

**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): March 31, 2022

SACHEM CAPITAL CORP.

(Exact name of Registrant as specified in its charter)

<u>New York</u> (State or other jurisdiction of incorporation)	<u>001-37997</u> (Commission File Number)	<u>81-3467779</u> (IRS Employer Identification No.)
<u>698 Main Street, Branford, Connecticut</u> (Address of Principal Executive Office)		<u>06405</u> (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
6.00% notes due 2026	SCCD	NYSE American LLC
6.00% notes due 2027	SCCE	NYSE American LLC
7.75% Series A Cumulative Redeemable Preferred Stock, Liquidation Preference \$25.00 per share	SACHPRA	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 March 31, 2022, 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 year ended December 31, 2021.

Item 7.01. Regulation FD Disclosure.

On April 1, 2022, the Company hosted a conference call for investors to discuss its financial condition and operating results for the year ended December 31, 2021 and its outlook for 2022. 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 8.01. Other Events.

On April 1, 2022, the Company issued a press release, announcing that its board of directors approved a dividend of \$0.12 per share, payable on April 18, 2022 to shareholders of record as of April 11, 2022. A copy of the press release is attached hereto as Exhibit 99.3.

On April 4, 2022, the Company sold an additional \$1,875,000 original principal amount of its 6.0% unsecured, unsubordinated notes due 2027 (the “Notes”) pursuant to a partial exercise of the underwriters’ over-allotment option from the previously announced registered public offering, bringing the total gross proceeds of the offering to \$51,875,000 and net proceeds to approximately \$50.0 million, after payment of underwriting discounts and commissions and estimated offering expenses.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit

No.

Description

[99.1](#) [Press release, dated March 31, 2022, announcing financial results for the year ended December 31, 2021.](#)

[99.2](#) [Transcript of investor conference call held on April 1, 2022.](#)

[99.3](#) [Press release dated April 1, 2022.](#)

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.

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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: April 4, 2022

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

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Exhibit Index

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FOR IMMEDIATE RELEASE

Sachem Capital Reports Record Annual Revenue of \$30.4 Million and Net Income Attributable to Common Shareholders of \$11.5 Million for 2021

Conference Call and Webcast to be held at 8:00 AM ET on Friday, April 1, 2022

Branford, Connecticut, March 31, 2022 -- Sachem Capital Corp. (NYSE American: SACH) announces its financial results for the year ended December 31, 2021. The company will host a conference call on Friday, April 1, 2022 at 8:00 a.m. Eastern Time to discuss in greater detail its financial condition and operating results for the year ended December 31, 2021, as well as its outlook for 2022.

John Villano, CPA, the company's Chief Executive and Chief Financial Officer stated: "We continued to generate solid year-over-year revenue growth and achieved record net income attributable to common shareholders of \$11.5 million, or \$0.44 per share, for 2021. We believe these results illustrate the success and scalability of our business model. Heading into 2022, we have maintained our momentum with a robust loan pipeline. To support our continued growth, in December 2021 and March 2022 alone, we announced two registered public offerings of unsecured notes, for gross proceeds of \$101.8 million, which provides us additional non-dilutive capital to accelerate our lending activities without compromising our goal, which is to provide our shareholders with attractive risk-adjusted returns.

"In addition to diversifying our holdings, including larger loans with established developers, we continue to expand our lending operations across the U.S. and now have a presence in 14 states, with a strong core focus along the Eastern seaboard. Importantly, we are witnessing demand for our loan products due to our ability to close quickly and our flexibility in structuring loans to suit the needs of borrowers. Despite the rise in interest rates, we continue to believe that there exists significant market opportunity for a well-capitalized "hard money" lender to originate attractively priced loans to small and mid-scale real estate developers with good collateral. As a result, we remain encouraged by the outlook for our business and look forward to building upon our strong historical financial performance."

Results of operations

Total revenue for the year ended December 31, 2021 was approximately \$30.4 million compared to approximately \$18.6 million for the year ended December 31, 2020, an increase of approximately \$11.8 million, or 63.5%. The increase in revenue was due primarily to an increase in lending operations. For 2021, interest income was approximately \$22.3 million, origination fees were approximately \$3.4 million and various other fees relating to our lending activities were approximately \$3.2 million, for a total of approximately \$28.9 million, an increase of \$11.7 million over the same items in 2020.

Total operating costs and expenses for the year ended December 31, 2021 were approximately \$17.1 million compared to approximately \$9.6 million for 2020, an increase of approximately \$7.5 million, or 78.0%. The largest contributor to this increase was interest and amortization of deferred financing costs, which were \$10.4 million in 2021 compared to \$5.5 million in 2020, an increase of approximately 87.9%. The increase is directly related to interest paid on our outstanding unsecured unsubordinated five-year notes. The balance of the increase in operating expenses was attributable to (i) compensation (including stock-based compensation), fees and taxes, which increased approximately \$1.3 million; (ii) professional fees, which increased approximately \$513,000; (iii) general and administrative expenses, which increased approximately \$538,000; and (iv) other expenses, which increased approximately \$142,000. These increases are attributable to our increased level of operations and the implementation of certain of our growth strategies.

Net income for 2021 attributable to common shareholders was approximately \$11.5 million compared to approximately \$9.0 million for 2020, an increase of approximately \$2.5 million or 27.5%. Our net income per weighted average common share outstanding for 2021 was \$0.44 compared to \$0.41 for 2020.

Financial Condition

Total assets at December 31, 2021 were approximately \$418.0 million compared to approximately \$226.7 million at December 31, 2020, an increase of approximately \$191.3 million, or 84.4%. The increase was due primarily to the growth in our mortgage loan portfolio, which increased approximately \$136.7 million, and an approximately \$45.9 million increase in cash and short-term marketable securities.

Total liabilities at December 31, 2021 were approximately \$237.9 million compared to approximately \$145.8 million at December 31, 2020, an increase of approximately \$92.1 million, or approximately 63.2%. This increase is principally due to an overall increase in our total indebtedness, which at December 31, 2021 was approximately \$213.5 million compared to approximately \$138.7 million at December 31, 2020 (in each case, net of deferred financing costs), an increase of \$80.6 million. Total indebtedness at December 31, 2021 included \$160.5 million of notes payable (net of \$5.7 million of deferred financing costs), \$33.2 million balance on our margin loan account with Wells Fargo Advisors, \$19.1 million outstanding on our master repurchase financing facility with an affiliate of Churchill Real Estate and \$750,000 outstanding on our mortgage with New Haven Bank.

Total shareholders' equity at December 31, 2021 was approximately \$180.1 million compared to approximately \$81.0 million at December 31, 2020, an increase of approximately \$99.1 million. This increase was due primarily to our net income of approximately \$13.3 million, net proceeds from the sale of common shares of \$56.0 million, net proceeds from the sale of Series A Preferred Stock of approximately \$45.5 million, offset by approximately \$13.6 million of dividends paid and declared with respect to our common shares and approximately \$1.9 million of dividends paid with respect to our Series A Preferred Stock. In 2021, the company paid a total of approximately \$12.3 million of dividends on the common shares, of which approximately \$2.7 million was attributable to 2020. In addition, on January 10, 2022, the company paid a dividend of \$0.12 per share, or \$3.9 million in the aggregate, to common shareholders of record as of December 31, 2021, which was attributable to 2021.

The company currently operates and qualifies as a Real Estate Investment Trust (REIT) for federal income taxes and intends to continue to qualify and operate as a REIT. Under federal income tax rules, a REIT is required to distribute a minimum of 90% of taxable income each year to its shareholders and the company intends to comply with this requirement for the current year.

Investor Conference Call

The company will host a conference call on Friday, April 1, 2022, at 8:00 a.m., Eastern Time, to discuss in greater detail its financial results for the year ended December 31, 2021, as well as its outlook for the balance of 2022.

Interested parties can access the conference call via telephone by dialing toll free 1-888-506-0062 for U.S. callers or +1 973-528-0011 for international callers and entering the entry code: 295196. A webcast of the call may be accessed at <https://www.webcaster4.com/Webcast/Page/2304/45135> or on Sachem's website at <https://ir.sachemcapitalcorp.com/ir-calendar>.

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 Friday, April 15, 2022 and can be accessed by dialing 877-481-4010 for U.S. callers or +1 919-882-2331 for international callers and by entering replay passcode: 45135.

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, non-banking 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 2021 filed with the U.S. Securities and Exchange Commission on March 31, 2022. 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

(tables follow)

SACHEM CAPITAL CORP. BALANCE SHEETS

	December 31, 2021	December 31, 2020
Assets		
Assets:		
Cash and cash equivalents	\$ 41,938,897	\$ 19,408,028
Investment securities	60,633,661	37,293,703
Mortgages receivable	292,301,209	155,616,300
Interest and fees receivable	3,693,645	1,820,067
Other receivables	94,108	67,307
Due from borrowers	3,671,016	2,025,663
Prepaid expenses	271,291	71,313
Property and equipment, net	2,172,185	1,433,388
Real estate owned	6,559,010	8,861,609
Investments in partnerships	6,055,838	—
Other assets	306,440	—
Deferred financing costs, net	264,451	72,806
Total assets	<u>\$ 417,961,751</u>	<u>\$ 226,670,184</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable (net of deferred financing costs of \$5,747,387 and \$4,866,058)	\$ 160,529,363	\$ 109,640,692
Repurchase facility	19,087,189	—
Mortgage payable	750,000	767,508
Line of credit	33,178,031	28,055,648
Accrued dividends payable	3,927,600	2,654,977
Accounts payable and accrued expenses	501,753	372,662

Other loans	—	257,845
Security deposits held	—	13,416
Advances from borrowers	15,066,114	1,830,539
Deferred revenue	4,643,490	2,099,331
Notes payable	30,921	54,682
Accrued interest	164,729	3,344
Total liabilities	<u>237,879,190</u>	<u>145,750,644</u>

Commitments and Contingencies

Shareholders' equity:

Preferred shares - \$.001 par value; 5,000,000 shares authorized; 1,903,000 shares of Series A Preferred		
Stock issued and outstanding	1,903	—
Common stock - \$.001 par value; 100,000,000 shares authorized; 32,730,004 and 22,124,801 issued and outstanding	32,730	22,125
Paid-in capital	185,516,394	83,814,376
Accumulated other comprehensive loss	(476,016)	(25,992)
Accumulated deficit	(4,992,450)	(2,890,969)
Total shareholders' equity	<u>180,082,561</u>	<u>80,919,540</u>
Total liabilities and shareholders' equity	<u>\$ 417,961,751</u>	<u>\$ 226,670,184</u>

The accompanying notes are an integral part of these financial statements.

SACHEM CAPITAL CORP. STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,	
	2021	2020
Revenue:		
Interest income from loans	\$ 22,305,530	\$ 13,821,831
Investment income	1,069,374	399,493
Income from partnership investments	142,026	—
Gain on sale of investment securities	284,769	903,257
Origination fees, net	3,389,615	1,893,143
Late and other fees	519,087	85,469
Processing fees	193,492	167,833
Rental income, net	30,663	85,339
Other income	2,489,996	1,246,530
Total revenue	<u>30,424,552</u>	<u>18,602,895</u>
Operating costs and expenses:		
Interest and amortization of deferred financing costs	10,422,101	5,547,406
Professional fees	1,142,038	628,797
Compensation, fees and taxes	3,122,934	1,799,889
Exchange fees	50,000	49,054
Other expenses and taxes TM	299,343	157,194
Depreciation	83,525	61,865
General and administrative expenses	1,101,000	562,607
Loss on sale of real estate	165,915	7,218
Impairment loss	719,000	795,000
Total operating costs and expenses	<u>17,105,856</u>	<u>9,609,030</u>
Net income	13,318,696	8,993,865
Preferred stock dividend	(1,853,855)	—
Net income attributable to common shareholders	<u>11,464,841</u>	<u>8,993,865</u>
Other comprehensive (loss) income		
Unrealized (loss) gain on investment securities	(476,016)	24,886
Comprehensive income	<u>\$ 10,988,825</u>	<u>\$ 9,018,751</u>
Basic and diluted net income per common share outstanding:		
Basic	\$ 0.44	\$ 0.41
Diluted	<u>\$ 0.44</u>	<u>\$ 0.41</u>
Weighted average number of common shares outstanding:		
Basic	<u>26,316,286</u>	<u>22,118,522</u>
Diluted	<u>26,324,986</u>	<u>22,118,522</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Preferred Stock		Common Stock		Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Totals
	Shares	Amount	Shares	Amount				
Balance, January 1, 2020	—	—	22,117,301	\$ 22,117	\$ 83,856,308	\$ (50,878)	\$ (1,266,729)	\$ 82,560,818
Offering costs - ATM	—	—	—	—	(58,353)	—	—	(58,353)
Stock based compensation	—	—	7,500	8	16,421	—	—	16,429
Unrealized gain on marketable securities	—	—	—	—	—	24,886	—	24,886
Dividends paid on Common Stock	—	—	—	—	—	—	(7,963,128)	(7,963,128)
Dividends declared and payable	—	—	—	—	—	—	(2,654,977)	(2,654,977)
Net income for the year ended December 31, 2020	—	—	—	—	—	—	8,993,865	8,993,865
Balance, December 31, 2020	—	—	22,124,801	22,125	83,814,376	(25,992)	(2,890,969)	80,919,540
Issuance of Preferred Stock, net of expenses	1,903,000	\$ 1,903	—	—	45,460,723	—	—	45,462,626
Issuance of Common Stock, net of expenses	—	—	10,490,188	10,490	56,049,982	—	—	56,060,472
Exercise of warrants	—	—	5,334	5	(5)	—	—	—
Stock based compensation	—	—	109,681	110	191,318	—	—	191,428
Unrealized loss on marketable securities	—	—	—	—	—	(450,024)	—	(450,024)
Dividends paid on Common Stock	—	—	—	—	—	—	(9,638,722)	9,638,722
Dividends declared and payable	—	—	—	—	—	—	(3,927,600)	(3,927,600)
Dividends paid on Preferred Stock	—	—	—	—	—	—	(1,853,855)	(1,853,855)
Net income for the year ended December 31, 2021	—	—	—	—	—	—	13,318,696	13,318,696
Balance, December 31, 2021	<u>1,903,000</u>	<u>\$ 1,903</u>	<u>32,730,004</u>	<u>\$ 32,730</u>	<u>\$ 185,516,394</u>	<u>\$ (476,016)</u>	<u>\$ (4,992,450)</u>	<u>\$ 180,082,561</u>

The accompanying notes are an integral part of these financial statements.

**SACHEM CAPITAL CORP.
STATEMENTS OF CASH FLOW**

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 13,318,696	\$ 8,993,865
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs and bond discount	1,215,200	601,959
Write-off of deferred financing costs	72,806	—
Depreciation expense	83,525	61,865
Stock based compensation	191,318	16,429
Impairment loss	719,000	795,000
Loss on sale of real estate	439,525	7,218
Gain on sale of marketable securities	(284,769)	(903,257)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Interest and fees receivable	(1,873,578)	(504,578)
Other receivables	(26,801)	74,090
Due from borrowers	(1,645,353)	(1,537,768)
Prepaid expenses	(199,978)	(46,579)
Deposits on property and equipment	—	71,680
(Decrease) increase in:		
Accrued interest	161,385	(72)
Accounts payable and accrued expenses	129,091	122,098
Deferred revenue	2,544,159	893,591
Advances from borrowers	13,235,575	982,271
Total adjustments	14,761,105	633,947

NET CASH PROVIDED BY OPERATING ACTIVITIES	28,079,801	9,627,812
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(204,064,590)	(97,555,422)
Proceeds from the sale of investment securities	180,533,333	77,139,664
Purchase of interests in investment partnerships, net	(6,055,838)	—
Proceeds from sale of real estate owned	2,387,721	1,816,522
Acquisitions of and improvements to real estate owned	(1,243,646)	(1,811,980)
Purchase of property and equipment	(822,322)	(148,857)
Security deposits held	(13,416)	5,616
Principal disbursements for mortgages receivable	(251,832,318)	(117,230,923)
Principal collections on mortgages receivable	115,147,409	54,961,570
Costs in connection with investment activities	(306,440)	—
NET CASH USED FOR INVESTING ACTIVITIES	(166,270,107)	(82,823,810)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from line of credit	5,122,383	28,055,648
Net proceeds from repurchase facility	19,087,189	—
Proceeds from mortgage	750,000	—
Repayment of mortgage payable	(767,508)	—
Principal payments on mortgage payable	—	(16,573)
Principal payments on notes payable	(23,761)	(20,751)
Dividends paid on Common Stock	(12,267,706)	(7,963,128)
Dividends paid on Preferred Stock	(1,853,855)	—
Financings costs incurred	(461,357)	(114,559)
Proceeds from other loans	—	257,845
Repayment of other loans	(257,845)	—
Proceeds from issuance of common shares, net of expenses	56,060,472	—
Proceeds from issuance of Series A Preferred Stock, net of expenses	45,462,626	—
Gross proceeds from issuance of fixed rate notes	51,750,000	56,083,750
Financings costs incurred in connection with fixed rate notes	(1,879,463)	(2,520,143)
NET CASH PROVIDED BY IN FINANCING ACTIVITIES	160,721,175	73,762,089
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,530,869	566,091
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	19,408,028	18,841,937
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 41,938,897</u>	<u>\$ 19,408,028</u>

The accompanying notes are an integral part of these financial statements.

SACHEM CAPITAL CORP.

STATEMENTS OF CASH FLOW (Continued)

	Years Ended December 31,	
	2021	2020
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Interest paid	<u>\$ 9,097,631</u>	<u>\$ 4,945,448</u>
SUPPLEMENTAL INFORMATION-NON-CASH		
Dividends declared and payable	<u>\$ 3,927,600</u>	<u>\$ 2,654,976</u>

The accompanying notes are an integral part of these financial statements.



CRESCENDO COMMUNICATIONS, LLC

To: John Villano

Subject: Year-end 2021 Conference Call Script

Call Date: April 1, 2022 @ 8AM

Speaker Dial In: 888-267-2822

I. Introduction – David Waldman

Good morning and thank you for joining Sachem Capital Corp.'s year-end 2021 conference call.

On the call with us today is John Villano CPA, chief executive officer and chief financial officer of Sachem Capital.

On March 31st, the Company announced its operating results for the year ended December 31, 2021 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 year-end report on Form 10-K with the U.S. Securities and Exchange Commission on March 31, 2022, which can also be accessed on the Company's web site 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.

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Before Mr. Villano reviews the Company's operating results for 2021 and the Company's financial condition at December 31, 2021, 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 and terms of similar expressions are intended to identify forward-looking statements.

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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 Form 10-K filed with the U.S. Securities and Exchange Commission on March 31, 2022. 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.

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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.

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II. Business Overview- John Villano

Thank you, and thanks to everyone for joining us today.

I am very pleased to report your company reported record revenue of \$30.4 million and net income attributable to common shareholders of \$11.5 million, or \$0.44 per share, for the year ended December 2021.

In the fourth quarter alone, revenue increased 66% to \$9.5 million, and we achieved net income attributable to common shareholders of \$3.4 million. We believe these results illustrate the success and scalability of our business model. We attained these strong results with disciplined underwriting and a conservative loan-to-value ratio.

During the year, we funded approximately \$251.8 million of mortgage loans, including loan modifications and construction draws. We also expanded our senior management team and personnel to support the next phase of our business operations.

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There were several important drivers that impacted our growth during the period.

First, we have been pursuing opportunistic expansion and diversifying our mortgage portfolio across commercial, multi-family and larger single family fix and flip real estate projects.

To give a few examples:

- First, we closed a \$19.5 million loan for the purchase and conversion of a warehouse in Brighton, Massachusetts into a 28-unit condominium complex within an up-and-coming residential community. Sachem was selected based on our ability to cross-collateralize the loan based on other properties owned by the borrower.
- Second, we closed an \$11.6 million loan with an experienced developer to acquire and renovate a 466 thousand square foot multi-tenant office complex in Milford, Connecticut, comprised of five three-story buildings, including the corporate headquarters for a national apparel retailer. For this project, we were selected based on our ability to close the loan in a much shorter time frame than other traditional lenders.

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- Lastly, we also closed a \$9.0 million loan to an experienced developer converting a hotel property in Fairfield County, Connecticut to luxury apartments. Sachem was selected due to its flexibility in lending to meet the unique needs of the borrower.

We believe these transactions are a good illustration, of not only the traction we're gaining in diversifying our portfolio into new asset classes, but also our ability to structure the loan to meet the needs of the borrower. This flexibility provides us a distinct competitive advantage.

In addition to diversifying into new asset classes, we expanded our lending operations across the U.S. and now have a presence in 14 states, with a strong core focus along the Eastern seaboard.

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We will continue to expand our geographic footprint to include high growth, pro-business and taxpayer friendly MSA's.

We are committed to Austin, Texas and will continue to grow our loan portfolio in this market. In particular, we see significant opportunities in Texas, Florida and the Carolinas.

To support our growing loan pipeline, in December 2021 and March 2022, we announced two registered public offerings of unsecured notes, with gross proceeds of \$101.8 million. These transactions provide us additional non-dilutive capital to accelerate our lending activities without compromising our main goal, which is to provide our shareholders with attractive risk-adjusted returns.

In July, we closed on a \$200 million dollar credit facility with Churchill MRA Funding. We believe this facility gives us even greater flexibility to raise debt capital at a relatively low rate.

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And finally, during the year we utilized our ATM and realized approximately \$56.0 million of net proceeds from the sale of our common stock at prices well in excess of book value.

Looking ahead, I am pleased to report our loan pipeline is robust and expanding. Further, we are well capitalized with a solid balance sheet to take advantage of opportunities in the market.

Despite the current market volatility and the fact that the Federal Reserve Board has started to raise interest rates, we remain encouraged by the outlook for the business. There continues to be significant market opportunities for a well-capitalized "hard money" lender to originate attractively priced loans to small- and mid-scale real estate developers with good collateral and a strong operating history.

We seek to mitigate some of the potential risk associated with rising rates by limiting the term of new loans to one year. As of December 31, 2021, approximately 51 percent of the loans in our portfolio had a term of one year or less.

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If, at the end of the loan term, a loan is not in default and meets our other underwriting criteria, we will consider an extension or renewal at our prevailing rates, thereby generating additional lending fees and continued interest income.

To leverage our expertise in real estate finance, as well as capitalize on lending opportunities in targeted markets, we have also implemented a strategy to partner and invest with local “hard money” real estate lenders, creating satellite offices with a “Sachem” influence.

And finally, we launched our new underwriting platform. Specifically, in the third quarter of 2021, we rolled out a new underwriting model that automates the production of our loan documentation such as term sheets, closing conditions and proof of funds to name a few. The automation allows for more accurate and timely processing of loans, thus increasing loan production while keeping our employee headcount down. In addition, we have begun to focus on developing relationships with larger scale wholesale brokers, furthering our efforts to attract more experienced borrowers with better credit quality.

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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-K and press release.

First, total revenue for the year ended December 31, 2021, was approximately \$30.4 million compared to approximately \$18.6 million for the year ended December 31, 2020. This represents an increase of approximately \$11.8 million, or 63.5%. The increase in revenue is due primarily to an increase in our lending operations and overall portfolio growth. Interest income, net origination fees and interest on investment securities all increased during the period. More specifically, interest income increased approximately 61.4% to \$22.3 million, origination fee income increased approximately 79% to \$3.4 million, and other income increased by 100% to \$2.5 million. Gross origination fees were approximately \$5.9 million for the 2021 period compared to \$2.8 million for the prior year period.

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Total operating costs and expenses for the year ended December 31, 2021, were approximately \$17.1 million compared to approximately \$9.6 million for 2020. Year-over-year, this represents an increase of approximately \$7.5 million, or 78%. The company’s largest expense, representing approximately 61% of total operating expenses, was interest and amortization of deferred financing costs. In comparison, for 2020, interest and amortization of deferred financing costs represented approximately 58% of total operating expenses. Interest and amortization of deferred financing costs were \$10.4 million in 2021 compared to \$5.5 million in 2020, an increase of approximately 87.9%. The increase is directly related to the interest paid on our outstanding unsecured unsubordinated five-year notes as we borrow funds to grow our loan portfolio.

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The balance of the increase in operating expenses was attributable to an increase in compensation, fees and taxes, which increased by approximately \$1.3 million; professional fees, which increased by approximately \$513,000; general and administrative expenses, which increased by approximately \$538,000; and other expenses, which increased by approximately \$142,000. These increases are attributable to our increased level of operations and the implementation of our growth strategies.

Net income attributable to common shareholders for 2021 was approximately \$11.5 million compared to approximately \$9.0 million for the 2020 period, representing an increase of approximately \$2.5 million or 27.5%. Earnings per share for 2021 was \$0.44 compared to \$0.41 for 2020, representing an increase of 7.3%.

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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 next year remains positive, we recognize there are still ongoing market risks to consider. As you have seen, we can quickly adapt our strategy as market conditions change.

In terms of Sachem’s financial condition as of December 31, 2021 compared to December 31, 2020, total assets increased by \$191.3 million to \$418 million. The increase was due primarily to the growth in our mortgage loan portfolio, which increased by approximately \$136.7 million to an aggregate outstanding principal balance of \$292.3 million. We also had an increase of approximately \$45.9 million in cash and short-term marketable securities during the period. This cash increase was due in part to our sale of approximately \$52 million in unsubordinated unsecured notes in December 2021.

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Total liabilities increased approximately \$92.1 million to \$237.9 million. The increase reflects the increase in overall indebtedness, which at December 31, 2021, was approximately \$213.5 million compared to approximately \$138.7 million at December 31, 2020. The increase in overall indebtedness of \$80.6 million was primarily due to the issuance of \$51.75 million in aggregate original principal amount of five-year, unsecured unsubordinated notes, a \$5 million increase in the Wells Fargo margin line, a \$19.1 million draw on the Churchill Credit Facility, and a \$1.4 million mortgage with New Haven Bank, of which \$750,000 is outstanding.

It’s important to note that in 2021, we significantly reduced our leverage, thereby mitigating risk should economic conditions deteriorate. At December 31, 2021, our capital structure was 56.9% debt and 43.1% equity compared to 64.3% debt and 35.7% equity at December 31, 2020. We will continue to monitor debt levels to reduce the excessive risk associated with over leveraging our balance sheet.

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Total shareholders’ equity at December 31, 2021 was \$180.1 million compared to \$81 million at December 31, 2020. This increase was due primarily to our net income before preferred dividends of approximately \$13.3 million, net proceeds from the sale of common shares through our ATM of \$56.0 million, net proceeds from the issuance of

preferred stock of approximately \$45.5 million, and the aggregate of dividends paid and dividends declared of \$13.6 million.

Our balance sheet remains solid with over \$418 million of assets backing \$160.5 million in note principal. As a mortgage REIT, our debt levels are extraordinarily low versus our peers, thereby providing stability during difficult times.

As of December 31, 2021, of the 520 mortgage loans in our portfolio, just 16, or approximately 3.1%, 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. Further, a troubled or distressed loan rarely loses 100% of its value and usually over the term of the loan when interest income, origination and other fees are considered the overall transaction is profitable.

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Real estate owned decreased to \$6.6 million, compared to \$8.9 million at year-end. As of December 31, 2021, real estate owned included \$786,000 of real estate held for rental and \$5.8 million of real estate held for sale. This favorable reduction is partly attributable to new asset liquidation initiatives that will further support a continued reduction in REO and real estate carrying costs.

Net cash provided by operating activities in 2021 was \$27.8 million compared to \$9.6 million in 2020.

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In 2021, the Company paid a total of \$12.3 million in dividends on our common shares, of which, approximately \$2.7 million was attributable to 2020, and approximately \$1.9 million of dividends paid with respect to our Series A Preferred Stock. In addition, in late December 2021, the company declared, and in January 2022 the Company paid a dividend of \$0.12 per common share, or \$3.9 million, which was attributable to 2021. 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 as dividends. We intend to comply with this requirement for the current year.

Let me take a moment now to discuss liquidity and capital resources. We had cash and short-term marketable securities of approximately \$102.6 million as of December 31, 2021. Supplementing our liquidity is our margin line of credit with Wells Fargo, with a balance of \$33.2 million at December 31, and our master repurchase financing facility with an affiliate of Churchill Real Estate, which had only \$19.1 million outstanding, providing us additional flexibility at very attractive rates. It's also important to reiterate that we are very careful about the debt we take on and will not over-lever our portfolio to garner high leveraged returns.

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Moving forward, we will continue to monitor the ever-changing economic conditions. Given the current market, we believe we are well-positioned as the go-to, non-bank real estate lender as local banks fail to understand the needs and timing of their borrowers and small hard-money lenders struggle with a lack of lending capital and the need to fit loans into a pre-determined box.

Despite the lingering effects of COVID-19 and the fact that the Federal Reserve Board has started to raise interest rates, the demand for our products and services remains strong. I am pleased with our 2021 operating results, having achieved record revenue of \$30.4 million and record net income of \$11.5 million.

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Armed with enhanced underwriting procedures, we are still maintaining a cautionary approach to the market and look forward to further deploying our capital as we open new markets and identify attractive opportunities. Heading into 2022, we have maintained our momentum with a robust loan pipeline.

One final note, we reported this morning that the 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 April 11, 2022. This dividend reflects our strong financial results for 2021, as well as our favorable outlook heading into 2022.

So to wrap up, we have built a highly scalable business model to drive increased revenue and cash flow, which we strongly believe will continue to grow profitability and dividends in the years ahead. We believe our lending platform is solid and sustainable given our strict underwriting criteria and extensive due diligence. As a result, we look forward to building upon our strong historical financial performance.

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

Operator.

III. Concluding Remarks

I'd like to thank everyone for participating on our year-end conference call. We look forward to updating you again next quarter.

Thank you.

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FOR IMMEDIATE RELEASE

SACHEM CAPITAL CORP. ANNOUNCES DIVIDEND OF \$0.12 PER SHARE

BRANFORD, Connecticut, April 1, 2022 -- Sachem Capital Corp. (NYSE American: SACH) announced today that its 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 April 11, 2022. The dividend will be payable on April 18, 2022.

John Villano, CPA, Chief Executive Officer of Sachem Capital Corp., stated, "We are pleased to announce this latest dividend reflecting our strong financial results for 2021, as well as our continued momentum heading into 2022. We have built a highly scalable business model to drive increased profitability, which we expect will generate meaningful dividends in the years ahead."

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, non-banking 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 2021 filed with the U.S. Securities and Exchange Commission on March 31, 2022. 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.

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