CEI NEWS

CEI’s mission is to help create good jobs, environmentally sustainable companies, and shared prosperity. We do that by integrating financing, business and industry expertise, and policy solutions for a holistic approach to community economic development. CEI closed its first quarter of FY2017 on December 31, 2016 having deployed $3.5 million in 14 new loans and investments.

Our FY2017 Q1 economic, social and environmental impact:
• 722 clients received business advising services,
• 590 jobs were created or retained,
• 250 clients received housing counseling and education,
• 18 affordable housing units were created or preserved,
• 60 acres of farmland were kept in production,
• 24 clients in sustainable agriculture and fisheries businesses received technical assistance

Financial Overview

HIGHLIGHTS FROM Q1 FY2017 (October-December 2016)

CEI financials are healthy and compliant with all financial covenants. Please note that financial information in this report is based on unaudited financials. FY16 audited financials for CEI and for CEI and its subsidiaries were approved at the end of December and are available upon request.

BALANCE SHEET
• CEI’s Total Assets grew by 11% to $96 MM – due to absorbing CEI Notes and CEI Specialty Finance, plus increased borrowing related to State Historic Tax Credit investing activity
• General lending activity during the quarter was $3.5 MM – slightly above target as we have budgeted $11.4 MM in new lending for FY17
• In line with expectations, Net Asset to Total Asset ratio dropped from 40% to 35%
• CEI increased the invested portion of our balance sheet from 62% to 65%

INCOME STATEMENT
• CEI continues to do a very good job of controlling operating expenses
• Quarterly fluctuations in Net Income are primarily driven by lumpy recognition of grant revenues and profits from specific investing activity
• Due to these fluctuations, CEI posted an unaudited Net Loss of $1.3 MM in this quarter – slightly better than budgeted Net Loss of $1.4 MM
• Subsidiary related revenues included the anticipated negative $370k non-cash non-recurring impact of absorbing CEI Notes and CEI Specialty Finance into CEI on Oct. 1
• Operating cash flow was positive during Q1 FY17

FY2017 OUTLOOK
• CEI is projecting a solid year of operational performance, creating approximately $2 MM in excess operating cash-flow during FY17
• CEI has conservatively budgeted an overall Net Loss of $0.9 MM in FY17 – however there are a number of areas that we aim to outperform budget
• Q2 FY17 has a budgeted Net Loss of $0.5 MM and the second half of FY17 is projected to deliver positive $1 MM

OTHER FINANCIAL NEWS
• In November, CEI closed a new $4 MM flexible borrowing facility with TD Bank to finance our general micro and small business lending activity
• CEI Ventures, Inc. closed its fourth fund, Coastal Ventures IV, LP, at $9.4 MM
Core Mission Investments

Core Mission Investments is a pool of debt capital from funding sources with similar financial and impact objectives representing 35% of CEI’s overall $66 million loan and investment portfolio of 428 deals. The data below reflects the focus and impact of the Core Mission Investments capital as a subset of CEI’s overall loan and investment activity.

### CORE MISSION INVESTMENTS PORTFOLIO BY SECTOR AS OF 12/31/16

<table>
<thead>
<tr>
<th>Economic Sector</th>
<th>$ Balance</th>
<th>% of $ Balance</th>
<th># of Loans</th>
<th>% of # Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture &amp; Food Systems</td>
<td>$3,554,541</td>
<td>24%</td>
<td>23</td>
<td>20%</td>
</tr>
<tr>
<td>Small &amp; Medium Enterprise</td>
<td>$3,391,099</td>
<td>23%</td>
<td>32</td>
<td>29%</td>
</tr>
<tr>
<td>Energy</td>
<td>$2,250,427</td>
<td>15%</td>
<td>6</td>
<td>5%</td>
</tr>
<tr>
<td>Housing</td>
<td>$1,992,830</td>
<td>13%</td>
<td>20</td>
<td>18%</td>
</tr>
<tr>
<td>Forestry</td>
<td>$1,511,813</td>
<td>10%</td>
<td>4</td>
<td>4%</td>
</tr>
<tr>
<td>Health</td>
<td>$907,633</td>
<td>6%</td>
<td>7</td>
<td>6%</td>
</tr>
<tr>
<td>Tourism</td>
<td>$822,647</td>
<td>6%</td>
<td>5</td>
<td>4%</td>
</tr>
<tr>
<td>Microenterprise</td>
<td>$252,872</td>
<td>2%</td>
<td>12</td>
<td>11%</td>
</tr>
<tr>
<td>Fisheries &amp; Aquaculture</td>
<td>$108,549</td>
<td>1%</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$14,792,416</strong></td>
<td><strong>100%</strong></td>
<td><strong>112</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

### CORE MISSION INVESTMENTS IMPACT AS OF 12/31/16

#### JOBS CREATED AND RETAINED

<table>
<thead>
<tr>
<th># of Jobs at Time of Loan</th>
<th># of Projected New Jobs</th>
<th># of Projected Construction Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,226</td>
<td>519</td>
<td>283</td>
</tr>
</tbody>
</table>

#### WOMEN OWNED/CONTROLLED BUSINESSES

<table>
<thead>
<tr>
<th>$ Balance</th>
<th>% of $ Balance</th>
<th># of Loans</th>
<th>% of Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,620,117</td>
<td>18%</td>
<td>18</td>
<td>16%</td>
</tr>
</tbody>
</table>

#### ENVIRONMENTAL BENEFIT

<table>
<thead>
<tr>
<th>$ Balance</th>
<th>% of $ Balance</th>
<th># of Loans</th>
<th>% of Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>$9,239,224</td>
<td>62%</td>
<td>58</td>
<td>52%</td>
</tr>
</tbody>
</table>

**BACKGROUND: CORE MISSION INVESTMENTS**

- On October 1, 2016, we absorbed CEI Notes (previously a subsidiary entity) into CEI – creating a pool of assets totalling approximately $14.8 million.
- This pool of capital is being deployed by our team into businesses and projects that require capital and meet the mission, risk and term requirements of our Core Mission Investors, including our CEI Investment Note holders, community and national banks, and private foundations.
Establishing Roots in Southern Maine

BUMBLEROOT ORGANIC FARM

Jeff and Abby Fisher and their friends Ben Whalen and Melissa Law began farming on two acres of leased land in Buxton, Maine in 2014. As their experience grew, so did their dreams of establishing an organic farm serving the greater Portland area, and they set out to find a piece of land of their own.

“For new farmers, finding land that is affordable with the necessary infrastructure to run a business is challenging,” said Jeff. “You really have to make do with what you have and make it work.”

When the former Weeks Farm in Windham went up for sale, the owners jumped at the chance. The greatest obstacle they faced in purchasing the 88-acre property was financing.

“We had a short window (about 4 months) between when we found out the property was for sale and when we needed to secure financing,” said Jeff. “CEI was one of the first lenders we contacted and from day one everyone at CEI was supportive of our proposal and helped us to articulate our business plan and vision for the property. As a multi-member LLC made up of two couples, having just finished our first farm season, we might have seemed like less than ideal candidates for a loan. But CEI recognized what we had accomplished in our first year and believed in our potential to deliver on our plans for the future.”

In order to secure purchase of The Weeks Farm, a business plan was set in motion involving a Maine Farmland Trust Land Easement which significantly offset costs and protected the farmland, plus technical assistance and a loan from CEI.

Bumbleroot Organic Farm is now a rising leader in the southern Maine community because of its commitment to increasing access to locally-grown farm-fresh food for Mainers with low incomes through programs including Creative Trails in Portland and My Place Teen Center in Westbrook. The farm also accepts SNAP benefits. Find out more at bumblerootorganicfarm.com.

Big League Manufacturing

DOVETAIL BATS LLC

In the small town of Shirley Mills, in Piscataquis County, a manufacturing business reaches far beyond its rural Maine roots. Dove Tail Bats, LLC, owned by husband and wife Paul and Teresa Lancisi, specializes in manufacturing custom wood baseball bats made from Maine-grown northern white ash, yellow birch, and rock maple. At both the retail and wholesale level, Dove Tail provides bats to amateurs and professionals alike throughout the US, Latin America, Canada, Japan and Australia.

After being turned down by other lenders, Paul and Teresa Lancisi came to CEI with a need for working capital. The business had been in operation for 11 years, but in order to grow while maintaining quality, they needed financing. “The inability to acquire financial backing in a capital-intensive business is a major hurdle to overcome,” said CEI loan officer, Cole Palmer. “Paul and Teresa have carefully considered every business decision. In one word, they are resourceful.”

“CEI was willing to go to bat for us when other institutions were not. This loan enabled us to have the working capital necessary to grow our business by acquiring faster, high tech equipment and at the same time increasing our buying power to drastically lower our material costs,” said Paul. Learn more at dovetailbat.com
The information contained in this document has been prepared solely for informational purposes and is neither an offer to sell nor a solicitation of an offer. Any such offer or solicitation will be made only by means of the relevant Confidential Agreement or Offering Memorandum, which contain a description of the risks involved in such an investment. Prospective investors should review all offering materials carefully prior to making an investment. The contents of this document should not be construed as accounting, tax, investment, legal, or advice regarding the suitability or profitability of an investment in CEI. In this document, “CEI” or “CEI parent” refers to the non-profit organization Coastal Enterprises, Inc. It does not include the financial activities or performance of CEI’s wholly-owned subsidiaries, CEI Capital Management LLC, CEI Ventures, Inc., or CEI 7(a) Financing LLC. The figures presented within this document have not been independently verified and may include figures that are unaudited and subject to change.

FOR MORE INFORMATION

CEI enters into private debt contracts of $500,000 and over. To learn more, contact David Wedick, CFO, david.wedick@ceimaine.org or 207-504-5860.

CEI offers private notes for accredited investors in amounts of $5,000 and higher, with terms ranging from 3 to 10 years and rates from up to 2% to up to 3.5%. To learn more about CEI’s investment notes, contact Elizabeth Rogers, SVP, elizabeth.rogers@ceimaine.org or 207-504-5890.

ABOUT CEI

Coastal Enterprises, Inc. (CEI) helps to grow good jobs, environmentally sustainable businesses and shared prosperity by integrating financing, business and industry expertise, and policy solutions. CEI envisions a world in which communities are economically and environmentally healthy, enabling all people, especially those with low incomes, to reach their full potential.

CEI works closely with small and medium-sized businesses that drive local economies, including natural resource-based industries in the farm, fishery, aquaculture, forestry, renewable energy, and nature-based tourism sectors; as well as community facility and affordable housing development.