



January 10, 2008

To Our Clients:

Two weeks ago, through an important transaction with Freddie Mac, we crossed a major milestone in the ongoing transformation of Centerline into an alternative asset manager focused on real estate funds and financing. We also accomplished several other relevant actions concurrent with the Freddie Mac transaction. We are confident our initiatives will drive Centerline's overall success and provide us opportunities to thrive in the current market and beyond. Taken together, these actions enhance our ability to provide the most comprehensive commercial real estate finance and investment products to you, our clients.

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 Centerline 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, the Freddie Mac transaction 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 asked us why we are generating this capital now. We conducted an extensive evaluation of the market and believe opportunities exist at favorable valuations. Related's additional investment in Centerline provides us with additional resources to take full advantage of 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 Commercial Real Estate group is working on several exciting ventures, including the expansion of our commercial real estate origination platform and the development of a number of new commercial real estate debt and equity funds. Related's investment provides us fresh capital for the development of new, innovative products to meet your needs.

The Freddie Mac transaction and Related Company investment give us 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. We expect to add \$3.3 billion to \$4.0 billion in 2008.

Our business is sound and we are well positioned for success in 2008. We could not have built the momentum we have today without the commitment and dedication of our clients, for which we thank you. As always, if 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". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Marc D. Schnitzer  
Chief Executive Officer and President

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