	(1)	11.8
Joint venture equity:			
Weingarten	Industrial	April and May	68.9
Bixby Land Co	Office	May and August	136.5
Queens Family Courthouse	Multifamily	(1)	25.9
Weingarten Retail	Retail	July	121.0
Ritchie Station	Retail	December	27.7
Ballard Park	Multifamily	November	3.6
Fremont Office	Office	December	5.0
15th & L	Office	(1)	27.4
Plantation Park	Office	(1)	1.1
Total			\$ 575.0

(1) The property was in the development stage during the year and the purchase price represents development funding during the year.

(2) During 2007, the Trust acquired two direct equity investments for approximately \$52 million. Debt of approximately \$32.4 million existed at the date of acquisition.

(3) On September 4, 2007, in lieu of foreclosure, the Trust indirectly acquired the managing member's interest in the joint venture and stepped up as a managing partner. As a result of this transaction, the Trust indirectly controls the joint venture, and the consolidated financial statements include the financial position and results of operations of the joint venture as of December 31, 2007, and from the date of the transaction. The investment is reported as a direct equity investment at December 31, 2007. Prior to the acquisition of the partner's interest, the investment was recorded as a participating loan and, during the year 2007, the Trust funded approximately \$2.8 million under the loan agreement. As a result of the consolidation, the Trust recorded a loan payable to a third party of \$112.2 million and increased its basis in the direct investment by the same amount. The Trust also transferred its investment balance of approximately \$51.5 million from mortgage loans receivable and \$6.3 million of accrued interest receivable to direct equity investments.

During 2007, mortgage loans receivable secured by three multifamily and one hotel property were paid off and one secured by one multifamily property was paid down, totaling approximately \$104.7 million. The Trust realized approximately \$1.7 million in prepayment fees during 2007, which are included in income from mortgage loans receivable in the consolidated statement of operations and changes in net assets.

During 2007, the Trust sold one office and one industrial property valued at approximately \$127.6 million realizing a net gain of approximately \$11.5 million. The Trust and a joint venture

partner sold an industrial property with an investment value of approximately \$5.6 million. The Trust realized approximately \$1.3 million preferred return. The Trust and a joint venture partner sold an office property with an investment value of approximately \$26.4 million and provided the financing of \$18.4 million for a term of one year. The Trust realized approximately a \$2.6 million gain.

During 2007, the Trust received capital returned from two joint ventures, which hold a retail property and a multifamily property, respectively, totaling approximately \$34.7 million.

Net operating income from the Trust's direct equity investments, recorded as income from direct equity investments in real estate in the consolidated statements of operations and changes in net assets for the years ended December 31, 2008 and 2007, is composed of the following:

	2008	2007
Income	\$ 125,762,610	\$ 128,238,850
Interest expense	8,850,208	11,899,177
Operating expenses	40,373,610	37,887,164
Net operating income	\$ 76,538,792	\$ 78,452,509

Net realized and unrealized (loss) gain on real estate investments and securities during the years ended December 31, 2008 and 2007, is as follows:

	2008	2007
Direct equity investments	\$ (193,859,588)	\$ 104,648,790
Joint venture equity investments and related notes receivable	(214,167,215)	93,464,392
Mortgage loans receivable	(10,203,256)	(19,984)
Net realized and unrealized (loss) gain	\$ (418,230,059)	\$ 198,093,198

Minimum future rentals scheduled to be received on direct equity investments, excluding joint venture equity investments, under noncancelable operating leases in effect as of December 31, 2008, are as follows:

Years Ending December 31	
2009	\$ 79,367,765
2010	69,275,442
2011	62,853,941
2012	55,189,130
2013	48,389,346
Thereafter	127,074,226
Total	\$ 442,149,850

The Trust is also entitled to additional rents, which are not included above, that are primarily based upon escalations of real estate taxes and operating expenses over base period amounts and rents based on a percentage of tenants' revenues over base amounts. The Trust received approximately \$24,666,000 and \$21,346,000 for the years ended December 31, 2008 and 2007 respectively which is included in the accompanying consolidated statements of operations and changes in net assets.

None of the Trust's tenants represented more than 10% of total income from direct equity investments in real estate for the year ended December 31, 2008.

At December 31, 2008, approximately 39%, 17%, 18%, and 26% of the Trust's real estate investments, net of related mortgage debt, were located in the East, Midwest, South, and West regions of the United States of America, respectively, as defined by the National Council of Real Estate Investment Fiduciaries. At December 31, 2008, approximately 27%, 32%, 17%, 23%, and 1% of the Trust's real estate investments at net equity value consisted of investments in office properties, multifamily properties, retail properties, industrial properties, and hotel properties, respectively.

8. LINE OF CREDIT

In June, 2007, the Trust increased and extended the line of credit from Bank of America to a principal amount up to \$200,000,000, and extended its maturity date to October 1, 2008 at which time the Trust exercised an extension provision for one year to October 1, 2009.

Interest on the line of credit floats at 65 basis points to 90 basis points and is determined based on the Trust's leverage ratio at the end of the preceding quarter. The Trust has provided \$22,000,000 in letters of credit to two joint ventures under the line of credit. The Trust had a balance of \$80,000,000 and \$0 outstanding at December 31, 2008 and 2007, respectively, and paid interest on the line of credit of \$1,016,065 and \$335,705, respectively, during the years then ended. Interest on the line of credit is recorded in operating expenses on the accompanying consolidated statements of operations and changes in net assets.

During 2008, the Trust incurred \$250,000 in financing costs with respect to the line of credit. As of December 31, 2008 and 2007, financing costs totaling \$187,500 and \$402,160, respectively, were unamortized and are included in other assets in the accompanying consolidated statements of operations and changes in net assets.

9. MORTGAGE AND OTHER NOTES PAYABLE

Mortgage and other notes payable at December 31, 2008 and 2007, are as follows:

	2008	2007
8.00% mortgage note amortizing monthly, collateralized by one real estate property with a market value of \$18,900,000 at December 31, 2007; paid in full in April 2008	\$ -	\$ 368,229
7.34% first mortgage note amortizing monthly, collateralized by one real estate property with a market value of \$69,500,000 and \$78,700,000 at December 31, 2008 and 2007, respectively; balloon payment at maturity, May 2011	25,883,753	26,265,746
9.00% mezzanine note, interest only, due monthly, collateralized by one real estate property with a market value of \$69,500,000 and \$78,700,000 at December 31, 2008 and 2007, respectively; balloon payment at maturity, May 2011	6,000,000	6,000,000
7.65% mortgage note amortizing monthly, collateralized by one real estate property with a market value of \$96,000,000 and \$106,000,000 at December 31, 2008 and 2007, respectively; balloon payment at maturity, July 2026	33,854,591	34,735,314
5.43% mortgage note, interest only, due monthly, collateralized by one real estate property with a market value of \$73,500,000 and \$82,000,000 at December 31, 2008 and 2007, respectively; balloon payment at maturity, January 2013	50,000,000	50,000,000
6.00% mortgage note amortizing monthly, collateralized by one real estate property with a market value of \$15,789,000 and \$20,980,465 at December 31, 2008 and 2007, respectively; balloon payment at maturity, February 2013	14,522,329	14,782,316
6.00% mortgage note amortizing monthly, collateralized by one real estate property with a market value of \$28,100,000 and \$33,153,703 at December 31, 2008 and 2007, respectively; balloon payment at maturity, February 2013	16,810,414	17,111,362
30 day LIBOR +1100 bp first mortgage note (16.23% at December 31, 2007), interest only, accrued monthly, collateralized by one real estate property with a market value of \$170,004,319 at December 31, 2007; paid in full in June 2008		20,505,837
30 day LIBOR +270 bp second note secured by first mortgage (7.93% at December 31, 2007), interest only, accrued monthly, collateralized by one real estate property with a market value of \$170,004,319 at December 31, 2007; paid in full in June 2008		91,659,477
7.54% promissory note amortizing monthly, collateralized by three real estate properties with a total market value of \$94,900,000 at December 31, 2007; paid in full in March 2008		35,982,432
Subtotal	147,071,087	297,410,713
Unamortized premium	3,692,302	5,220,154
Total	\$ 150,763,389	\$ 302,630,867

The estimated fair value of mortgages and notes payable is \$150,850,000 and \$298,986,000 at December 31, 2008 and 2007, respectively. The estimated fair value of the Trust's mortgage notes payable is calculated by discounting the future cash flows on the mortgage notes payable at estimated rates at which similar loans would have been made at December 31, 2008. Cash payments for interest were \$10,943,633 in 2008 and \$3,071,313 in 2007.

Aggregate future payments under the terms of the note agreements as of December 31, 2008, are as follows:

Years Ending December 31	
2009	\$ 1,969,150
2010	2,114,220
2011	32,803,827
2012	1,911,421
2013	79,985,709
Thereafter	28,286,760
Total	\$ 147,071,087

10. FINANCIAL HIGHLIGHTS

(Per Unit)	Year Ended December 31, 2008	Year Ended December 31, 2007
Net asset value — beginning of year	\$ 4,682.36	\$ 4,136.66
Net investment income after fees	212.73	227.79
Net realized and unrealized (loss) gain on investment transactions	(685.86)	317.91
Net asset value — end of year	<u>\$ 4,209.23</u>	<u>\$ 4,682.36</u>
Total (loss) return after fees for the year ended December 31	<u>(10.10)%</u>	<u>13.18 %</u>
Supplemental data net assets — December 31	<u>\$ 2,552,025,239</u>	<u>\$ 2,985,671,502</u>
Ratio to average net assets*:		
Operating expenses	0.10 %	0.07 %
Trustee fees	0.95	0.98
Total expenses	<u>1.05 %</u>	<u>1.05 %</u>
Net investment income	<u>4.60 %</u>	<u>5.17 %</u>

* Average net assets are calculated based on the beginning and ending net asset balance for each quarter in the years ended December 31, 2008 and 2007.

11. SUBSEQUENT EVENTS

On January 15, 2009, the Trust obtained a mortgage loan for \$37.4 million secured by a multifamily property valued at approximately \$74.6 million.

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IMPORTANT INVESTOR NOTICE

DISCLOSURE

The performance data quoted represents past performance. Past performance is no guarantee of future results, and future performance is based on a variety of factors, many of which are outside the control of PNC Bank, National Association. Economic and market conditions change and may cause investment returns, principal value and yield to fluctuate so that a participant's units when redeemed may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For ease of reporting and performing calculations set forth herein, data, figures, and numbers may have been rounded up or down. The opinions and statements cited in the commentary on page 3 are those of the AFL-CIO and not of PNC.

PNC Bank, National Association assumes no obligation to update forward looking statements and may from time to time change or eliminate objectives, plans, or goals associated with the fund without notice, except as required by law or in fund documents. Data current to the most recent quarter-end is available at www.aficio-bit.com.

Investors should consider the BIT's investment objectives, risks and expenses carefully before investing. Information on the BIT is contained in the BIT Investment Memorandum.

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