

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): November 9, 2020

SACHEM CAPITAL CORP.

(Exact name of Registrant as specified in its charter)

New York
(State or other jurisdiction
of incorporation)

001-37997
(Commission
File Number)

81-3467779
(IRS Employer
Identification No.)

698 Main Street, Branford, Connecticut
(Address of Principal Executive Office)

06405
(Zip Code)

Registrant's telephone number, including area code (203) 433-4736

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker symbol(s)	Name of each exchange on which registered
Common Shares, par value \$.001 per share	SACH	NYSE American LLC
7.125% Notes due 2024	SCCB	NYSE American LLC
6.875% Notes due 2024	SACC	NYSE American LLC
7.75% Notes due 2025	SCCC	NYSE American LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On November 9, 2020, Sachem Capital Corp. (the “Company”) issued a press release, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference, announcing its financial results for the three and nine month periods ended September 30, 2020.

Item 7.01. Regulation FD Disclosure.

On November 10, 2020, the Company hosted a conference call for investors to discuss its financial condition and operating results for the three and nine months ended September 30, 2020 as well as other relevant matters. A transcript of the call is attached hereto as Exhibit 99.2.

The information furnished pursuant to this Item 7.01 shall not be deemed to constitute an admission that such information is required to be furnished pursuant to Regulation FD or that such information or exhibits contain material information that is not otherwise publicly available. In addition, the Company does not assume any obligation to update such information in the future.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press release, dated November 9, 2020, announcing financial results for the three and nine months ended September 30, 2020.
99.2	Transcript of investor conference call held on November 10, 2020.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, furnished pursuant to Items 2.02 and 7.01, including Exhibits 99.1 and 99.2, respectively, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

* * * * *

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Sachem Capital Corp.

Dated: November 12, 2020

By: /s/John L. Villano
John L. Villano, CPA
Chief Executive Officer and
Chief Financial Officer

Exhibit Index

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FOR IMMEDIATE RELEASE

Sachem Capital Reports Revenue Increase of 26% for Q3 2020

Conference Call and Webcast to be held at 8:00 AM ET on Tuesday, November 10, 2020

Branford, Connecticut, November 9, 2020 -- Sachem Capital Corp. (NYSE American: SACH) announces its financial results for the third quarter ended September 30, 2020. The company will host a conference call on Tuesday, November 10th, 2020 at 8:00 a.m. Eastern Standard Time to discuss in greater detail its financial condition and operating results for the third quarter of 2020.

John Villano, CPA, the company's Chief Executive and Chief Financial Officer stated: "We continue to achieve strong financial performance despite the COVID-19 pandemic, as evidenced by a 26% increase in third quarter 2020 revenue versus the same period last year. Importantly, the fix-and-flip market has continued to improve in our traditional markets, as evidenced by an increase in the number of loan pay-offs and new loans. As a result, we have relaxed some of the precautionary measures we put in place due to COVID-19, increasing our loan-to-value ratio back to 70% while still maintaining a cautionary approach. Moreover, we are aggressively expanding our mortgage loan portfolio in new markets such as Florida."

"Looking ahead, our loan pipeline is more robust than ever. For this reason, we recently completed a public offering for gross proceeds of \$14 million to fund new real estate loans. Nevertheless, we remain focused on prudently deploying this capital as well as maintaining disciplined underwriting and a conservative loan-to-value ratio. As a result, we remain highly encouraged by the outlook for the rest of this year and our prospects for 2021."

Results of operations – three months ended September 30, 2020

Total revenue for the three months ended September 30, 2020, was approximately \$4.3 million compared to approximately \$3.4 million for the three months ended September 30, 2019, an increase of approximately 26%. For the third quarter of 2020, interest income and net origination fees were approximately \$3.5 million and \$393,000, respectively. In comparison, for the three months ended September 30, 2019, interest income and net origination fees were approximately \$2.4 million and \$497,000, respectively.

Total operating costs and expenses for the three months ended September 30, 2020, were approximately \$2.1 million compared to \$1.3 million for the three months ended September 30, 2019. Compared to the 2019 period, in the 2020 period interest expense and amortization of deferred financing costs increased approximately \$724,000 due to the increase in the company's overall indebtedness, which was \$85.6 million at September 30, 2020, compared to \$24.5 million at September 30, 2019.

Net income for the three months ended September 30, 2020 was approximately \$2.1 million, or \$0.10 per share, compared to \$2.1 million, or \$0.10 per share for the three months ended September 30, 2019.

Results of operations – nine months ended September 30, 2020

Total revenue for the nine months ended September 30, 2020 was approximately \$12.9 million compared to approximately \$9.8 million for the nine months ended September 30, 2019, an increase of approximately 32%. For the nine months ended September 30, 2020, interest income was approximately \$9.6 million and net origination fees were approximately \$1.6 million, respectively. In comparison, for the nine months ended September 30, 2019, interest income and net origination fees were approximately \$7.5 million and \$1.2 million, respectively.

Total operating costs and expenses for the nine months ended September 30, 2020, were approximately \$6.3 million compared to \$4.5 million for the nine months ended September 30, 2019. The increase in operating costs and expenses is primarily attributable to the increase in the company's lending operations.

Net income for the nine months ended September 30, 2020 was approximately \$6.7 million, or \$0.30 per share, compared to approximately \$5.3 million, or \$0.30 per share for the nine months ended September 30, 2019.

Financial Condition

Overall, total assets increased by approximately \$28.4 million as of September 30, 2020, compared to December 31, 2019, and total liabilities increased approximately \$27.1 million during the same period. In addition, shareholders' equity increased by approximately \$1.3 million compared to December 31, 2019.

During the third quarter of 2020, the Company sold \$14.36 million aggregate principal amount of its 7.75% unsecured, unsubordinated notes due 2025. The net proceeds of the offering were approximately \$13.62 million after payment of underwriting discounts and commissions and estimated offering expenses. In October 2020, the Company subsequently sold an additional \$14 million aggregate principal amount of its 7.75% unsecured, unsubordinated notes due 2025. The net proceeds of the offering were approximately \$13.4 million after payment of underwriting discounts and commissions and estimated offering expenses.

On October 16, 2020, the Company's board of directors authorized and declared a quarterly dividend of \$0.12 per share to be paid to shareholders of record as of the close of trading on the NYSE American on October 26, 2020. The dividend was paid on November 4, 2020.

Investor Conference Call

The company will host a conference call on Tuesday, November 10th, 2020 at 8:00 a.m., Eastern Standard Time, to discuss in greater detail its financial results for the third quarter ending September 30, 2020, as well as its outlook for the balance of 2020. Interested parties can access the conference call by calling 844-407-9500 for U.S. callers, or 862-298-0850 for international callers. The call will be available on the company's website via webcast at <https://www.sachemcapitalcorp.com>. John Villano, the company's Chief Executive and Chief Financial Officer will lead the conference call.

The webcast will also be archived on the company's website and a telephone replay of the call will be available approximately one hour following the call, through Tuesday, November 24, 2020, and can be accessed by calling: 877-481-4010 for U.S. callers or 919-882-2331 for international callers and entering conference ID: 38542.

About Sachem Capital Corp.

Sachem Capital Corp. specializes in originating, underwriting, funding, servicing, and managing a portfolio of first mortgage loans. It offers short term (*i.e.*, three years or less) secured, nonbanking loans (sometimes referred to as "hard money" loans) to real estate investors to fund their acquisition, renovation, development, rehabilitation or improvement of properties located primarily in Connecticut. The company does not lend to owner occupants. The company's primary underwriting criteria is a conservative loan to value ratio. The properties securing the company's loans are generally classified as residential or commercial real estate and, typically, are held for resale or investment. Each loan is secured by a first mortgage lien on real estate. Each loan is also personally guaranteed by the principal(s) of the borrower, which guaranty may be collaterally secured by a pledge of the guarantor's interest in the borrower. The company also makes opportunistic real estate purchases apart from its lending activities. The company believes that it qualifies as a real estate investment trust (REIT) for federal income tax purposes and has elected to be taxed as a REIT beginning with its 2017 tax year.

Forward Looking Statements

This press release may contain forward-looking statements. All statements other than statements of historical facts contained in this press release, 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,” 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 several risks, uncertainties and assumptions as described in our Annual Report on Form 10-K for 2019 filed with the U.S. Securities and Exchange Commission on March 30, 2020. Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this press release 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.

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

Investor & Media Contact:

Crescendo Communications, LLC

Email: sach@crescendo-ir.com

Tel: (212) 671-1021

SACHEM CAPITAL CORP.
BALANCE SHEETS

	<u>September 30, 2020</u> <u>(Unaudited)</u>	<u>December 31, 2019</u> <u>(Audited)</u>
Assets		
Assets:		
Cash and cash equivalents	\$ 5,384,073	\$ 18,841,937
Investments	27,688,794	15,949,802
Mortgages receivable	124,131,879	94,348,689
Interest and fees receivable	1,551,333	1,370,998
Other receivables	87,307	141,397
Due from borrowers	1,501,470	840,930
Prepaid expenses	106,816	24,734
Property and equipment, net	1,418,442	1,346,396
Deposits on property and equipment	172,210	71,680
Real estate owned	7,523,584	8,258,082
Deferred financing costs	66,086	16,600
	<u>169,631,994</u>	<u>141,211,245</u>
Total assets	\$ 169,631,994	\$ 141,211,245
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable (net of deferred financing costs of \$3,074,115 and \$2,687,190)	\$ 69,452,636	\$ 55,475,810
Mortgage payable	771,785	784,081
Line of credit	12,080,569	—
Accounts payable and accrued expenses	522,453	249,879
Other loans	257,845	—
Security deposits held	13,416	7,800
Advances from borrowers	1,413,974	848,268
Deferred revenue	1,114,721	1,205,740
Notes payable	60,130	75,433
Accrued interest	80,672	3,416
Total liabilities	85,768,201	58,650,427
Commitments and Contingencies		
Shareholders' equity:		
Preferred shares - \$.001 par value; 5,000,000 shares authorized; no shares issued	—	—
Common stock - \$.001 par value; 100,000,000 shares authorized; 22,117,301 issued and outstanding	22,117	22,117
Paid-in capital	83,810,276	83,856,308
Accumulated other comprehensive loss	(37,596)	(50,878)
Retained earnings (accumulated deficit)	68,996	(1,266,729)
Total shareholders' equity	83,863,793	82,560,818
Total liabilities and shareholders' equity	\$ 169,631,994	\$ 141,211,245

SACHEM CAPITAL CORP.
STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue:				
Interest income from loans	\$ 3,473,304	\$ 2,442,750	\$ 9,640,387	\$ 7,509,155
Interest income on investments	32,483	28,148	163,161	28,148
Gain/(loss) on sale of investment securities	(21,858)	—	415,301	—
Origination fees, net	393,097	497,237	1,551,652	1,202,777
Late and other fees	10,955	18,149	46,835	205,182
Processing fees	37,445	44,870	123,568	121,470
Rental income, net	9,593	9,446	49,777	82,350
Other income	336,789	325,523	904,071	622,054
Net gain on sale of real estate	—	12,927	—	20,076
Total revenue	<u>4,271,808</u>	<u>3,379,050</u>	<u>12,894,752</u>	<u>9,791,212</u>
Operating costs and expenses:				
Interest and amortization of deferred financing costs	1,262,278	537,878	3,564,533	1,611,332
Compensation, fees and taxes	496,058	476,404	1,220,412	1,325,822
Stock based compensation	4,107	4,107	12,321	12,327
Professional fees	158,206	105,053	400,868	259,275
Other expenses and taxes	26,247	39,355	61,484	70,683
Exchange fees	22,713	11,343	29,986	32,850
Expense in connection with termination of LOC	—	—	—	779,641
Impairment	—	—	495,000	—
Net loss on sale of real estate	2,816	—	7,276	—
Depreciation	15,348	18,618	46,318	44,286
General and administrative expenses	<u>145,251</u>	<u>131,206</u>	<u>412,677</u>	<u>400,561</u>
Total operating costs and expenses	<u>2,133,024</u>	<u>1,323,964</u>	<u>6,250,875</u>	<u>4,536,777</u>
Net income	2,138,784	2,055,086	6,643,877	5,254,435
Other comprehensive income (loss)				
Unrealized gain (loss) on investment securities	<u>(72,785)</u>	<u>—</u>	<u>13,282</u>	<u>—</u>
Comprehensive income	<u>\$ 2,065,999</u>	<u>\$ 2,055,086</u>	<u>\$ 6,657,159</u>	<u>\$ 5,254,435</u>
Basic and diluted net income per common share outstanding:				
Basic	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.30</u>	<u>\$ 0.30</u>
Diluted	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.30</u>	<u>\$ 0.30</u>
Weighted average number of common shares outstanding:				
Basic	<u>22,117,301</u>	<u>21,336,870</u>	<u>22,117,301</u>	<u>17,662,480</u>
Diluted	<u>22,117,301</u>	<u>21,336,870</u>	<u>22,117,301</u>	<u>17,622,480</u>

SACHEM CAPITAL CORP.
STATEMENTS OF CASH FLOW
(unaudited)

	Nine Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 6,643,877	\$ 5,254,435
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs	357,497	159,872
Depreciation expense	46,318	44,286
Stock based compensation	12,321	12,327
Impairment loss	495,000	—
Loss (gain) on sale of real estate	7,276	(20,076)
Abandonment of office furniture	—	12,000
Costs in connection with termination of line of credit		439,446
Realized gain on investments	(415,301)	—
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Escrow deposits	—	12,813
Interest and fees receivable	(180,335)	(454,487)
Other receivables	54,090	(67,237)
Due from borrowers	(273,202)	2,122,939
Prepaid expenses	(82,082)	(22,305)
Deposits on property and equipment	(100,530)	(37,881)
(Decrease) increase in:		
Due to note purchaser	—	(176,619)
Accrued interest	77,256	3,323
Accounts payable and accrued expenses	272,574	(159,512)
Deferred revenue	(91,019)	9,261
Advances from borrowers	565,706	180,889
Total adjustments	745,569	2,059,039
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,389,446	7,313,474
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(37,216,177)	—
Proceeds from the sale of investments	25,905,769	—
Proceeds from sale of real estate owned	1,816,522	362,136
Acquisitions of and improvements to real estate owned	(1,584,300)	(443,217)
Purchase of property and equipment	(118,364)	(196,603)
Security deposits held	5,616	—
Principal disbursements for mortgages receivable	(68,029,798)	(42,163,704)
Principal collections on mortgages receivable	37,859,270	27,917,331
NET CASH USED FOR INVESTING ACTIVITIES	(41,361,462)	(14,524,057)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	14,080,569	42,720,829
Repayment of line of credit	(2,000,000)	(69,939,952)
Proceeds from notes sold to shareholder	—	1,017,000
Repayment of notes sold to shareholder	—	(2,217,000)
Principal payments on mortgage payable	(12,296)	—
Principal payments on notes payable	(15,303)	—
Dividends paid	(5,308,152)	(7,027,746)
Financing costs incurred	(108,353)	(6,836)
Proceeds from other loans	257,845	—
Proceeds from mortgage payable	—	795,000
Repayment of mortgage payable	—	(297,837)
Proceeds from notes payable, net	—	68,634
Proceeds from issuance of common stock	—	30,736,148
Costs associated with the issuance of common stock	—	(147,002)
Gross proceeds from issuance of fixed rate notes	14,363,750	23,663,000
Financing costs incurred in connection with fixed rate notes	(743,908)	(1,307,571)
NET CASH PROVIDED BY FINANCING ACTIVITIES	20,514,152	18,056,667
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,457,864)	10,846,084
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	18,841,937	158,859
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 5,384,073	\$ 11,004,943

SACHEM CAPITAL CORP.
STATEMENTS OF CASH FLOW (Continued)
(unaudited)

	Nine Months Ended September 30,	
	2020	2019
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Taxes paid	\$ —	\$ —
Interest paid	\$ 2,093,080	\$ 472,329
SUPPLEMENTAL INFORMATION-NON-CASH		
Dividends declared and payable	<u>\$ —</u>	<u>\$ —</u>

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES

Real estate acquired in connection with the foreclosure of certain mortgages, inclusive of interest and other fees receivable, during the period ended September 30, 2019 amounted to \$2,265,927.

During the nine months ended September 30, 2019, the Company purchased equipment for \$13,005 subject to a capital lease.

During the nine months ended September 30, 2019, Mortgages receivable, affiliate in the amount of \$879,457 were reduced to \$0 as the underlying loans were transferred to the Company and are included in Mortgages receivable.

Real estate acquired in connection with the foreclosure of certain mortgages, inclusive of interest and other fees receivable, during the period ended September 30, 2020 amounted to \$170,383.

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Transcript of
Sachem Capital Corp.
Third Quarter 2020 Conference Call
November 10, 2020

Participants

David Waldman - Investor Relations, Crescendo Communications, LLC
John Villano - Chief Executive Officer, Chief Financial Officer, President and Treasurer

Analysts

Christopher Nolan - Ladenburg Thalmann & Co.
Rommel Dionisio - Aegis Capital Corp.

Presentation**Operator**

Good day ladies and gentlemen and welcome to the Sachem Capital Third Quarter 2020 Conference Call. All lines have been placed on a listen-only mode and the floor will be open for your questions and comments following the presentation.

At this time it is my pleasure to turn the floor over to your host for today, Mr. David Waldman of Crescendo Communications, LLC. Sir, the floor is yours.

David Waldman - Investor Relations, Crescendo Communications, LLC

Good morning and thank you for joining Sachem Capital Corp's third quarter 2020 conference call. On the call with us today is John Villano, CPA, Chief Executive Officer and Chief Financial Officer of Sachem Capital.

On November 9, the company announced its operating results for the quarter ended September 30, 2020 and its financial condition as of that date. The press release is posted on the company's website, www.sachemcapitalcorp.com.

In addition, the company filed its Form 10-Q with the U.S. Securities and Exchange Commission on November 6, which can also be accessed on the company's website as well as the SEC's website at www.sec.gov. If you have any questions after the call or would like any additional information about the company, please contact Crescendo Communications at 212-671-1021.

Before Mr. Villano reviews the company's operating results for the third quarter of 2020 and the company's financial condition at September 30, 2020, we would like to remind everyone that this conference call may contain forward-looking statements. All statements other than statements of historical facts contained in this conference call, 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, and the negative of such terms and other words in terms of similar expressions are intended to identify forward-looking statements.

These forward-looking statements are based largely on the company's current expectations and projections about future events and trends that it believes may affect its 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 several risks, uncertainties and assumptions, as described in the company's quarterly report on Form 10-Q for the third quarter of 2020 filed with the U.S. Securities and Exchange Commission on November 6, 2020 as well as its annual report on Form 10-K filed on March 30, 2020.

Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this conference call 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 the company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, level of activity, performance or achievements.

In addition, neither the company nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. The company disclaims any duty to update any of these forward-looking statements. All forward-looking statements attributable to the company are expressly qualified in their entirety by these cautionary statements as well as others made in this conference call. You should evaluate all forward-looking statements made by the company in the context of these risks and uncertainties.

With that, I will now turn the call over to John Villano. Please go ahead, John.

John Villano - Chief Executive Officer, Chief Financial Officer, President and Treasurer

Thank you and thanks to everyone for joining us today. I am pleased to report your company achieved strong financial results for the third quarter, despite the lingering effects of the COVID-19 pandemic. Our quarterly revenue increased 26% to \$4.3 million, compared to \$3.4 million for the same period in 2019.

We attribute this improvement to the fact that fix-and-flip market has continued to improve in our traditional markets, as builders and developers scramble to satisfy the demand for move-in inventory. This is further illustrated by the increase in our loans in process and the increasing number of loan payoffs.

As discussed on our last quarter call, once COVID-19 took hold, we implemented stricter underwriting guidelines to reduce our lending risk by focusing on preservation of capital and careful maintenance of our existing portfolio. Due to improving conditions, effective July 1, 2020, we relaxed some of these measures by increasing our loan-to-value ratio back to 70%. However, we are still maintaining a cautionary approach.

We saw a robust demand for our loan products in the third quarter of 2020. We believe this demand was driven by several factors. First, was the overall improvement in our economy, specifically the Northeast, due in part to the easing of government-imposed pandemic restrictions.

Second, we believe we are well-positioned from a competitive standpoint. Banks and other traditional lenders have a limited desire to lend and cannot move quickly to handle the borrowers' desire to close quickly. Let's not forget the fix-and-flip arena is highly competitive, and a quick close often gets the contract for sale. Further, many non-traditional lenders remain undercapitalized.

Third, the residential real estate market in Connecticut, our primary market, has stabilized and has proven quite resilient. The suburban areas we serve in Connecticut have benefited from the migration of New York City residents. We believe the move from urban areas contributed to the increase in the number of loan payoffs that we witnessed in the third quarter. Further, housing inventory is low as developers scramble for saleable product.

And, finally, we initiated a growth strategy focused on Florida. Our strategy will focus on quality MSAs, or metropolitan statistical areas, where residents enjoy robust real estate, employment growth, progressive government, low taxes, and finally, quality of life. We believe this strategy is easily expandable. As of June 30, 2020, we had less than \$1 million of Florida loans in our portfolio. As of September 30, 2020, that number had grown to \$9.7 million.

Our ability to successfully pivot our business model and quickly adapt to changes in the marketplace is a key competitive advantage for Sachem. We plan to continue expanding our geographic footprint beyond Connecticut to new markets such as Florida, which I mentioned, as well as Texas. Our goal is a diversified portfolio of high yielding notes.

As we pursue opportunistic expansion, we are diversifying our mortgage loan portfolio into additional asset classes, such as larger multifamily and higher-end fix-and-flip properties. Here, we believe we can effectively deploy larger amounts of capital with potentially higher returns, better sponsorship, and lower risk. We believe the migration to higher-quality transactions will offset any rate compression and help us maintain a low foreclosure rate.

Looking ahead, I am pleased to report our loan pipeline is significant and expanding. Further, we are well-capitalized with a solid balance sheet to take advantage of market opportunities. As a result, we remain highly encouraged by the outlook for the rest of the year, and our prospects for 2021.

I would now like to touch on some key financial highlights then talk more about our strategy going forward. If you need any additional insight into the financial details, please review our recently filed 10-Q and press release.

First, total revenue for the third quarter of 2020 increased 26% to approximately \$4.3 million, compared to approximately \$3.4 million for the same period last year. Interest income, net origination fees and interest on investment securities increased during the period. Late fees decreased during the quarter, reflecting tighter lending standards and rapid loan payoffs, rental income decreased as well as rental properties were sold.

Total operating costs and expenses for the quarter ended September 30, 2020, were approximately \$2.1 million compared to \$1.3 million for the same period last year. The increase in operating costs and expenses was primarily attributable to an increase in interest and amortization of deferred financing costs of approximately \$724,000 due to the increase in our overall indebtedness.

In comparison, our indebtedness was \$85.6 million at September 30, 2020, compared to \$24.5 million for the year-ago period. Net income for both the three months ended September 30, 2020 and September 30, 2019 was approximately \$2.1 million or \$0.10 per share, representing stable performance year-over-year.

For the nine months ended September 30, 2020, revenue increased 32% to approximately \$12.9 million. The revenue increase represents the steady growth of our loan portfolio.

Net income for the nine months ended September 30, 2020 was approximately \$6.7 million or \$0.30 per share, compared to approximately \$5.3 million or \$0.30 per share for the year-ago period. Comparing the two nine-month period, net income increased approximately 26% period-over-period.

Overall, we believe our financial results are evidence of our strong competitive position in the market and the sustainability of our business model over time. Even though our outlook for the rest of the year remains positive, we recognize there are still ongoing market risks to consider.

As you know, we can quickly adapt our strategy as market conditions change.

In terms of Sachem's financial condition as of September 30, 2020, compared to December 31, 2019, total assets increased by \$28.4 million to \$170 million, and total liabilities increased approximately \$27 million to \$85.8 million. In addition, shareholders' equity increased by approximately \$1.3 million to \$83.9 million due to a corresponding increase in retained earnings.

During the nine months ended September 30, 2020, our loan portfolio increased by approximately \$30 million, and our balance sheet remained solid with approximately \$170 million of assets, backing \$69.4 million in unsecured notes. As a mortgage REIT, our debt levels are extraordinarily low versus our peers, thereby providing stability during difficult times.

As of September 30, 2020, of the 480 mortgage loans in our portfolio, just 10, or approximately 2.1%, were in the process of foreclosure or actively managed with the goal of unlocking our invested capital in a timely manner. In the case of each of these loans, we believe the value of the collateral exceeds the total amount due.

With the gradual opening of the state court starting on October 2020, we saw progress in foreclosure and eviction proceedings, as courts have begun to work through the large backlog. The court process in Connecticut will require some time and patience to truly get back on track due to COVID.

Of the 480 mortgage loans in our portfolio as of September 30, 2020, 18 were COVID-19 forbearance loans having an aggregate principal balance of \$5.1 million and \$146,000 of deferred interest. At June 30, 2020, we had 23 COVID-19 forbearance loans, having an aggregate principal balance of \$6.5 million and \$200,000 of deferred interest.

As of September 30, 2020, real estate owned decreased to \$7.5 million compared to \$8.3 million at year end 2019. As of September 30, 2020, real estate owned included \$1.5 million of real estate held for rental, and \$6 million of real estate held for sale.

Net cash provided by operating activities for the nine months ended September 30, 2020 was approximately \$7.4 million, compared to approximately \$7.3 million for the same period last year. In terms of our dividend, on October 16, 2020, we authorized and declared a quarterly dividend of \$0.12 a share, which was paid on November 4, 2020. As you are aware, Sachem Capital operates as a REIT and is required to distribute a minimum of 90% of the company's taxable income to shareholders in the form of dividends. We intend to satisfy this requirement for the balance of 2020.

Let me take a moment now to discuss liquidity and capital resources as of September 30. We ended the third quarter with approximately \$33.1 million of cash, cash equivalents and short-term investment securities. This includes net proceeds of \$13.6 million from the sale of our 7.75% unsecured, unsubordinated notes due 2025 in the third quarter. In the third quarter, we also established a line of credit tied to our investment securities. This line of credit is approximately \$12.1 million at September 30, 2020, with an interest cost of 1.75%.

Net cash and securities at September 30, 20 was approximately \$21 million. Our strategy is to continue to grow our business and increase the size of our loan portfolio, which requires that we raise additional capital either by selling common shares or by incurring additional indebtedness. For this reason, we recently completed another public offering of 7.75% unsecured, unsubordinated notes due 2025 for gross proceeds of \$14 million during the fourth quarter, with net proceeds to the company of approximately \$13.4 million.

As we have in the past, we plan to use the net proceeds from these offerings, primarily to fund new real estate loans secured by first mortgage liens. Given the current market conditions, we believe, there is a strong demand to effectively deploy this capital. We are very careful about the debt we take on, it will not over lever our portfolio to garner higher leveraged returns. We are currently searching for additional low risk capital.

Moving forward, we will continue to monitor COVID-19, the markets we fund and the ever-changing economic conditions. As a non-bank lender with a strong balance sheet and less than 1% of our assets secured by creditors. We believe, we are well-positioned to expand our lending area, capitalizing on cash starved lenders and banks continued unwillingness to lend. The fact that we are able to lend off our own balance sheet is a major competitive advantage for Sachem.

So, to summarize, given the current market conditions, we believe we are well-positioned as the go to non-bank real estate lender, while our competitors tighten their lending criteria or flee this segment of the market. The demand for our products and services remains robust, which is reflected in our third quarter financial results. We are still maintaining a cautionary approach to the market and look forward to further deploying our capital as we identify attractive opportunities.

We are diversifying our portfolio to include more projects such as larger multifamily, where we can effectively deploy capital with creditworthy borrowers that have a strong operating history. We have built a highly scalable business model to drive revenue and cash flow, and thus grow profitability and dividends in the years ahead for our shareholders. I am pleased with our operating results for the quarter, the performance of our team members, and our growing presence in the lending marketplace. Your company is strong, growing and well-positioned for the future.

I would like to thank you all for joining our call today. At this point, I would like to open up the call for questions.

Operator

Thank you, ladies and gentlemen. [Operator Instructions] We'll go first to Christopher Nolan from Ladenburg Thalmann.

Q: Hey, John, what is the target leverage ratio going forward, please?

John Villano - Chief Executive Officer, Chief Financial Officer, President and Treasurer

Chris, to be perfectly honest, our leverage grows in small chunks, right? So, we did \$14 million in September, we did \$14 million in October. We are looking to a 1-to-1 leverage initially. At that point, we're going to evaluate, we're going to see how the company performs with the debt level.

But let me add, in terms of our competitors, our debt, our indebtedness is unbelievably low for companies in our space. Their debt-to-equity is in multiples. We haven't even gotten to 1-to-1 yet. So, in terms of our debt appetite, it is strong. We are not rampant debt pig so to speak, that the debt has to be right and it has to be well timed.

Q: Got you. Well, for the \$14 million raised in October, does that include the underwriter's option, because I thought I read where...

John Villano - Chief Executive Officer, Chief Financial Officer, President and Treasurer

I believe it was \$13 million plus the issue totaling approximately \$14 million. I do have access to this if you need more detail.

Q: No, no, I thought it was \$16 million. Let's go back and just check. Okay, Florida, what is the – how large you expect to grow this as part of the portfolio?

John Villano - Chief Executive Officer, Chief Financial Officer, President and Treasurer

So, let me step back and say we have individuals in Florida. We are building relationships with loan originators. We are moving slowly in this space. We are trying to target Southern Florida, from Fort Myers across to Fort Lauderdale and down.

We have legal representation, we have appraisal services. And most importantly, we have some individuals that are acting as underwriters. And hopefully, in the near future, if things go according to plan, they could be part of us. So, it's slow and steady. And, Chris, it's all about capital, right? We can go into any market and lend buckets of money. I just have to make sure that we have it and we have continued sources for it. So...

Q: Capital [we're discussing] [ph], right? Okay, I'll get back in to queue.

John Villano - Chief Executive Officer, Chief Financial Officer, President and Treasurer

Thank you.

Operator

[Operator Instructions] We'll go next to Rommel Dionisio from Aegis.

Q: Yeah, good morning, John. So, thanks for the color on Florida. I wonder if you could just give us a little color on Texas. Certainly, your thoughts there in terms of maybe timing, particular regions you're looking at, how you plan to attack that market, just as you did on – just as you gave some nice color on Florida? Thank you.

John Villano - Chief Executive Officer, Chief Financial Officer, President and Treasurer

Okay. So, back before the real onset of COVID, and I'm talking January and February of 2020, we were building a relationship with a small, let's call it, Sachem like lender, in Austin, Texas. And we had started doing a few loans, they are well managed. They are funded with partner capital. Many of their partners I am familiar with.

So, we started an arrangement where we were lending together and relatively small. I don't think we did \$2 million of loans. And then, once COVID took hold, we backed away. And we kept our distance, we worked our way through. They worked their way through a little bit. And we have now begun discussions with them once again.

Q: Okay. Great, thanks very much. Congrats on the quarter.

John Villano - Chief Executive Officer, Chief Financial Officer, President and Treasurer

Thank you.

Operator

We will return to Christopher Nolan at Ladenburg Thalmann

Q: John, funding strategies, given that the stock is currently below book, what are you thinking about raising capital in 2021 assuming that you don't get a share price bump [and trade bump up] [ph]?

John Villano - Chief Executive Officer, Chief Financial Officer, President and Treasurer

Well, selling shares is difficult for us. Right, we're still working through the shares that we sold a year ago in July, right? So, we have an increased share count. We would rather not sell shares in the near future, especially at this price. So, we think we have room to pack on a little bit more debt. And, once we do that, we're going to see how the company feels, right? We're going to see how cash flow is affected and things like that.

And then, we'll decide – and my guess is we'll decide probably towards the end of the first quarter. Again, depending on share price, we never want to sell shares cheaply. And we also understand that the sale of shares by us makes it tough on our shareholders as well, if there's any kind of decline in price, so debt first, equity maybe sometime next year, say the end of the first quarter.

But again, it all depends on how this world continues to evolve and the performance of our notes as well.

Q: Final question, given the raise in October, are you using that to pay down the outstanding balance on the credit facility?

John Villano - Chief Executive Officer, Chief Financial Officer, President and Treasurer

No. So, what we are doing is we have an account that has, as of today, \$41 million in it. We are borrowing off of it. It is just a step above bombproof. And we pull from it. So, we don't have an operating line of credit, where we can pay down excess cash. So, what we'll do is we'll park our bond funds there, and then we start ripping through that money as the loans come to be.

We are expecting a fairly strong push for the quarter. And like I said, in our call, our pipeline is strong. And it's quite large, as a matter of fact, and we're probably going to be dipping into those funds significantly over the next month.

Q: Got you, and on the balance sheet, the short-term investments of those bonds?

John Villano - Chief Executive Officer, Chief Financial Officer, President and Treasurer

The short term, it's, I would say, a very few stocks, mutual funds, preferred stocks of large quality – good quality companies.

Q: Got it. Okay. Great. Thank you for the detail.

John Villano - Chief Executive Officer, Chief Financial Officer, President and Treasurer

Thank you, bye.

Operator

And with no other questions holding, Mr. Villano, I'll turn the conference back to you for any additional or closing comments.

John Villano - Chief Executive Officer, Chief Financial Officer, President and Treasurer

Okay. Thank you all for joining us today. Stay tuned. We're still writing our book here. So be patient and talk to you in another three or four months. Take care. Bye now.

Operator

Ladies and gentlemen, that will conclude today's presentation. We thank you for your participation. You may disconnect at this time and have a great day.