Financial Overview

Highlights from FY17 YTD (October 2016-March 2017)

Strong growth in lending activity and efficient cash management during the first two quarters increased the invested portion of our total assets to 72%, the highest in CEI’s history. Profitability was lower than budgeted primarily due to timing of grant, subsidiary profit, and other revenue recognition. This is projected to pick up significantly in the second half of the fiscal year. Please note that financial information in this report is based on unaudited financials.

BALANCE SHEET

- Total Assets dropped by $5 MM during Q2 due to receipt of a cash refund from the State of Maine for SHTC* investing activity and the repayment of related debt.
- Total Assets are $4.1 MM higher than the start of the fiscal year due to $5.6 MM growth in loan portfolio and $6 MM growth in SHTC portfolio, offset by lower cash for investing, and lower receivables.
- Lending activity in the first two quarters was $7.1 MM, above our target based on budgeted $11.4 MM for FY17.
- In line with expectations, Net Asset to Total Asset ratio is 35%.

INCOME STATEMENT

- CEI continues to do a very good job of controlling operating expenses—total expenses are $0.4 MM lower than budget.
- Recognized $2.5 MM of revenue, and we expect this to increase significantly in the second half of the year.
- Posted Net Loss of $2.7 MM, which was greater than the budgeted Net Loss of $1.8 MM.
- CEI experiences quarterly fluctuations in revenue recognition primarily driven by the timing of grant awards and the recognition of gains from SHTC investing activity received, and lumpy profitability at the subsidiary level due to timing of large deals.

FY2017 OUTLOOK

- CEI projects significant growth in revenues in the second half of FY17, driven by a) grant revenues (including receipt of $1.75 MM CDFI Fund award in Q3), b) increased profitability at subsidiaries, c) recognition of $0.9 MM of SHTC related gains in Q4.
- CEI conservatively budgeted an overall Net Loss of $0.9 MM in FY17, however we believe there are a number of areas where we can outperform budget.
- Sales of non-core fixed assets at CEI and subsidiary level are continuing to free up excess cash to cover operational expenses and increase capital available for lending activity.
- CEI has approved the engagement of CohnReznick as a new audit firm for FY17 audit, and the onboarding process has started.

*State Historic Tax Credit
Core Mission Investments

Core Mission Investments is a pool of debt capital from funding sources with similar financial and impact objectives representing 40% of CEI’s overall $44 million loan portfolio of 395 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.

<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>$4,310,560</td>
<td>25%</td>
<td>27</td>
<td>23%</td>
</tr>
<tr>
<td>Small &amp; Medium Enterprise</td>
<td>$3,594,141</td>
<td>21%</td>
<td>34</td>
<td>28%</td>
</tr>
<tr>
<td>Energy</td>
<td>$3,429,535</td>
<td>20%</td>
<td>7</td>
<td>6%</td>
</tr>
<tr>
<td>Housing</td>
<td>$2,251,469</td>
<td>13%</td>
<td>20</td>
<td>17%</td>
</tr>
<tr>
<td>Forestry</td>
<td>$1,506,322</td>
<td>9%</td>
<td>4</td>
<td>3%</td>
</tr>
<tr>
<td>Tourism</td>
<td>$947,772</td>
<td>5%</td>
<td>4</td>
<td>3%</td>
</tr>
<tr>
<td>Health</td>
<td>$881,678</td>
<td>5%</td>
<td>7</td>
<td>6%</td>
</tr>
<tr>
<td>Microenterprise</td>
<td>$251,152</td>
<td>1%</td>
<td>13</td>
<td>11%</td>
</tr>
<tr>
<td>Non-Classified</td>
<td>$250,000</td>
<td>1%</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Fisheries &amp; Aquaculture</td>
<td>$108,549</td>
<td>1%</td>
<td>3</td>
<td>2%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$17,531,178</strong></td>
<td><strong>100%</strong></td>
<td><strong>120</strong></td>
<td><strong>100%</strong></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 now totaling approximately $17.5 million.
- This pool of capital is being deployed by our team into businesses and projects that meet the mission, risk and term requirements of our Core Mission Investors, including our CEI Investment Note holders, community and national banks, institutions, religious organizations and private foundations.
Powering Up Remote Communities

OCEAN RENEWABLE POWER COMPANY

Bringing power to rural, off-grid locations presents formidable challenges: there’s a reason these "islanded communities" still lack reliable and affordable power nearly 150 years after the first electrical power grid was created. Since 2004, Ocean Renewable Power Company (ORPC) has been working to address this challenge with a series of increasingly innovative marine hydrokinetic turbines. Its first success was in Maine, where ORPC harnessed the powerful tides at the mouth of the Bay of Fundy. Then it generated power from the remote Kvichak River for the community of Igiugig in Alaska’s Bristol Bay region. Now in northern Quebec’s Nunavik region, ORPC will begin its scale-up to commercialization through a series of marine hydrokinetic tidal and river projects.

Over the course of its 10+ years of operation, ORPC has stayed true to its touchstones: partner with local communities and develop power systems that don’t harm the marine environment, including fish and other marine life, which provide local sustenance and economic activity. For example, the Igiugig region produces the world’s largest supply of sockeye salmon. "We’ve now got years of data demonstrating that our technologies do not negatively impact fish populations. That’s key for any community where we’re going to locate a project," said Chris Sauer, Co-Founder and CEO.

"We’ve gone to CEI twice for financing that was absolutely crucial to our survival," said Sauer. The most recent round is a $750,000 working capital loan to sustain the company through the final stages of commercialization of its marine hydrokinetic power systems and the initial project in northern Quebec. "This financing addressed a need that was critical and immediate," said Sauer. "Without that loan, I can honestly say, we probably wouldn’t be here."

Read more at ceimaine.org/successstories.

New Vision for Senior Living

THE McLellan

Communities throughout Maine, the oldest state in the nation, are experiencing major demographic shifts as populations age. Mainers also possess an independent spirit and take pride in caring for their own. As a critical care nurse for over 30 years, Amy McLellan witnessed first hand the “can-do” attitude of her older patients. This knowledge turned into a commitment to redefine senior living. When the former Skofield House in Brunswick became available for purchase, Amy jumped at the chance to turn her vision into reality.

With CEI’s help, Amy developed a business and financial plan to purchase and renovate the property. In addition to connecting Amy with financing through CEI’s lending team, the Women’s Business Center at CEI provided assistance with requirements from permitting to publicity.

“I had the passion, I had found the building, but CEI gave the project a heartbeat,” said McLellan. “[CEI Women’s Business Center Director] Sarah Guerette asked me the tough questions. Sometimes they discouraged me, but mostly, they helped me to raise the bar on running a small business. With each question from Sarah I found the answer and together we brought The McLellan to life.”

Read more at ceimaine.org/successstories.
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.

As a mission-driven investor, CEI works closely with small and medium-sized businesses that fuel 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.