CCML
CEI CAPITAL MANAGEMENT LLC

CEI Capital Management increases opportunity in rural, low-income communities.

THE NEW MARKETS TAX CREDIT (NMTC) PROGRAM

The goal of the NMTC Program is to increase investment in low-income areas in order to revitalize economically-distressed communities and develop new opportunities for their residents through employment or access to services.

Since 2003, this innovative public-private partnership has brought together capital market discipline and funding with government support and oversight to provide over $57 billion in flexible financing to a wide variety of businesses, industries, and service providers that would otherwise have limited funding prospects.

The program attracts capital to low-income communities by providing a tax incentive to private investors, who invest in federally-recognized Community Development Entities like CEI Capital Management that have contracted to finance businesses in economically distressed areas.

BENEFITS FOR COMMUNITIES

For many low-income cities and towns, attracting traditional financing for business development or expansion is one of the greatest hurdles to revitalizing their communities.

Through the incentive provided by the NMTC Program, traditional financing sources are more willing to place their dollars in these under-invested areas, allowing new businesses to develop and existing business to grow, which in turn employ local residents, purchase goods and services, and expand the tax base.

> The NMTC program is a **POWERFUL TOOL** to help underserved communities attract capital, and create greater opportunities for people and organizations working in low-income communities.

The flexibility of the NMTC Program also means it can serve as a valuable source of funding for service providers, such as health clinics and educational non-profits, to expand their facilities and impact within the communities they serve.

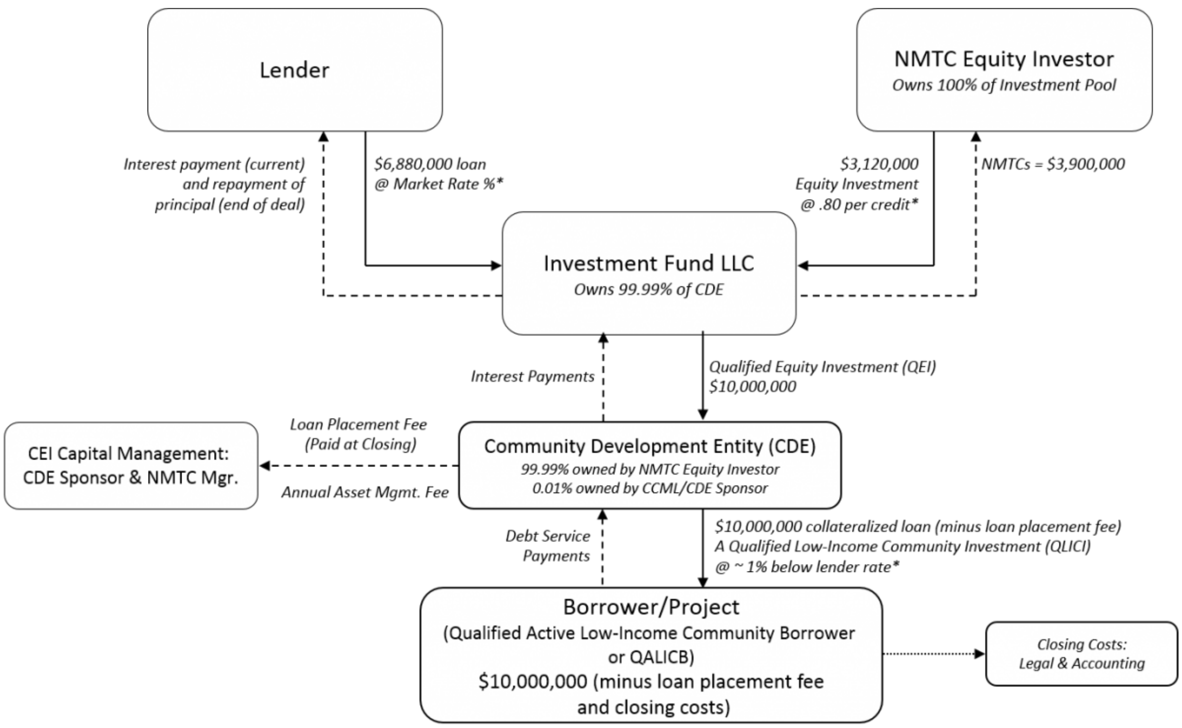
The involvement of certified Community Development Entities provides additional accountability to ensure that the NMTC funding goes to projects that can provide measurable, tangible benefits to economically distressed communities.

HOW DOES IT WORK?

A typical New Markets Tax Credit (NMTC) transaction involves five major parties:

- An NMTC Equity Investor (Investor)
- A Leverage Lender
- An Investment Pooling conduit (Investment Fund)
- A special purpose Community Development Entity (CDE) managed by CEI Capital Management or other NMTC Allocatee
- A qualified Borrower/Project

$10 Million Project Example*



* rates and pricing shown are for illustration purposes only

Funding the Investment Pool

Together the Investor and Lender capitalize an Investment Fund (100% owned by the Investor) for the required project amount, plus any upper tier fees and expenses.

The Investor's equity contribution is driven by the price paid per credit, with the Leverage Lender (in conjunction with any necessary subordinated lender(s)) making up the difference with debt capital. For example, at $0.80 per credit*, the Investor would contribute 31.2% of the required funds as equity and the Lender would supply 68.8% as debt. The higher the price paid by the Investor, the greater the equity portion, which would result in a lower blended interest rate to the Borrower and lower required debt capital. Please note that while CEI Capital Management will endeavor to assist in facilitating the proposed transaction, it shall in no way be obligated to identify, attract, or secure the NMTC equity and leverage debt necessary to effectuate a valid NMTC transaction.

Making the Qualified Equity Investment (QEI)

The Investment Fund makes a Qualified Equity Investment (QEI) into a Community Development Entity (CDE) managed by CEI Capital Management or other NMTC Allocatee, after which the Investor, as 100% owner of the Investment Pool, is eligible to receive 39% of the total QEI amount as credits toward their Federal tax liability. For example, the Investor would receive $3.9 million in New Markets Tax Credits for a $10 million QEI.

The 39% is paid out incrementally over the seven year compliance period, with 5% being paid in years one to three and 6% being paid each year thereafter (5%+5%+5%+6%+6%+6%+6=39%)

Making the Qualified Low-Income Community Investment (QLICI)

Typically on the same day as the QEI is received, but at a minimum within 12 months of receipt, the CDE must make a Qualified Low-Income Community Investment (QLICI) to the Borrower, a Qualified Active Low-Income Community Borrower (QALICB/Borrower).

The QLICI rate is generally derivative of the amount(s), interest rate(s), and term(s) of the loan(s) made to the Investment Fund, the annual asset management fees charged by the CDE manager, and annual tax and accounting costs for the CDE and Investment Fund. The QLICI loans emanating from a CEI Capital Management sub-CDE are typically* below-market rate and interest-only for the seven-year NMTC compliance period.

Utilizing the Loan Proceeds and Loan Compliance

The QALICB/Borrower must generally utilize all loan proceeds within 12-18 months of the QLICI closing date. The QALICB/Borrower will make regular debt service payments to the CDE, who will distribute the funds back up the structure to the appropriate parties. The QALICB/Borrower is also required to regularly report to the sub-CDE on financial performance, program compliance, and project impacts.

Completing the NMTC-Compliance Period

Upon the seven-year anniversary of the QLICI date, the QALICB/Borrower should anticipate refinancing the NMTC QLICI debt.

** The situations described above are for illustration purposes only and are not a guarantee of rates or pricing.*

CONTACT

For more information about the NMTC Program or CEI Capital Management and its impact visit our website at www.ceicapitalmgmt.com or call 207.772.2886. *CEI Capital Management is an equal opportunity provider.*

CCML uses NMTCs to help shallow rural economies become just a bit deeper, with more opportunity for all.