



January 9, 2008

To Our Clients:

Two weeks ago, we crossed a major milestone in the ongoing transformation of Centerline into an alternative asset manager focused on real estate funds and financing through an important transaction with Freddie Mac, as well as other relevant actions. We are confident these initiatives will drive our overall success going forward and give us opportunities to thrive in the current market and beyond, which will allow us to maintain our firm commitment to being a leader in the affordable housing space.

Some key facts:

- First, we announced a transformational transaction in which we securitized our \$2.8 billion affordable housing bond portfolio with Freddie Mac. This transaction provided the company with significant economic benefits, including ongoing cash flow from the high-yielding B-piece we retained. While we always have prided ourselves on our best-in-class risk management platform, this transaction further improves our risk profile by reducing the funding and interest rate risk inherent in liability structures such as ours. The structure of our bond business now is closely aligned with the fund management structure we utilize to operate our other businesses. We remain the primary and special servicer on the bond portfolio.
- Second, we announced a commitment for an additional equity investment in our company by our largest shareholder, Related Companies. Many investors have asked us why we are generating this capital now. We have conducted an extensive evaluation of the market and believe opportunities exist at favorable valuations. This transaction provides us with the added resources we desire to fully take advantage of these near-term growth opportunities. Related shares our confidence in the strength of our growth plan, our ambition for future success and our ability to thrive in today's market.
- Third, our commitment to affordable housing, dating back to our predecessor company's establishment in 1972, remains a very integral part of who we are and what we do here at Centerline. While our business model has transformed, we still are extremely focused on providing the most comprehensive affordable real estate finance and investment products to our developer and investor clients. We are committed to the development of new, innovative products to meet your needs. Accordingly, we will continue to grow our LIHTC fund management business, as well as our tax-exempt and taxable affordable housing debt businesses. We also will continue to offer innovative CRA-focused products to our bank investors.

Following these initiatives, we have a leaner balance sheet, improved credit metrics and financial flexibility to capitalize on changing market trends and industry challenges. We are confident as the market comes to understand and appreciate these benefits, our clients and investors will further benefit. Consistent with our evolving business model, we are focused on increasing our assets under management, which currently total \$11.6 billion of real estate debt and equity investments. In 2007, we added \$2.1 billion of new assets under management and we expect to add \$3.3 billion to \$4.0 billion in 2008.

In short, our business is sound and we are well positioned for success in 2008. Importantly, we could not have achieved the momentum we have behind us today without the commitment and dedication of our clients, for which we thank you. As always, should you have any questions regarding the securitization transaction or any other Centerline activities, please feel free to contact us.

Thank you and Happy New Year!

A handwritten signature in black ink, appearing to read "Marc D. Schnitzer", written in a cursive style.

Marc D. Schnitzer
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