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

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

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

For the quarterly period ended **March 31, 2022**

or

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

For the transition period from ____________ to ____________

Commission File Number: **001-37997**

SACHEM CAPITAL CORP.

(Exact name of registrant as specified in its charter)

New York	**81-3467779**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

698 Main Street, Branford, CT 06405
(Address of principal executive offices)

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

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

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

As of May 3, 2022, the Issuer had a total of 36,283,119 common shares, $0.001 par value per share, outstanding.

EXPLANATORY STATEMENT

This Form 10-Q/A corrects the title of Sachem Capital Corp.'s 6.00% Notes due 2027, ticker symbol "SCCE", appearing on the cover page and certain data included in Item 2 -- Management's Discussion and Analysis of Financial Condition and Results of Operations – of the original Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022, as filed with the Securities and Exchange Commission on May 5, 2022 (the "Original Report"). None of these corrections are to Sachem Capital Corp.'s March 31, 2022 financial statements or the notes thereto included in the Original Report. Sachem Capital Corp. does not believe that any of these corrections are material.

Nevertheless, the company feels obliged to make the necessary corrections. For ease of reference, the changes to Item 2 are as follows (the erroneous information is indicted by a strikethrough and the corrected information appears in red):

1. Page 21 of the Original Report, second sentence of the fifth paragraph (Unfunded Commitments): At March 31, 2022, our mortgage loan portfolio included 204 loans with future funding obligations, in the aggregate principal amount of approximately $115.4 million, compared to ~~129~~ 130 loans in the aggregate principal amount of approximately $23.5 million at March 31, 2021.

   As amended, this sentence is the second sentence of the sixth paragraph on page 3 of this Form 10-Q/A.

2. Page 26 of the Original Report, the fourth paragraph under the heading "Liquidity and Capital Resources": Total shareholders' equity at March 31, 2022 was approximately $199.4 million compared to approximately $180.1 million at December 31, 2021, an increase of approximately $19.3 million. This increase was due primarily to net proceeds of $15.5 million from the sale of common shares and our net income attributable to common shareholders of approximately ~~$4.5 million~~ $3.4 million.

   As amended, this paragraph is the fourth paragraph on page 8 of this Form 10-Q/A.

3. Page 26 of the Original Report, the fifth paragraph under the heading "Liquidity and Capital Resources": Net cash provided by operating activities for the three months ended March 31, 2022 was approximately ~~$7.8 million~~ $7.6 million compared to approximately $2.8 million for same 2021 period. For the 2022 period net cash provided by operating activities consisted primarily of net income of approximately ~~$5.4 million~~ $4.4 million, amortization of deferred financing costs and bond discount of $469,000, an impairment loss of $261,000, a loss on the sale of marketable securities of $154,000, unrealized loss on investment securities of approximately $1.1 million, and increases in advances from borrowers of approximately $1.6 million, deferred revenue of $233,000 and accrued interest of $122,000, offset by increases in interest and fees receivable of ~~$294,000~~ $396,000, other receivables of $211,000 and due from borrowers of ~~$171,000~~ $292,000 . For the 2021 period net cash provided by operating activities consisted primarily of net income of $2.2 million, amortization of deferred financing costs and bond discount of $244,000, a loss on the sale of investment securities of $129,000, and increases in accounts payable and accrued expenses of $164,000, deferred revenue of $85,000 and advances from borrowers of $873,000, offset by an increase in interest and fees receivable of $63,000, other receivables of $346,000, due from borrowers of $499,000 and prepaid expenses of $102,000.

   As amended, this paragraph is the fifth paragraph on page 8 of this Form 10-Q/A.

4. Page 26 of the Original Report, the sixth paragraph under the heading "Liquidity and Capital Resources": Net cash used for investing activities for the three months ended March 31, 2022 was approximately ~~$48.7 million~~ $48.4 million compared to approximately $2.1 million for the comparable 2021 period. For the 2022 period, net cash used for investing activities consisted primarily of purchases of investment securities of approximately $27.5 million, purchases of interests in investment partnerships of approximately $11.4 million and principal disbursements for mortgages receivable of approximately $88.7 million, offset by principal collections on mortgages receivable of approximately ~~$27.3 million~~ $27.1 million, proceeds from the sale of investment securities and proceeds from the sale of real estate owned of $623,000. For the 2021 period, net cash used for investing activities consisted primarily of principal disbursements for mortgages receivable of approximately $31.7 million, purchase of an interest in investment partnership of approximately $1.8 million, purchase of investment securities of approximately $22.8 million, offset by principal collections on mortgages receivable of approximately $30.5 million and proceeds from the sale of investment securities of approximately $23.6 million.

   As amended, this paragraph is the first paragraph on page 9 of this Form 10-Q/A.

Except as described above, this Form 10-Q/A does not amend any other disclosure contained in the Original Report and does not reflect events occurring after the filing of the Original Report.

As amended, Item 2 -- Management's Discussion and Analysis of Financial Condition and Results of Operations, is included, in its entirety, in this Form 10-Q/A.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the financial condition and results of operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this report. Certain statements in this discussion and elsewhere in this report constitute forward-looking statements, within the meaning of section 21E of the Exchange Act, that involve risks and uncertainties. The actual results may differ materially from those anticipated in these forward-looking statements.

Company Overview

We are a Connecticut-based real estate finance company that specializes in originating, underwriting, funding, servicing and managing a portfolio of short-term (i.e., three years or less) loans secured by first mortgage liens on real property. From our inception in December 2010, through our initial public offering, in February 2017, we operated as a limited liability company. On February 9, 2017, we completed our initial public offering (the "IPO"), the primary purpose of which was to raise equity capital to fund mortgage loans and expand our mortgage loan portfolio and to diversify our ownership so that we could qualify, for federal income tax purposes, as a real estate investment trust, or REIT. We believe that, since consummation of the IPO, we meet all the requirements to qualify as a REIT for federal income tax purposes and elected to be taxed as a REIT beginning with our 2017 tax year. As a REIT, we are entitled to claim deductions for distributions of taxable income to our shareholders thereby eliminating any corporate tax on such taxable income. Any taxable income not distributed to shareholders is subject to tax at the regular corporate tax rates and may also be subject to a 4% excise tax to the extent it exceeds 10% of our total taxable income. To maintain our qualification as a REIT, we are required to distribute each year at least 90% of our taxable income. As a REIT, we may also be subject to federal excise taxes and state taxes.

Review of the First Quarter and Outlook for Balance of Year

Compared to the first quarter of 2021, revenue increased 80.3%, net income attributable to common shareholders increased 57.1%, and earnings per share remained unchanged at $0.10 per share. The revenue increase was directly related to the growth in our lending activities, reflected in our interest income which had an increase of 87.8% and our origination fees that had an increase of 216.5%. The increase in revenue was partly offset by a 68.6% increase in operating costs and expenses. The increase in operating expenses is mainly attributable to a 58.2% increase in interest and amortization of deferred financing costs and an 67.9% increase in compensation and related expenses. The increase in compensation expense is mainly attributable to the addition of a Chief Investment Officer in April 2021 as well as additional support staff in our operations and finance teams, positions that are part of our long-term growth strategy. Mortgages receivable increased by 125.6% compared to March 31, 2021, while cash and cash equivalents increased 215.4%. The increase in both mortgages receivable and cash and cash equivalents were primarily due to increase in lending and two public note offerings, a preferred stock offering and our at-the-market offerings.

Our primary business objective for 2022 remains to grow our loan portfolio while protecting and preserving capital in a manner that provides for attractive risk-adjusted returns to our shareholders over the long term principally through dividends. We intend to achieve this objective by accelerating profitable growth and driving operational excellence. To accelerate profitable growth, we will continue to focus on selectively originating, managing, and servicing a portfolio of first mortgage real estate loans designed to generate attractive risk-adjusted returns across a variety of market conditions and economic cycles. We are also targeting larger-value commercial loans with strong, experienced sponsors. To drive operational excellence, we have embarked on a broad change management initiative to review, assess, and upgrade — or transform if necessary — our existing operational processes, from workflows and employee roles/responsibilities to decision trees and data collection procedures and forms. To that end, in the third quarter of 2021 we rolled out a new underwriting model that automated the production of our loan documentation — term sheets, proof of funds, etc. The automation allows for more accurate and timely processing of loan applications, 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 larger borrowers with better credit quality. We believe that our ability to react quickly to the needs of borrowers, our flexibility in terms of structuring loans to meet the needs of borrowers, our knowledge of the primary real estate markets we lend in, our expertise in "hard money" lending and our focus on newly originated first mortgage loans, should enable us to achieve our primary objective. Nevertheless, we remain flexible to take advantage of other real estate opportunities that may arise from time to time, whether they relate to the mortgage market or to direct or indirect investments in real estate.

Our strategy to achieve this objective also includes the following:

- capitalize on opportunities created by the long-term structural changes in the real estate lending market and the continuing lack of liquidity in the commercial and investment real estate markets;

- take advantage of the prevailing economic environment and current economic, political and social trends that may impact real estate lending, as well as the outlook for real estate in general and particular asset classes;

- remain flexible to capitalize on changing sets of investment opportunities that may be present in the various points of an economic cycle;

- increase the size and quality of our mortgage loans and expand our geographic footprint to reduce our exposure to adverse market conditions that have a disproportionate impact on a single asset class or geographic area;

- maintain our status as a publicly-held company, subject to the reporting requirements of the Exchange Act, which gives us immediate access to the public markets for much-needed capital; and

- operate to qualify as a REIT and for an exemption from registration under the Investment Company Act of 1940, as amended.

We expect 2022 to be a challenging year due to the following factors:

COVID-19. The novel corona virus known as COVID-19 remains a concern as the risk of new variants and the attendant personal and economic disruption is still prevalent. In terms of dealing with COVID-19, keeping our workforce healthy and safe is our number one priority and we are following the updated guidelines and recommendations issued by the State of Connecticut and Centers for Disease Control. We continue to encourage employees to stay home when sick and encourage working from home when possible. In the event of a positive COVID-19 test result, employees are expected to inform management immediately and follow state testing and contact tracing protocols. To mitigate the risk of office closure and to ensure business continuity, our employees are equipped so they can seamlessly work remotely. This remote work set-up has proven to be effective since, at times during the pandemic, employees had to self-isolate based on their own health condition or that of an immediate family member. While loan processing and funding may have been marginally delayed, there was no material adverse impact to the service levels we provided our borrowers. In the event we are forced to close our physical office, it is likely to have some adverse impact on our operations. For example, the underwriting process would continue to function but would take longer to complete without immediate access to background and credit profiles. Loan committee meetings would continue to be held virtually (as they are under normal conditions) but the loan approval process may incur delay or not be as thorough and efficient as in the past. In addition, we may not be able to meet with borrowers or potential borrowers, including physical property inspections, which could adversely impact our ability to service our loans, monitor compliance and originate new loans. Finally, the filing of loan documents with the various recording offices may be delayed.

Interest rate compression. For the three months ended March 31, 2022 and 2021, the yield on our mortgage loan portfolio was 11.30% and 11.73%, respectively. (For this purpose, yield only takes into account the stated interest rate on the mortgage note adjusted to the default rate, if applicable.) We believe the interest rate compression will continue to be a factor in 2022, particularly as the Federal Reserve Board has begun to increase interest rates, thereby increasing borrowing costs and the cost of capital. This will have a direct impact on our future borrowing costs and on the amounts we borrow under the Churchill Facility (described below), the Wells Fargo Loan (described below) and the NHB Mortgage (described below), all of which are adjustable rate products. We seek to mitigate some of the risk associated with rising rates by limiting the term of most new loans to one year. The interest rates we charge on our loans are subject to a variety of factors including competition (see below) and consumer reluctance due to inflation and general economic conditions. If we cannot increase the rates on our loans, the spread between our cost of capital and what we earn on that capital will be reduced, which would adversely impact our income. On the other hand, since the interest rate on a portion of our outstanding indebtedness is fixed, we have reduced the risk of interest rate compression if interest rates increase. That will enable us to continue to focus on growth and building market share rather than short-term profits and cash flow.

Geopolitical concerns. The Russian Ukrainian war has caused market volatility, spikes in commodity prices, supply chain interruptions, heightened cybersecurity concerns and general concerns that it might lead to unconventional warfare. The true ramifications of this conflict and their impact on the markets and our business are not fully known at this time. Our business is purely domestic, but we are impacted by market volatility and cybersecurity is a concern for all businesses.

Increased competition. In the past, our primary competitors were other non-bank real estate finance companies (similar to Sachem Capital Corp.) and banks and other financial institutions. Our principal competitive advantages included our size and our ability to address the needs of borrowers in terms of timing and structuring loan transactions. More recently, we are encountering competition from private equity funds, hedge funds and other specialty finance entities funded by investment banks, asset managers, private equity funds and hedge funds. Clearly, the primary driver for these new market participants is the need to generate yield. They are well-funded and aggressive in terms of pricing. Competition is becoming more of a factor as we implement our strategy to focus on larger loans and more sophisticated borrowers.

Borrower expectations. The new competitive landscape is shifting the negotiating leverage in favor of borrowers. As borrowers have more choices, they are demanding better terms. This is particularly true as we focus more on larger loans and borrowers with better credit histories.

Property value fluctuations. We remain aware of property value market cycles and utilize a dashboard of indicators to track property value trends. Our response to this development would be to adhere to our underwriting guidelines and aggressively enforce our rights when loans go into default. By judiciously relying on our dashboard of leading indicators and continuing to make decisions in a sound and proper manner, we see no reason to expect any significant negative outcome regarding our business operations and growth. Some of our indicators within our dashboard are interest rate changes impacting mortgage rates, days-on-market, pending sales, NAHB's Housing Market Index and the Senior Loan Officer Opinion Survey.

Increased operating expenses. Our operating expenses for the three months ended March 31, 2022 are significantly higher than they were in the same period in 2021 due to our higher debt load, increased headcount, and increased loan volume. In addition, our compensation expense has increased as we hired new personnel and increased salaries of existing employees to administer a larger loan portfolio and more complex loan transactions.

Unfunded commitments. Most of our loans are funded in full at closing. However, where all or a portion of the loan proceeds are to be used to fund the costs of renovating or constructing improvements on the property, only a portion of the loan may be funded at closing. At March 31, 2022, our mortgage loan portfolio included 204 loans with future funding obligations, in the aggregate principal amount of approximately $115.4 million, compared to 130 loans in the aggregate principal amount of approximately $23.5 million at March 31, 2021. The increase is due to an increase in construction loan originations, a large portion of which is in the Florida market. Advances under these loans are funded against requests supported by all required documentation (including lien waivers) as and when needed to pay contractors and other costs of construction. In order to deal with these obligations, we are compelled to maintain higher cash balances, which could adversely impact our financial performance.

Despite the challenges we faced in 2021, the changing dynamics of the real estate finance marketplace, supply chain disruptions, and the impact of COVID-19, we continue to believe in the viability of our business model. We believe that there continues to be a 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, particularly in markets where, traditionally, real estate values are stable and substandard properties are improved, rehabilitated, and renovated as well as under-developed markets that are experiencing rapid growth due to population shifts. We also believe developers will prefer to borrow from us rather than other lending sources because of flexibility in structuring loans to suit their needs, our lending criteria, which places greater emphasis on the value of the collateral rather than the property cash flow or credit of the borrower, and our ability to close quickly. Our goal is, and has always been, to continue to grow our mortgage loan portfolio and increase our loan profitability, while at the same time maintain or improve on our existing underwriting and loan criteria.

Financing Strategy Overview

To continue to grow our business, we must increase the size of our loan portfolio, which requires that we use our existing working capital to fund new loans and raise additional capital either by selling shares of our capital stock or by incurring additional indebtedness. Although we have no pre-set guidelines in terms of leverage ratio, the amount of leverage we will deploy will depend on our assessment of a variety of factors, which may include the liquidity of the real estate market in which most of our collateral is located, employment rates, general economic conditions, the cost of funds relative to the yield curve, the potential for losses and extension risk in our portfolio, the gap between the duration of our assets and liabilities, our opinion regarding the creditworthiness of our borrowers, the value of the collateral underlying our portfolio, and our outlook for interest rates and property values. At March 31, 2022, debt represented approximately 55.5% of our total capital compared to 63.0% at March 31, 2021. To prudently grow the business and satisfy the tax requirement to distribute 90% of our taxable income, we expect to maintain our current level of debt and look to reduce our cost of capital. We intend to continue to leverage our portfolio for the sole purpose of financing our portfolio and not for speculating on changes in interest rates, particularly while interest rates remain low.

As of March 31, 2022, we had five series of unsecured unsubordinated notes outstanding, having an aggregate outstanding principal balance of $216.3 million (collectively, the "Notes") all of which rank equally in right of payment with all of our existing and future senior unsecured and unsubordinated indebtedness and are effectively subordinated in right of payment to all existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant a security interest) and structurally subordinated to all existing and future indebtedness of our subsidiaries. Interest on each series of notes is payable quarterly in arrears on each March 30, June 30, September 30 and December 30 of each year they are outstanding and, except as noted below, each series can be prepaid beginning on the second anniversary of its date of issuance.

- $50,000,000 aggregate original principal amount, issued March 9, 2022, bearing interest at the rate of 6.00% per annum and maturing on March 30, 2027 (the "2027 Notes") and which trade on the NYSE American under the symbol SCCE;

- $51,750,000 aggregate original principal amount, issued December 20, 2021, bearing interest at the rate of 6.00% per annum and maturing on December 30, 2026 (the "2026 Notes") and which trade on the NYSE American under the symbol SCCD;

- $56,363,750 aggregate original principal amount, of which approximately $14.4 million was issued September 4, 2020, $14.0 million was issued October 23, 2020 and $28.0 million was issued December 22, 2020, bearing interest at the rate of 7.75% per annum and maturing on September 30, 2025 (the "2025 Notes") and which trade on the NYSE American under the symbol SCCC. The 2025 Notes are prepayable beginning on September 4, 2022;

- $34,500,000 aggregate original principal amount, issued November 7, 2019, bearing interest at the rate of 6.875% per annum and maturing on December 30, 2024 (the "December 2024 Notes") and which trade on the NYSE American under the symbol SACC; and

- $23,663,000 aggregate original principal amount, issued June 25, 2019, bearing interest at the rate of 7.125% per annum and maturing on June 30, 2024 (the "June 2024 Notes") and which trade on the NYSE American under the symbol SCCB.

Each series of Notes was issued pursuant to the Indenture, dated June 21, 2019, and a supplement thereto, which provides for the form and terms, including default provisions and cures, applicable to each series. All five series of Notes are subject to (i) "Defeasance," which means that, by depositing with a trustee an amount of cash and/or government securities sufficient to pay all principal and interest, if any, on such notes when due and satisfying any additional conditions required under the Indenture, we will be deemed to have been discharged from our obligations under such notes and (ii) an "Asset Coverage Ratio" requirement pursuant to which we may not (x) pay any dividends or make distributions in excess of 90% of our taxable income, (y) incur any indebtedness or (z) purchase any shares of our capital stock unless we have an "Asset Coverage Ratio" of at least 150% after giving effect to the payment of such dividend, the making of such distribution or the incurrence of such indebtedness. "Asset Coverage Ratio" means the ratio (expressed as a percentage) of the value of our total assets relative to the aggregate amount of its indebtedness.

Under the terms of the Indenture, we may, at our option, at any time and from time to time, on or after June 30, 2021, in the case of the June 2024 Notes, November 7, 2021, in the case of the December 2024 Notes, September 4, 2022, in the case of the 2025 Notes, December 20, 2023, in the case of the 2026 Notes, and March 9, 2024, in the case of the 2027 Notes, redeem such notes, in whole or in part, at a redemption price equal to 100% of the outstanding principal amount thereof plus accrued and unpaid interest to, but excluding, the date fixed for redemption. On and after any redemption date, interest will cease to accrue on the redeemed notes.

Our secured indebtedness includes the Churchill Facility, the Wells Fargo Loan and the NHB Mortgage (each as described below).

On July 21, 2021, we consummated a $200 million facility (the "Churchill Facility") with Churchill MRA Funding I LLC ("Churchill"). Under the terms of the Churchill Facility, we have the right, but not the obligation, to sell mortgage loans to Churchill, and Churchill has the right, but not the obligation, to purchase those loans. In addition, we have the right and, in some instances the obligation, to repurchase those loans from Churchill. The amount that Churchill will pay for each mortgage loan it purchases will vary based on the attributes of the loan and various other circumstances but generally will not exceed 70% of the unpaid principal balance purchased. The repurchase price is calculated by applying an interest factor, as defined, to the purchase price of the mortgage loan. We also granted Churchill a first priority security interest on the mortgage loans sold to Churchill to secure our repurchase obligation. The cost of capital under the Churchill Facility is equal to the sum of (a) the greater of (i) 0.25% and

(ii) the 30-day LIBOR plus (b) 3% - 4%, depending on the aggregate principal amount of the mortgage loans held by Churchill at that time. Our obligations under the Churchill Facility are secured by a lien on the mortgage loans sold to Churchill. (After the 30-day LIBOR is phased out a new benchmark rate, determined by Churchill, will be used instead.) The Churchill Facility is also subject to various terms and conditions, including representations and warranties, covenants and agreements typically found in these types of financing arrangements, including a covenant that prohibits us from (A) (i) paying any dividend or make any distribution in excess of 90% of our taxable income, (ii) incurring any indebtedness or (iii) purchasing any shares of our capital stock, unless, in any case, we have an asset coverage ratio of at least 150%; and (B) have unencumbered cash and cash equivalents in an amount equal to or greater than 2.50% of the amount of our repurchase obligations. Churchill has the right to terminate the Churchill Facility at any time upon 180 days prior notice to us. At such time, we have an additional 180 days after termination to repurchase all the mortgage loans held by Churchill. We believe the Churchill Facility gives us the ability to raise capital as needed at a relatively low rate. It also gives us the flexibility to seek other sources of funding. At March 31, 2022, the amount outstanding under the Churchill Facility was approximately $26.9 million, which amount was accruing interest of an effective rate of 4.70% per annum.

In 2020, we established a margin loan account with Wells Fargo that allows us to borrow against our investment securities portfolio (the "Wells Fargo Loan"). The Wells Fargo Loan is secured by our portfolio of short-term securities, had a balance of approximately $23.3 million at March 31, 2022. The outstanding balance on this loan bears interest at a rate equal to 1.75% below the prime rate. The interest rate at March 31, 2022 was 1.75%.

In 2021, we obtained a new adjustable-rate mortgage loan from New Haven Bank for up to a maximum principal amount of $1.4 million (the "NHB Mortgage") of which $750,000 is outstanding as of December 31, 2021. The purpose of the NHB Mortgage is to fund the cost of our acquisition and renovation of the property located at 568 East Main Street, Branford, Connecticut, which, once renovated, will become our new corporate headquarters. The balance of the NHB Mortgage will be funded when those renovations are completed. The NHB Mortgage accrues interest at an initial rate of 3.75% per annum for the first 72 months and is due and payable in full on December 1, 2037. During the first 12 months, from December 1, 2021 to November 30, 2022, only interest will be due and payable. Beginning on December 1, 2022 and through December 1, 2037 (the "Amortization Period"), principal and interest will be due and payable on a monthly basis. All payments under the NHB Mortgage are amortized based on a 20-year amortization schedule. The interest rate will be adjusted on each fifth anniversary of the commencement of the Amortization Period to the then published 5-year Federal Home Loan Bank of Boston Classic Advance Rate, plus 2.60%. The NHB Mortgage is a non-recourse loan, secured by a first mortgage lien on 698 Main Street, Branford, Connecticut, our current corporate headquarters, and 568 East Main Street, Branford, Connecticut. Once the NHB Mortgage is fully funded, the mortgage lien on 698 Main Street will be released.

In addition to the foregoing, in June 2021 and July 2021, we raised aggregate net proceeds of approximately $45.5 million (after deducting underwriting discounts and commissions and offering expenses) from the sale of 1,903,000 shares of our Series A Preferred Stock in a firm commitment underwritten public offering at a public offering price of $25.00 per share, equal to the liquidation preference. The Series A Preferred Stock is listed on the NYSE American and began trading under the symbol "SACHPRA" on July 6, 2021.

Finally, from time-to-time we raise capital by selling our common shares in various at-the market offerings. During the three months ended March 31, 2022, we sold an aggregate of 2,730,725 common shares pursuant to an at-the-market offering for which we realized aggregate net proceeds of approximately $15.5 million.

REIT Qualification

We believe that we have qualified as a REIT since the consummation of the IPO and that it is in the best interests of our shareholders that we operate as a REIT. We made the election to be taxed as a REIT beginning with our 2017 tax year. As a REIT, we are required to distribute at least 90% of our taxable income to our shareholders on an annual basis. We cannot assure you that we will be able to maintain REIT status.

Our qualification as a REIT depends on our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code of 1986, as amended, relating to, among other things, the sources of our gross income, the composition and values of our assets, our compliance with the distribution requirements applicable to REITs and the diversity of ownership of our outstanding common shares. We cannot assure you that we will be able to maintain our qualification as a REIT.

So long as we qualify as a REIT, we, generally, will not be subject to U.S. federal income tax on our taxable income that we distribute currently to our shareholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax at regular corporate income tax rates and may be precluded from electing to be treated as a REIT for four taxable years following the year during which we lose our REIT qualification. Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income.

Emerging Growth Company Status

We are an "emerging growth company," as defined in the JOBS Act, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements not applicable to other public companies but applicable to emerging growth companies, including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. As an emerging growth company, we can also delay adopting new or revised accounting standards until those standards apply to private companies. We intend to avail ourselves of these options. Once adopted, we must continue to report on that basis until we no longer qualify as an emerging growth company. We will cease to be an emerging growth company on December 31, 2022 and, accordingly, will no longer be exempt from the various reporting requirements. However, since we will still be a smaller reporting company, we will continue to be exempt from the independent auditor certification requirement under Section 404 of the Sarbanes-Oxley Act.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base our use of estimates on (a) a preset number of assumptions that consider past experience, (b) future projections and (c) general financial market conditions. Actual amounts could materially differ from those estimates.

Interest income from loans is recognized, as earned, over the loan period and origination fee revenue on commercial loans is amortized over the term of the respective note.

As an "emerging growth company," we intend to avail ourselves of the reduced disclosure requirements and extended transition periods for adopting new or revised accounting standards that would otherwise apply to us as a public reporting company. Once adopted, we must continue to report on that basis until we no longer qualify as an emerging growth company. As a result, our financial statements may not be comparable to those of other public reporting companies that either are not emerging growth companies or that are emerging growth companies but have opted not to avail themselves of the reduced disclosure requirements for emerging growth companies and investors may deem our securities a less attractive investment relative to those other companies, which could adversely affect our stock price.

Results of Operations

Three months ended March 31, 2022 compared to three months ended March 31, 2021

Total revenue

Total revenue for the three months ended March 31, 2022 was approximately $10.3 million compared to approximately $5.7 million for the three months ended March 31, 2021, an increase of approximately $4.6 million, or 80.3%. The increase in revenue is primarily attributable to an increase in our lending operations. For the 2022 period, interest income was approximately $8.5 million compared to approximately $4.5 million for the 2021 period, representing an increase of approximately $4.0 million or 87.8%. Origination fees were approximately $1.6 million compared to approximately $517,000 for the 2021 period, representing an increase of approximately $1.1 million or 216.5%. Other income was approximately $610,000 for the 2022 period compared to approximately $457,000 for the 2021 period, an increase of approximately $153,000 or 33.5%, offset by unrealized losses on investment securities of approximately $1.1 million compared to $0 for the 2021 period.

Operating costs and expenses

Total operating costs and expenses for three months ended March 31, 2022 were approximately $5.9 million compared to approximately $3.5 million for the three months ended March 31, 2021, an increase of approximately 68.6%. The increase in operating costs and expenses is primarily attributable to the increase in our unsecured bond debt while growing our lending operations and for the reasons discussed hereinabove. In the 2022 period, interest and amortization of deferred financing costs was approximately $3.9 million compared to approximately $2.5 million in the same 2021 period, an increase of $1.4 million or 58.2%. The balance of the increase in operating expenses was primarily attributable to (i) impairment loss, which increased approximately $236,000, (ii) compensation, fees and taxes which increased approximately $402,000, and (iii) general and administrative expenses which increased approximately $242,000.

Comprehensive income

For the quarter ended March 31, 2022, we reported an unrealized gain on investment securities of approximately $243,000 reflecting the decrease in prior unrealized losses since December 31, 2021. For the quarter ended March 31, 2021, we reported an unrealized loss on investment securities of approximately $7,500 reflecting the decrease in the market value of such securities since December 31, 2020.

Net Income

Net income attributable to common shareholders for the three months ended March 31, 2022 was approximately $3.4 million, or $0.10 per share, compared to approximately $2.2 million, or $0.10 per share for the three months ended March 31, 2021.

Adjusted Earnings

Adjusted earnings is calculated as net income attributable to common shareholders, prior to the effect unrealized gains (losses) on securities available-for-sale. Adjusted Earnings should be examined in conjunction with net income (loss) as shown in our statements of comprehensive income. Adjusted Earnings should not be considered as an alternative to net income (loss) (determined in accordance with generally accepted accounting principles in the United States of America ("GAAP)), or to cash flows from operating activities (determined in accordance with GAAP), as a measure of our liquidity, nor is Adjusted Earnings indicative of funds available to fund our cash needs or available for distribution to shareholders. Rather, Adjusted Earnings is an additional measure we use to analyze our business performance because it excludes the effects of certain non-cash charges that we believe are not necessarily indicative of our operating performance. It should be noted that our manner of calculating Adjusted Earnings may differ from the calculations of similarly-titled measures by other companies.

	For the Period Ended March 31,	
	2022	2021
Adjusted Earnings		
Net income attributable to common shareholders	$ 3,429,700	$ 2,183,101
Add: Unrealized losses on investment securities	1,052,230	—
Adjusted earnings attributable to common shareholders	$ 4,481,930	$ 2,183,101

Adjusted earnings per share was $0.13.

Liquidity and Capital Resources

At March 31, 2022, cash and cash equivalents and investment securities totaled approximately $93.4 million compared to approximately $102.6 million at December 31, 2021. This decrease was reflected by an increase in mortgages receivable.

Total assets at March 31, 2022 were approximately $481.8 million compared to approximately $418.0 million at December 31, 2021, an increase of approximately $63.8 million, or 15.3%. The increase was due primarily to the increase of our mortgage loan portfolio of approximately $61.3 million, an increase in investments in partnerships of approximately $11.4 million, offset in part by a decrease in cash and cash equivalents and investment securities of approximately $9.2 million.

Total liabilities at March 31, 2022 were approximately $282.4 million compared to approximately $237.9 million at December 31, 2021, an increase of approximately $44.5 million, or approximately 18.7%. This increase is principally due to an increase in the repurchase facility of approximately $7.9 million and the notes payable, net of deferred financing costs, of approximately $48.5 million, offset by decreases in the accrued dividends payable of approximately $3.9 million and line of credit of approximately $9.9 million.

Total shareholders' equity at March 31, 2022 was approximately $199.4 million compared to approximately $180.1 million at December 31, 2021, an increase of approximately $19.3 million. This increase was due primarily to net proceeds of $15.5 million from the sale of common shares and our net income attributable to common shareholders of approximately $3.4 million.

Net cash provided by operating activities for the three months ended March 31, 2022 was approximately $7.6 million compared to approximately $2.8 million for same 2021 period. For the 2022 period net cash provided by operating activities consisted primarily of net income of approximately $4.4 million, amortization of deferred financing costs and bond discount of $469,000, an impairment loss of $261,000, a loss on the sale of marketable securities of $154,000, unrealized loss on investment securities of approximately $1.1 million, and increases in advances from borrowers of approximately $1.6 million, deferred revenue of $233,000 and accrued interest of $122,000, offset by increases in interest and fees receivable of $396,000, other receivables of $211,000 and due from borrowers of $292,000 . For the 2021 period net cash provided by operating activities consisted primarily of net income of $2.2 million, amortization of deferred financing costs and bond discount of $244,000, a loss on the sale of investment securities of $129,000, and increases in accounts payable and accrued expenses of $164,000, deferred revenue of $85,000 and advances from borrowers of $873,000, offset by an increase in interest and fees receivable of $63,000, other receivables of $346,000, due from borrowers of $499,000 and prepaid expenses of $102,000.

Net cash used for investing activities for the three months ended March 31, 2022 was approximately $48.4 million compared to approximately $2.1 million for the comparable 2021 period. For the 2022 period, net cash used for investing activities consisted primarily of purchases of investment securities of approximately $27.5 million, purchases of interests in investment partnerships of approximately $11.4 million and principal disbursements for mortgages receivable of approximately $88.7 million, offset by principal collections on mortgages receivable of approximately $27.1 million, proceeds from the sale of investment securities and proceeds from the sale of real estate owned of $623,000. For the 2021 period, net cash used for investing activities consisted primarily of principal disbursements for mortgages receivable of approximately $31.7 million, purchase of an interest in investment partnership of approximately $1.8 million, purchase of investment securities of approximately $22.8 million, offset by principal collections on mortgages receivable of approximately $30.5 million and proceeds from the sale of investment securities of approximately $23.6 million.

Net cash provided by financing activities for the three months ended March 31, 2022 was approximately $56.8 million compared to approximately $1.8 million of cash used for the comparable 2021 period. Net cash provided by financing activities for the 2022 period consists principally of net proceeds from the issuance of fixed rate notes of $48.2 million, net proceeds from the issuance of common shares of approximately $15.5 million and net proceeds from repurchase facility of approximately $7.9 million, offset by repayment of line of credit of approximately $9.9 million, dividends paid on common shares of approximately $3.9 million and dividends paid on preferred stock of $922,000. Net cash used for financing activities for the 2021 period consists principally of dividends paid of approximately $2.7 million and repayment of mortgage payable of approximately $768,000, offset by proceeds from the sale of common shares of approximately $1.5 million and proceeds from our line of credit of approximately $105,000.

We project anticipated cash requirements for our operating needs as well as cash flows generated from operating activities available to meet these needs. Our short-term cash requirements primarily include funding of loans and construction draws and payments for usual and customary operating and administrative expenses, such as interest payments on notes payable, employee compensation, sales, marketing expenses and dividends. Based on this analysis, we believe that our current cash balances, and our anticipated cash flows from operations will be sufficient to fund the operations for the next 12 months.

Our long-term cash needs will include principal payments on outstanding indebtedness and funding of new mortgage loans. Funding for long-term cash needs will come from unused net proceeds from financing activities, operating cash flows and proceeds from sales of real estate owned.

From and after the effective date of our REIT election, we intend to pay regular quarterly distributions to holders of our common shares in an amount not less than 90% of our REIT taxable income (determined before the deduction for dividends paid and excluding any net capital gains).

Subsequent Events

On April 4, 2022, we sold an additional $1,875,000 principal amount of the 2027 Notes pursuant to a partial exercise of the underwriters' over-allotment option in the March 2027 Note Offering (see Note 8 — Financing Transactions) and realized net proceeds of approximately $1.8 million, after payment of underwriting discounts and commissions and estimated offering expenses.

In April 2022, we granted (i) 98,425 restricted common shares (having a market value of approximately $500,000) our chief executive officer. One-third of such shares will vest on January 1, 2023, and an additional one-third will vest on each of January 1, 2024 and 2025 and (ii) 7,042 restricted common shares (having a market value of approximately $35,000) to our vice president of finance and operations. One-third of such shares vested on the date of grant, and an additional one-third will vest on each of April 7, 2023 and 2024. In addition, we increased the base salary for our chief executive officer to $750,000.

On April 1, 2022, the board of directors declared a dividend of $0.12 per common share payable on April 18, 2022 to shareholders of record as of April 11, 2022.

From April 1, 2022 through May 3, 2022, we sold an aggregate of 663,765 common shares under our at-the-market offering facility realizing gross proceeds of approximately $3.4 million.

On April 6, 2022, we received a term sheet for another note offering up to a maximum of $75 million aggregate principal amount. We expect to make the offering in May 2022.

Management has evaluated subsequent events through May 3, 2022 the date on which the financial statements were available to be issued. Based on the evaluation, no adjustments were required in the accompanying financial statements.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet transactions, arrangements or other relationships with unconsolidated entities or other persons that are likely to affect liquidity or the availability of our requirements for capital resources.

Contractual Obligations

As of March 31, 2022, our contractual obligations include unfunded amounts of any outstanding construction loans and unfunded commitments for loans as well as contractual obligations consisting of operating leases for equipment, software licenses and investment in partnerships.

	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Operating lease obligation	$ 4,222	$ 3,756	$ 466	$ —	$ —
Investment in partnerships	3,743,506	3,743,506	—	—	—
Unfunded loan commitments	115,441,853	115,441,853	—	—	—
Total contractual obligations	$ 119,189,581	$ 119,189,115	$ 466	$ —	$ —

Critical Accounting Policies and Recent Accounting Pronouncements

See "Note 2 — Significant Accounting Policies" to the financial statements for explanation of recent accounting pronouncements impacting us included elsewhere in this report and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

PART II. OTHER INFORMATION

Item 6. EXHIBITS

Exhibit No.	Description
31.1	Chief Executive Officer Certification as required under section 302 of the Sarbanes Oxley Act *
31.2	Chief Financial Officer Certification as required under section 302 of the Sarbanes Oxley Act *
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. section 1350 as adopted pursuant to section 906 of the Sarbanes Oxley Act ***
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.*

* Filed herewith.

*** Furnished, not filed, in accordance with item 601(32)(ii) of Regulation S-K.

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 thereunto duly authorized.

Date: May 27, 2022

SACHEM CAPITAL CORP.
By: /s/ John L. Villano
John L. Villano, CPA
President, Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Accounting Officer)

Exhibit 31.1

Rule 13a-14(a)/15d-14(a) Certification

I, John L. Villano, certify that:

1. I have reviewed this Amendment No. 1 to the quarterly report on Form 10-Q of Sachem Capital Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on the most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 27, 2022

/s/ John L. Villano
John L. Villano, CPA
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

Rule 13a-14(a)/15d-14(a) Certification

I, John L. Villano, certify that:

1. I have reviewed this Amendment No. 1 to the quarterly report on Form 10-Q of Sachem Capital Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on the most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 27, 2022

/s/John L. Villano
John L. Villano, CPA
Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with Amendment No. 1 to the quarterly report of Sachem Capital Corp. (the “Company”) on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John L. Villano, President, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company

Dated: May 27, 2022

/s/John L. Villano
John L. Villano, CPA
President, Chief Executive Officer and Chief Financial Officer
(Principal Executive, Financial and Accounting Officer)

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.