

**SACHEM** | **CAPITAL**

# Investor Presentation

October 2018

# Forward Looking Statement

This presentation includes forward-looking statements. All statements in this presentation, other than statements of historical facts, including statements regarding our future results of operations and financial position, strategy and plans, and our expectations for future operations, are forward-looking statements. The words “anticipate,” “estimate,” “expect,” “project,” “plan,” “seek,” “intend,” “believe,” “may,” “might,” “will,” “should,” “could,” “likely,” “continue,” “design,” “expectation,” and the negative of such terms and other words and terms of similar expressions are intended to identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, some of which cannot be quantified and some of which are beyond our control. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this presentation may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. In addition, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We disclaim any duty to update any of these forward-looking statements after the date of this presentation to confirm these statements in relationship to actual results or revised expectations.

All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in this presentation. You should evaluate all forward-looking statements made by us in the context of these risks and uncertainties.

# Management Team

**John L. Villano,  
CPA**

- Co-founder and Chairman, Co-Chief Executive Officer, Chief Financial Officer and Secretary.
- Co-founder of Sachem Capital Partners (“SCP”), and co-founder and Managing Partner of JJV, LLC, manager of SCP since its inception in December 2010.
- Mr. Villano, a certified public accountant, was previously engaged in private practice for over 30 years performing accounting, auditing and tax preparation services.
- Mr. Villano’s responsibilities include oversight of all aspects of business operations, including loan origination and servicing, investor relations, brand development and business development.
- Also responsible for the direction and oversight of all financial and accounting matters.
- Mr. Villano holds a Bachelor’s Degree in Accounting from the University of Rhode Island.

**Jeffrey C. Villano**

- Co-founder and Co-Chief Executive Officer, President and Treasurer.
- Co-founder of SCP, and co-founder and Managing Partner of JJV, LLC, manager of SCP since its inception in December 2010.
- Mr. Villano’s responsibilities include oversight of all aspects of our business operations, including loan origination and servicing, investor relations, brand development and business development.
- Mr. Villano received an Associate’s Degree from Eastern Connecticut State University.

# Overview

- Connecticut-based real estate finance company
  - Specializing in originating, underwriting, funding, servicing and managing a portfolio of short-term (“hard money”) loans
  - Loans secured by first mortgage liens
- Since inception in 2010 through June 30, 2018, Sachem has made approximately 787 loans
  - Aggregate original principal amount of \$144.6 million
- As of June 30, 2018, the loan portfolio consisted of 385 loans
  - Aggregate outstanding principal balance of approximately \$72.4 million
- Loans range in size from \$15,000 to \$2.0 million.
- Paying regular quarterly dividends
  - Plan to distribute at least 90% of our taxable income to shareholders annually

Primary goal is to **grow the loan portfolio** while **preserving capital** and provide investors with **above-market risk adjusted returns**.

# Business Model

- Grow first mortgage loan portfolio while protecting and preserving capital
- Provide investors with risk adjusted returns through dividends and capital appreciation
- Disciplined underwriting and extensive due diligence culture focusing primarily on value of underlying collateral as well as the borrower and its principals
- Intimate knowledge of Connecticut real estate market and ability to respond quickly to customer needs and demands
- Structure mortgage loans to fit needs and business plans of borrowers
  - Acquire and/or renovate existing residential real estate properties
  - Acquire vacant real estate and construct residential real estate properties
  - Purchase and hold income producing properties
- Loans are secured by first mortgages on real estate and personally guaranteed by borrower
- Revenue is generated from interest borrowers pay on loans as well as fee income generated from origination, processing and extension of loans

# Loan Structure

Principal Amount	\$15,000 to \$2.0 million (maximum loan amount cannot exceed 10% of portfolio)
Loan-to-Value Ratio	Up to 70%
Interest Rate	Fixed rate between 5.0% (note purchased at discount) and 12.5% with a default rate of 18%. Average portfolio yield 12.30%
Origination	2%-5% for one-to-three year loans Portfolio average as of 06/30/2018: 3.00% Average on loans funded in Q2 2018: 2.80%
Terms	One to three years
Prepayments	No prepayment penalty
Payment Terms	Interest payable monthly with principal payable at maturity

# Mortgage Loan Portfolio as of June 30, 2018

Loan Amount	Number of Loans	Aggregate Principal Amount
\$100,000 or less	146	\$9,749,158
\$100,001 to \$250,000	170	27,001,344
\$250,001 to \$500,000	52	18,504,650
\$500,001 to \$1,000,000	10	7,255,550
Over \$1,000,000	7	9,866,793
Total	385	\$72,377,495

- Approximately 82% of the loans had an original principal amount of \$250,000 or less.
- Approximately 96% of the loans had an original principal amount of \$500,000 or less.
- The average loan size was approximately \$188,000 and the median loan size was approximately \$127,000.

# Sources of Capital as of June 30, 2018

Sources of Capital	As of June 30, 2018
<b>Debt</b>	
Line of Credit	\$22,145,106
Mortgage Payable	296,082
<b>Total Debt</b>	<b>\$22,441,188</b>
Other Liabilities	1,937,915
Capital (equity)	55,511,806
<b>Total sources of capital</b>	<b>\$79,890,909</b>
<b>Assets</b>	
Mortgage receivable	\$72,377,495
Other assets	7,513,414
<b>Total assets</b>	<b>\$79,890,909</b>

# Loan Portfolio

	Six Months Ended June 30,	Years Ended December 31,	
	2018	2017	2016
Principal amount of loans earning interest	\$72,377,495	\$63,270,959	\$33,750,610
Loans originated in period	\$30,263,339	\$53,468,949	21,580,103
Total revenue	\$5,758,911	\$6,996,877	\$4,133,495
Total operating costs and expenses	\$1,576,081	\$2,136,029	\$1,082,868
Number of loans outstanding	385	337	217
Average outstanding loan balance	\$187,993	\$187,748	\$155,533
Net Portfolio Rate of Return <sup>(1)</sup>	12.30%	12.08%	12.23%
Weighted average term to maturity (in months) <sup>(2)</sup>	13	12	18

(1) Does not include origination fees (2) Without giving effect to extensions

# Loan Portfolio

	As of June 30,	As of December 31,	
	2018	2017	2016
Developer – Residential Mortgages	\$47,891,085	\$43,855,827	\$21,343,927
Developer – Commercial Mortgages	18,604,151	12,480,612	9,049,942
Land Mortgages	5,267,393	6,676,060	3,149,602
Mixed Use	614,866	258,460	207,139
Total Mortgages Receivable	\$72,377,495	\$63,270,959	\$33,750,610

# Strategy

- Capitalize on opportunities created by the long-term structural changes in the real estate lending market and the continuing limited liquidity in the commercial and investment real estate markets
- Take advantage of the prevailing economic environment as well as economic, political and social trends that may impact real estate lending
- Remain flexible in order to capitalize on changing sets of investment opportunities that may be present in the various points of an economic cycle
- Operate so as to qualify as a REIT and for an exemption from registration under the Investment Company Act
- Capitalize on competitor policies that inhibit borrower's repeat business
- Enhance marketing efforts that focus on borrower retention and acquisition

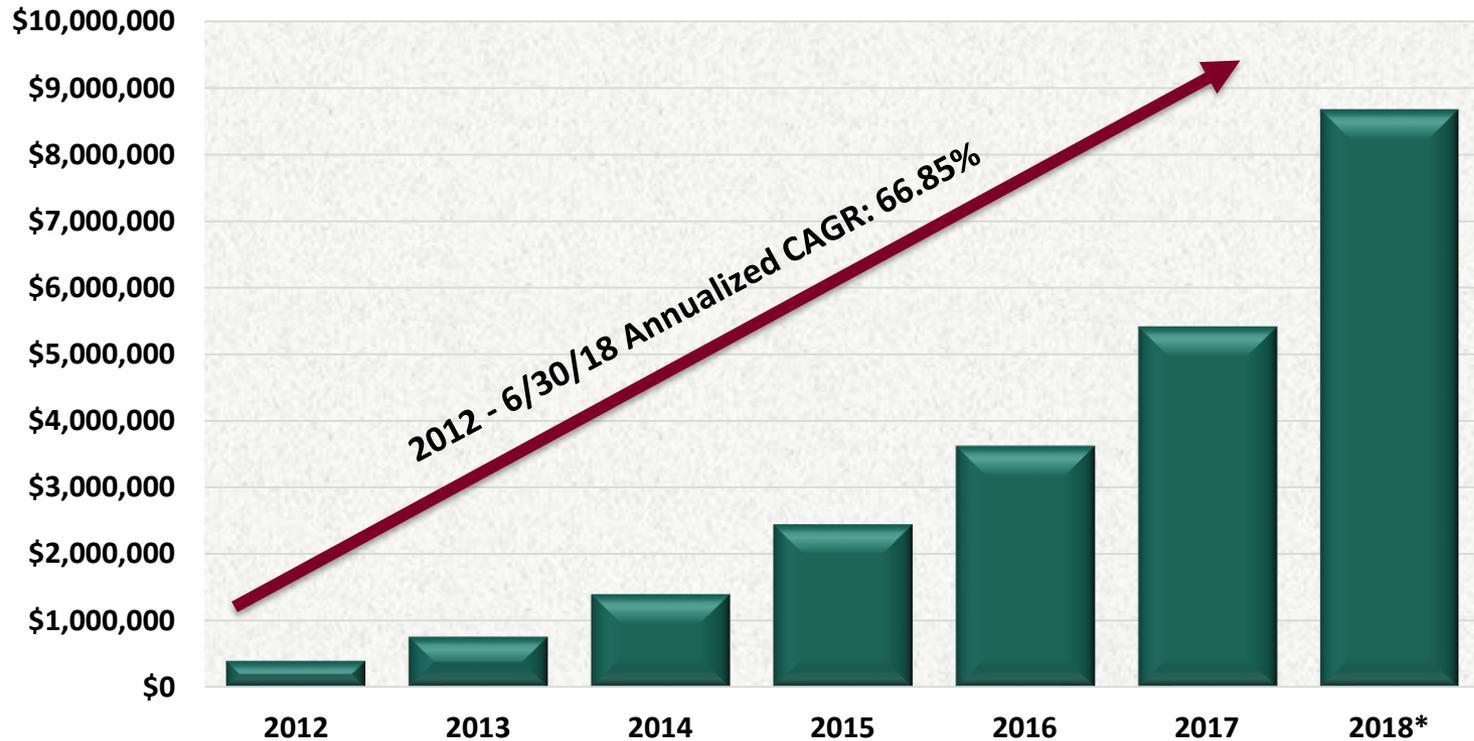
# Portfolio Performance

	Year Ended 2016	Year Ended 2017	Change (`17 vs `16)	Six Months Ended 6/30/17	Six Months Ended 6/30/18	Change (`18 vs `17)
Total Assets	\$38,369,421	67,494,537	75.9%	\$52,988,136	\$79,890,909	64.5%
No. of loans in Portfolio	217	337	55.3%	280	385	49.4%
Principal Amount of Loans in Portfolio	\$33,750,610	\$63,270,959	87.5%	\$47,807,245	\$72,377,495	73.7%
Interest Income	\$3,648,427	\$5,434,502	49.0%	\$2,260,759	\$4,338,170	89.3%
Gross Origination Fee Income <sup>(1)</sup>	\$824,008	\$1,735,023	111%	\$780,601	\$794,011	2.1%
Wtd. Average Contractual Interest Rate <sup>(2)</sup>	12.23%	12.08%	-1.2%	12.06%	12.30%	-0.3%
Foreclosures Initiated	1	12	1200%	5	8	160%
Loan Principal Paid Off	\$14,861,360	\$23,948,601	61.2%	\$9,181,290	\$18,982,298	53.2%

(1) Origination Fees net of manager compensation and deferred origination fees were \$197,378, \$802,264 and \$97,461 and \$348,548 (deferred origination fees only) for the years ended 2016 and 2017 and three months ended March 31, 2017 and 2018, respectively. Prior to the completion of Sachem's IPO, 75% of gross origination fees were paid to JJV, LLC, SCP's managing member. Accordingly, for the 2016 period and, roughly, the first half of the 2017 period, net origination fee income is net of the amounts payable to JJV and other adjustments. From and after February 9, 2017, JJV is no longer entitled to any payments from Sachem (other than dividends paid to it in its capacity as a shareholder of Sachem).

(2) Weighted average contractual interest rate does not include origination fee income.

# Annual Interest Income Growth



• 6/30/18 annualized

# Financial Highlights

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	% Change	2018	2017	% Change
Interest income from loans	\$2,375,797	\$1,223,919	94.1%	\$4,338,170	\$2,260,759	91.9%
Total revenue	\$3,042,261	\$1,560,058	95.0%	\$5,758,911	\$2,822,796	101.0%
Total operating costs and expenses	\$832,082	\$603,412	37.9%	\$1,576,079	\$969,372	62.6%
Net income	\$2,210,179	\$956,646	131.0%	\$4,182,832	\$1,853,424	125.7%

# Dividends Paid

Quarter	Dividend	Yield
Q2 2017	\$0.105	8.75%
Q3 2017	\$0.105	9.40%
Q4 2017	\$0.105	11.20%
Q1 2018	\$0.105	12.50%
Q2 2018	\$0.110	12.00%

<b>Dividend Paid YTD 2018</b>	<b>\$3.2 million</b>
<b>Net Income YTD 2018</b>	<b>\$4.2 million</b>

**Plan to distribute 90+% of taxable income to shareholders annually**

# Investment Highlights

- ✓ Internally managed, with co-founders owning approximately 20% of the company, aligning management's interests with equity investors
- ✓ Strong asset level return with nominal leverage and low cost structure generates attractive risk adjusted return on equity
- ✓ Experienced management team with intimate knowledge of the Connecticut and surrounding area real estate market
- ✓ Significant demand for real estate loans under \$500k in Connecticut and surrounding areas as traditional lenders are unable to satisfy demand
- ✓ Disciplined lending
- ✓ Vertically-integrated loan origination platform
- ✓ Increased flexibility to structure loans to suit the needs of our clients
- ✓ History of successful operations, annual interest income growth and profitability.

# Key Statistics

Ticker:	SACH
Exchange:	NYSE Amer
Share Price (9/28/18):	\$4.17
Shares Outstanding (6/30/18):	15.4 M
Market Cap (9/28/18):	\$64.3M
Shareholders' Equity (06/30/18):	\$55.5 M
Dividends (TTM):	\$0.43/share
Insider Ownership	21.7%
Fiscal Year End:	December 31

# **SACHEM** | **CAPITAL**

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