

**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): May 10, 2024

SACHEM CAPITAL CORP.

(Exact name of Registrant as specified in its charter)

New York
(State or other jurisdiction
of incorporation)

001-37997
(Commission
File Number)

81-3467779
(IRS Employer
Identification No.)

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

06405
(Zip Code)

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

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

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

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

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

Title of each class	Ticker symbol(s)	Name of each exchange on which registered
Common Shares, par value \$.001 per share	SACH	NYSE American LLC
7.125% Notes due 2024	SCCB	NYSE American LLC
6.875% Notes due 2024	SACC	NYSE American LLC
7.75% notes due 2025	SCCC	NYSE American LLC
6.00% notes due 2026	SCCD	NYSE American LLC
6.00% notes due 2027	SCCE	NYSE American LLC
7.125% notes due 2027	SCCF	NYSE American LLC
8.00% notes due 2027	SCCG	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 May 10, 2024, Sachem Capital Corp. (the “Company”) issued a press release, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference, announcing its financial results for the three month period ended March 31, 2024.

Item 7.01. Regulation FD Disclosure.

On May 10, 2024, the Company hosted a conference call for investors to discuss its financial condition and operating results for the three month period ended March 31, 2024. A transcript of the call is attached hereto as Exhibit 99.2.

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

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit

No.

Description

99.1

[Press release, dated May 10, 2024, announcing financial results for the three month period ended March 31, 2024.](#)

99.2

[Transcript of investor conference call held on May 10, 2024.](#)

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 99.3, respectively, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

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

Sachem Capital Corp.

Dated: May 10, 2024

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

Exhibit Index

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[Transcript of investor conference call held on May 10, 2024.](#)



**SACHEM CAPITAL REPORTS FIRST QUARTER 2024 RESULTS –
REVENUES GREW 17.0% TO \$17.2 MILLION
- Company to Host Webcast and Conference Call -**

BRANFORD, Conn., May 10, 2024 (GLOBE NEWSWIRE) -- Sachem Capital Corp. (NYSE American: SACH) announced its financial results for the first quarter ended March 31, 2024. The Company will host a conference call on Friday, May 10, 2024 at 8:00 a.m. Eastern Time to discuss its financial and operating results.

John Villano, CPA, Sachem Capital's Chief Executive Officer, stated: "In the first quarter, we continued to navigate through an evolving and challenging macro environment marked by uncertainty regarding inflation, and the Federal Reserve's future rate policy. We remain disciplined, and while long-term capital remains relatively unavailable to our borrowers, we are focused on maintaining strong liquidity, growing borrower relationships, and protecting our capital. Our diversified portfolio and solid balance sheet provide confidence as we patiently wait to resume building our business."

Results of operations for quarter ended March 31, 2024

Total revenue grew 17.0% to \$17.2 million, compared to \$14.7 million for the quarter ended March 31, 2023. Interest income totaled \$12.6 million, up from \$11.0 million in the same quarter in 2023. The growth in interest income was due primarily to an increase in rates that the Company was able to charge borrowers in comparison to the quarter ended March 31, 2023. Income from partnership investments, net investment gain, as well as fee and other income all grew compared to the corresponding period in 2023. Originations and modification fees were off approximately 1.0% compared to the quarter ending March 31, 2023.

Total operating costs and expenses for the quarter ended March 31, 2024 were \$12.5 million compared to \$9.6 million for the 2023 period. The primary change was due to a \$1.2 million non-cash increase in provision for credit losses, which reflects a reduction in the values of certain collateral securing the Company's first mortgage loans. Other significant contributors to the increase in operating costs and expenses include: (i) a \$0.6 million increase in interest expense and amortization of deferred financing costs, (ii) a \$470,000 increase in other expenses, (iii) a \$340,000 increase in general and administrative expenses and (iv) a \$164,000 increase in compensation, fees and taxes.

Net income attributable to common shareholders for the three months ended March 31, 2024 was \$3.6 million, or \$0.08 per share, compared to \$4.2 million, or \$0.10 per share, for the three months ended March 31, 2023.

Balance Sheet

Total assets remained relatively consistent at \$626.5 million at March 31, 2024 compared to \$625.5 million at December 31, 2023. The Company's cash and cash equivalents and investments in partnerships increased during the three months ended March 31, 2024, by \$5.8 million and \$3.2 million, respectively. These increases were offset by a reduction in net mortgages receivable of \$9.0 million. Total liabilities at March 31, 2024 were \$389.1 million compared to \$395.5 million at December 31, 2023.

Total indebtedness at quarter end was \$371.2 million. This includes: \$283.0 million of unsecured notes payable (net of \$5.4 million of deferred financing costs), an aggregate of \$62.3 million on the Wells Fargo Advisors margin loan account and the Needham Bank revolving credit facility, \$25.9 million outstanding on a master repurchase financing facility with an affiliate of Churchill Real Estate, and \$1.1 million outstanding on a New Haven Bank mortgage loan. The Company remains focused on the repayment of \$23.7 million principal amount of unsecured unsubordinated notes due June 30, 2024 and \$34.5 million principal amount of unsecured unsubordinated notes due December 30, 2024. The Company intends to repay these notes either by refinancing them or with a combination of drawdowns on its existing credit facilities, current cash on hand and principal repayments of its mortgage loans.

Total shareholders' equity at March 31, 2024 rose \$7.4 million to \$237.4 million compared to \$230.1 million at December 31, 2023. The change was primarily due to additional paid-in capital of \$3.8 million and a reduction in accumulated deficit of \$3.6 million.

Dividends

On April 16th, 2024, the Company paid a quarterly dividend of \$0.11 per share to shareholders of record on April 9, 2024.

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 Webcast and Call

The Company will host a webcast and conference call Friday, May 10, 2024 at 8:00 a.m. Eastern Time, to discuss in greater detail its financial results for the quarter ended March 31, 2024. A webcast of the call may be accessed on the Company's website at <https://ir.sachemcapitalcorp.com/ir-calendar>.

Interested parties can access the conference call via telephone by dialing toll free 844-825-9789 for U.S. callers or +1-412-317-5180 for international callers.

Replay

The webcast will also be archived on the Company's website and a telephone replay of the call will be available through Friday, May 24, 2024 and can be accessed by dialing 1-844-512-2921 for U.S. callers or +1 412-317-6671 for international callers and by entering replay passcode: 10187884.

About Sachem Capital Corp

Sachem Capital Corp. is a mortgage REIT that specializes in originating, underwriting, funding, servicing, and managing a portfolio of loans secured by first mortgages on real property. It offers short-term (i.e., three years or less) secured, nonbanking loan to real estate investors to fund their acquisition, renovation, development, rehabilitation, or improvement of properties. The Company's primary underwriting criteria is a conservative loan to value ratio. The properties securing the 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 and is personally guaranteed by the principal(s) of the borrower. The Company also makes opportunistic real estate purchases apart from its lending activities.

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. These forward-looking statements are based primarily on management's current expectations and projections about future events and trends that management believes may affect the Company's 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 Annual Report on Form 10-K for 2023 filed with the U.S. Securities and Exchange Commission on April 1, 2024. 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 the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company 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 press release. You should evaluate all forward-looking statements made by the Company in the context of these risks and uncertainties.

Investor & Media Contact:

Email: investors@sachemcapitalcorp.com

SACHEM CAPITAL CORP.
CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents	\$ 18,413,401	\$ 12,598,256
Investment securities, net (at fair value)	38,432,752	37,776,032
Mortgages receivable	490,743,670	499,235,371
Less: Allowance for credit losses	(8,053,252)	(7,523,160)
Mortgages receivable, net of allowance for credit losses	482,690,418	491,712,211
Investments in rental real estate, net	11,266,309	10,554,461
Interest and fees receivable, net	8,083,432	8,474,820
Due from borrowers, net	5,241,976	5,596,883
Real estate owned	3,703,519	3,461,519
Investments in partnerships	46,221,719	43,035,895
Property and equipment, net	3,330,653	3,373,485
Other assets	9,143,300	8,955,250
Total assets	<u>\$ 626,527,479</u>	<u>\$ 625,538,812</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable (net of deferred financing costs of \$5,443,237 and \$6,048,490)	\$ 282,958,513	\$ 282,353,260
Repurchase facility	25,860,601	26,461,098
Mortgage payable	1,061,720	1,081,303
Lines of credit	62,251,343	61,792,330
Accrued dividends payable	—	5,144,203
Accounts payable and accrued liabilities	2,754,348	2,321,535
Advances from borrowers	9,176,571	10,998,351
Below market lease intangible	664,737	664,737
Deferred revenue	4,356,605	4,647,302
Total liabilities	<u>\$ 389,084,438</u>	<u>\$ 395,464,119</u>
Commitments and Contingencies		
Shareholders' equity:		
Preferred shares - \$0.001 par value; 5,000,000 shares authorized; 2,903,000 shares designated as Series A Preferred Stock; 2,108,957 and 2,029,923 shares of Series A Preferred Stock issued and outstanding at March 31, 2024 and December 31, 2023, respectively	\$ 2,109	\$ 2,030
Common stock - \$0.001 par value; 200,000,000 shares authorized; 47,446,051 and 46,765,483 issued and outstanding at March 31, 2024 and December 31, 2023	47,446	46,765
Paid-in capital	253,669,954	249,825,780
Accumulated other comprehensive income	190,329	315,614
Accumulated deficit	(16,466,797)	(20,115,496)
Total shareholders' equity	<u>237,443,041</u>	<u>230,074,693</u>
Total liabilities and shareholders' equity	<u>\$ 626,527,479</u>	<u>\$ 625,538,812</u>

SACHEM CAPITAL CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended March 31,	
	2024	2023
Revenue:		
Interest income from loans	\$ 12,641,444	\$ 10,983,326
Investment gain, net	527,824	274,796
Income from partnership investments	1,195,300	549,723
Origination and modification fees, net	1,461,966	1,475,920
Fee and other income	1,189,241	707,605
Unrealized gain on equity securities	185,181	716,389
Total revenue	17,200,956	14,707,759
Operating costs and expenses:		
Interest and amortization of deferred financing costs	7,469,442	6,872,967
Compensation, fees and taxes	1,943,197	1,779,318
General and administrative expenses	1,238,574	898,115
Other expenses	556,640	83,722
(Gain) Loss on sale of real estate and property and equipment, net	10,854	(148,100)
Provision for credit losses related to loans	1,312,024	101,515
Total operating costs and expenses	12,530,731	9,587,537
Net income	4,670,225	5,120,222
Preferred stock dividend	(1,021,526)	(924,762)
Net income attributable to common shareholders	3,648,699	4,195,460
Other comprehensive income		
Unrealized (loss) gain on debt securities	(125,285)	91,637
Total comprehensive income	\$ 3,523,414	\$ 4,287,097
Basic and diluted net income per common share outstanding:		
Basic	\$ 0.08	\$ 0.10
Diluted	\$ 0.08	\$ 0.10
Weighted average number of common shares outstanding:		
Basic	47,326,384	42,792,509
Diluted	47,326,384	42,792,509

SACHEM CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOW

	Three Months Ended	
	March 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 4,670,225	\$ 5,120,222
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs and bond discount	623,788	600,215
Depreciation expense	94,174	40,132
Stock based compensation	238,712	173,315
Provision for credit losses related to loans	1,312,024	101,515
Loss (Gain) on sale of real estate and and equipment, net	10,854	(148,100)
Unrealized gain on equity securities	(185,181)	(716,389)
Gain on sale of investment securities	—	(275,879)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Interest and fees receivable, net	391,388	(366,191)
Other assets - miscellaneous	(303,826)	(499,651)
Due from borrowers, net	(1,037,945)	(783,302)
Other assets - prepaid expenses	81,981	9,955
(Decrease) increase in:		
Accrued interest	(5,493)	95,221
Accounts payable and accrued liabilities	438,306	(84,738)
Deferred revenue	(290,697)	320,608
Advances from borrowers	(1,821,780)	1,422,458
Total adjustments	(453,695)	(110,831)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,216,530	5,009,391
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(7,725,283)	(13,971,218)
Proceeds from the sale of investment securities	7,128,459	3,780,522
Purchase of interests in investment partnerships, net	(3,185,824)	(4,491,054)
Proceeds from sale of real estate owned	121,146	515,136
Acquisitions of and improvements to real estate owned, net	—	(103,136)
Purchases of property and equipment, net	(20,494)	(710,883)
Investment in rental real estate, net	(742,696)	—
Principal disbursements for mortgages receivable	(42,654,300)	(58,883,824)
Principal collections on mortgages receivable	51,398,181	39,884,300
Other assets - pre-offering costs	—	25,111
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	4,319,189	(33,955,040)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from lines of credit	459,013	10,086,036
Net proceeds from (repayment of) repurchase facility	(600,497)	11,522,349
Proceeds from (repayment of) mortgage	(19,583)	910,000
Accounts payable and accrued liabilities - principal payments on other notes	—	(4,252)
Dividends paid on common shares	(5,144,203)	(5,342,160)
Dividends paid on Series A Preferred Stock	(1,021,526)	(924,762)
Proceeds from issuance of common shares, net of expenses	2,050,040	9,181,158
Proceeds from issuance of Series A Preferred Stock, net of expenses	1,556,182	136,705
NET CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	(2,720,574)	25,565,068
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,815,145	(3,380,581)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	12,598,256	23,713,097
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 18,413,401	\$ 20,332,516

corrected transcript

FACTSET:callstreet

Sachem Capital Corp.
Company ▲SACH
Ticker ▲Q1 2024 Earnings Call
Event Type ▲May 10, 2024
Date ▲

PARTICIPANTS

Corporate Participants

Stephen Swett – Partner, ICR**John L. Villano** – Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem Capital Corp.**Nicholas Marcello** – Vice President-Finance & Operations, Sachem Capital Corp.

Other Participants

Christopher Nolan – Analyst, Ladenburg Thalmann & Co., Inc.**Gaurav Mehta** – Analyst, A.G.P. / Alliance Global Partners Corp.**Matthew Erdner** – Analyst, JonesTrading Institutional Services LLC**Chris Muller** – Analyst, JMP Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Sachem Capital Corp. First Quarter 2024 Earnings Conference Call. All participants will be in a listen only mode. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Stephen Swett, Investor Relations. Please go ahead.

Stephen Swett, Partner, ICR

Good morning, everyone, and thank you for joining Sachem Capital Corp's first quarter 2024 earnings conference call. On the call from Sachem Capital today is Chief Executive Officer and Interim Chief Financial Officer, John Villano CPA and Vice President of Finance and Operations, Nick Marcello.

This morning the company announced its operating results for the quarter ended March 31, 2024 and its financial condition as of that date. The press release is posted on the company's website at www.sachemcapitalcorp.com.

As a reminder, remarks made on today's conference call may include forward-looking statements. Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those discussed today. We do not undertake any obligation to update our forward looking statements in light of new information or future events.

For a more detailed discussion of the factors that may affect the company's results, please refer to our earnings release for this quarter and to our most recent SEC filings. During this call, the company will be discussing certain non-GAAP financial measures. More information about these non-GAAP financial measures and reconciliations to the most directly comparable GAAP financial measures are contained in our SEC filings.

With that, I'll turn the call over to John.

John L. Villano, Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem Capital Corp.

Thank you and thanks to everyone for joining us today. Sachem and the overall real estate industry continue to face a challenging and evolving macro backdrop, marked by uncertainty regarding inflation and the Federal Reserve's future rate policy. To these points, real estate transactions remain constrained as many banks remain on the sidelines. This environment, we are highly focused on prudently managing our balance sheet to ensure we have ample liquidity and are underwriting the highest quality loans with financially strong borrowers.

During the quarter, we worked through loan modifications and extensions as well as defaults in cases where projects have been largely completed or our borrowers are searching for longer term take out financing. Loan modifications and extensions added approximately \$1.5 million in revenue as loans were extended, restructured or put back on track. As we have noted before, loans that are extended or modified are re-underwritten to ensure the collateral and projects are still viable and well capitalized.

Our experience through many cycles has provided us with the necessary tools to navigate this environment appropriately. Importantly, it has been our experience that troubled loans often prove profitable over their term when interest income, origination and other fees are considered. Furthermore, we believe our low REO balances compared to our loans in foreclosure tells the story of how often our loan workouts result in a favorable outcome.

Let's now discuss our first quarter 2024 financials in more detail. For the first quarter 2024, Sachem grew revenue approximately 17% to \$17.2 million, compared to \$14.7 million in the same quarter of the prior year. Despite this revenue growth in the first quarter, we saw a sharp reduction in loan originations. To emphasize, this was not due to a lack of loan opportunities, but rather from our steadfast resolve to manage liquidity going forward.

We continue to monitor a deep pipeline with very strong borrowers and the potential to establish long term relationships. With that said, we remain disciplined and while long term capital remains scarce and mostly unavailable to our borrowers, we are focused on maintaining strong liquidity as we continue to effectively navigate the ongoing lending marketplace, notably for our upcoming baby bonds that are due and payable in June 2024.

Our current lending approach, which encompasses protection of liquidity and strict loan selection, will continue to impact earnings until we find efficient capital and the tight funding environment begins to ease. Further without new loan originations, our origination fee income will be negatively affected. We are always proactively pursuing ways to add reasonably priced capital, which would allow us to pivot to be more offensive and invest in attractive opportunities. Obviously, we will continue our balanced approach, but protecting liquidity comes at a cost and future earnings may be impacted.

Total operating costs and expenses for the first quarter of 2024 were approximately \$12.5 million, compared to approximately \$9.6 million in the prior year quarter. The change was due to several factors. Specifically, we recorded interest and amortization of deferred financing costs of approximately \$7.5 million in the first quarter as compared to approximately \$6.9 million in the first quarter of 2023.

G&A was up approximately \$340,000 compared to the prior year quarter, due to our efforts to strengthen the team as we added necessary resources to ensure strong internal controls and to support the full integration of our Urbane New Haven acquisition.

Compensation expenses were relatively stagnant and other expenses were up over the same period due to increases in depreciation and taxes. Lastly, we also had a \$1.3 million provision for loan losses, the majority of which related to an office asset. Looking ahead, there is a possibility of incremental non-cash provisions and impairments, but our seasoned team remains committed to maximizing value through our focused asset management initiatives.

As a result, net income attributable to common shareholders for the first quarter of 2024 was approximately \$3.6 million, compared to approximately \$4.2 million the same quarter last year. And earnings per share were \$0.08 as compared to \$0.10 per share.

As discussed in prior quarters, our board regularly evaluates our dividend distribution policy on an ongoing basis, balancing our operational performance, federal tax requirements, and the importance of maintaining long term financial flexibility. We are proud of how consistent our dividend has remained over the years and we will strive to maintain an attractive dividend going forward, subject to our board's oversight.

Turning to portfolio activities. As I mentioned earlier, and similar to what other participants in our industry are facing, loan originations are very challenging in the current environment, but our demand for loans continues to rise, as banks remain on standby, midsized financial institutions struggle with non-performing loans, and many hard money lenders are low on capital, cannot support their borrowers.

We believe the struggle in our industry creates opportunities for us. As we look ahead, our origination efforts are focused primarily on single family and multifamily residential, where prices and demand have remained relatively stable due to a lack of housing supply in many of our targeted markets.

For the quarter, we had net funding of approximately \$42.7 million from mortgage loans, including loan modifications and construction draws that were offset by approximate \$51.4 million of principal paydowns.

During the first quarter, the company modified or extended a total of 49 loans. These modifications resulted in gross fee income of approximately \$1.2 million. Looking at our whole portfolio as of March 31, 2024, we had 273 loans, with a total principal balance of approximately \$490.7 million, with a weighted average interest rate of 12.7%, not inclusive of fees earned.

Our loan portfolio is geographically diverse, spanning across 15 states with a focus on southeastern growth markets. Loan originations continue to encompass a variety of property types, including multifamily, single family and other commercial real estate assets.

Further, within our portfolio, only 12.4% of our investments are in office. At quarter end, we had loans with a principal balance of approximately \$85.7 million in non-accrual status, which includes 60 loans in pending foreclosure by the company representing approximately \$72.9 million of outstanding principal balance, including the accrued but unpaid interest and borrower charges. Real estate owned was approximately \$3.7 million as of March 31, 2024, including approximately \$800,000 held for rental and approximately \$2.9 million held for sale.

Let's now discuss our balance sheet and financial position, where we continue to maintain strong liquidity as a primary focus of the company. As of March 31, 2024, we had total assets of \$626.5 million, including approximately \$18.4 million of cash, cash equivalents and approximately \$38.4 million in investment securities, offset by \$377.6 million in total debt outstanding. Additionally, at quarter end, we had available liquidity of \$30 million on our credit facility.

In closing, we continue to maintain our disciplined approach to managing our business. Our diversified portfolio and strong financial foundation together give us confidence as we look ahead to unrestricted lending markets. As we continue to prudently protect our capital, we believe the time is getting closer where we can more intently pivot back to growing our business. We firmly believe our strategic shift to a balance of lending and liquidity in this market will ultimately lead to long term value for our shareholders. I want to thank the entire Sachem team for their hard work and contributions to our performance.

We will now open the call for questions. Operator?

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question today comes from Christopher Nolan with Ladenburg Thalmann. Please go ahead.

<Q – Chris Nolan – Ladenburg Thalmann & Co., Inc.>: Hey, John. Thank you for the comments on the financial strategy going forward. On the topic of balancing lending and liquidity, should we read into that that you're going to be lowering the leverage on the balance sheet?

<A – John Villano – Sachem Capital Corp.>: Chris, unfortunately we are in a leverage business. I would like to say, yes, we are but in truth, no. We're really limited by our debt covenant ratio. Our debt covenants on our unsecured notes, 1.5 times debt coverage. So it's a governor on how fast we can grow our business. And the coverage ratio, while limiting at times, does allow us to sleep easy at night. So it's not a very aggressive covenant.

What we're doing is we're basically lending what we collect. And this goes back to the early days of COVID, where there was so much uncertainty. Needless to say, demand was strong then. It's strong now. But the uncertainty going forward is very concerning. And we're really just playing close to the vest.

And as I mentioned in our script, in our discussion, is that being cautious affects progress. And we just want to be clear, we're being very conservative going forward. We don't want to be caught on the wrong side. And until we see clarity, we're just going to play it very close to the vest.

<Q – Chris Nolan – Ladenburg Thalmann & Co., Inc.>: Understood. And then the wider the higher yields that you got on your investments in this quarter, should we see in the next quarter another step up in yields as more loans repriced or what sort of trend do you see developing there?

<A – John Villano – Sachem Capital Corp.>: Over the past year or so, a lot of our I'll say COVID era low interest rate era loans are now coming back through and getting repriced. Once again, our basic rates going forward, 12% interest, 2% for origination fees. And if there's a construction component, we have 1% or 2% as a construction service fee. Those are staying, they're steadfast.

We don't have the ability to really raise those as much as we would like to. I mean, the rates at some point become damaging to the project at hand. So I think the 12% and 2% going forward is a really good benchmark for us. And also, we're not chasing lower yielding opportunities to be clear.

<Q – Chris Nolan – Ladenburg Thalmann & Co., Inc.>: Great. Thank you.

Operator: The next question comes from Gaurav Mehta with Alliance Global Partners. Please go ahead.

<Q – Gaurav Mehta – A.G.P. / Alliance Global Partners Corp.>: Thank you. Good morning. I wanted to ask you on the one provision that you talked about on an office asset this quarter, hoping to get some more color on that loan.

<A – John Villano – Sachem Capital Corp.>: Yes. And I can help a little bit. I may ask Nick Marcello to provide more clarity, but here's my take. We did an asset up in Maine and the project failed. Our borrower could not perform. We have a friendly buyer, has shown up and purchased the asset and we feel that a change of structure of the project and change of use can be a great outcome for us.

Unfortunately, Gaurav these things take so much time. And as much as I would like to say, it's all going to show up roses at the end, it's down the road a bit. So the change of use is very positive. We have funds available to do the work. We have contractors to finish the project. And, in the next year or so, we'll be reporting back as to how that all worked out.

<Q – Gaurav Mehta – A.G.P. / Alliance Global Partners Corp.>: Okay. Second question, on the net funding side, I think you said \$42.7 million of net funding this quarter. And so I just want to clarify, all of that was loan modifications and construction draws. There was no new loan originations in that number.

<A – John Villano – Sachem Capital Corp.>: No, there were new loan originations. It was not tremendously significant. Nick, do you have the exact new loan originations for the quarter?

<A – Nick Marcello – Sachem Capital Corp.>: Yeah, we did \$23 million of gross loan originations for the quarter and net fundings on that number was really only about \$12 million, though. So very light.

<Q – Gaurav Mehta – A.G.P. / Alliance Global Partners Corp.>: Okay. Maybe lastly, I think in your prepared remarks, you mentioned that you are seeing you have a pipeline of strong borrowers, but you are being cautious. And I just wanted to get some more color maybe on the quality of borrowers. Are you seeing same quality of borrowers in the pipeline or is there any change in the quality?

<A – John Villano – Sachem Capital Corp.>: We feel that the quality of this pipeline is tremendous. It's a whole lot better than what we've had in the past. And it's really a result of good quality borrowers and good quality projects looking for a home. And, a lot of our industry is locked up at the moment. And banks are uncertain. Liquidity is scarce with respect to regular lending on projects. And, good borrowers are searching, right. It truly is their livelihood. They're accustomed to having great service and available capital to continue to work. So we are getting a lot of great opportunities, some larger than what we're accustomed. And certainly now is not the time to dig too deep into bigger projects.

<Q – Gaurav Mehta – A.G.P. / Alliance Global Partners Corp.>: Okay. Thank you for taking my questions.

<A – John Villano – Sachem Capital Corp.>: Thank you.

Operator: The next question comes from Matthew Erdner with JonesTrading. Please go ahead.

<Q – Matt Erdner – JonesTrading Institutional Services LLC>: Hey, good morning, guys. Thanks for taking the question. I believe you said \$85 million in non-accruals and \$64 million in foreclosure. If I'm wrong there, please correct me. But could you talk a little bit about what's going on with this? Whether if it's a borrower issue, money wise or if it's a construction plan could you just expand on those a little bit? Thanks.

<A – John Villano – Sachem Capital Corp.>: Yeah. The total is \$85 million. The number is – we just broke the number into two pieces for you. What we've been doing over the past few quarters is really going through a cleansing of our portfolio. We do have loans that are too small for us.

Those are not being extended or renewed in some cases. We do have loans that require time to complete where labor and material shortages have caused delays. We have projects where labor and material pricing has kind of blown out construction budgets and those require the assistance of our Urbane unit to get back on track and redirect.

But what we're doing, it's an ongoing plan to continue cleansing the portfolio. And unfortunately, as I mentioned earlier, these things take time. And in the past week, we've had two properties that came back through foreclosure. They were under contract and sold within the week with great results for us.

And it's just a question of getting our hands on the asset. And it's our biggest problem to date. The courts move very slowly in some cases. And honestly, a borrower that fears a failed project, they're sometimes slow to pick up the phone. And once they realize we're in this game to help them work this out and get square again, we're usually able to get things back on track.

But it's been a process. And I think you'll see elsewhere in our industry that a lot of our competition, they're significantly larger than us. They're running into the same type of issues. It's not always the project. It's not the borrower. It's a combination of a lot of things.

And, I could sit here all day and say, hey, look, it's planning and zoning, it's material costs. Real estate is a tough game. And, if you can't get the project sold or refinanced, it turns into a problem and it turns into a problem quick because we're very expensive. So not having a counterparty to refinance our borrowers is really putting a lot of loans in jeopardy, to be quite honest.

We do think cutting of the rates, when that happens will be great for us. It'll get us back on track. We'll get our stride back. But not having a counterparty, keeps these borrowers tied to us a little bit. So we continue to work with them and we continue to protect our assets going forward.

<Q – Matt Erdner – JonesTrading Institutional Services LLC>: Right. That's helpful. And then can you talk a little bit about the investment securities portfolio? And from a modeling perspective, should we expect some of that to decrease in the upcoming quarters for the baby bonds?

<A – John Villano – Sachem Capital Corp.>: That whole portfolio has been liquidated and closed, and that happened early April.

<Q – Matt Erdner – JonesTrading Institutional Services LLC>: Awesome. Thank you.

Operator: The next question comes from Chris Muller with JMP. Please go ahead.

<Q – Chris Muller – JMP Securities LLC>: Hey, John. Thanks for taking the questions. So I guess how far do you think we are into this current stress cycle? And looking at your own portfolio, do you feel like you've been able to identify where most of those problems are going to be? Or do you think this will be more of an ongoing process for the bulk of 2024?

<A – John Villano – Sachem Capital Corp.>: I feel that it's going to be ongoing. It's very interesting to me that properties in distress get cleaned up. Properties that we think are super run into a problem. I think it's going to be ongoing. It requires us to have a hands on approach.

We are very thankful, we are not buyers of loans in bulk. That is a huge problem. We know our borrowers. We're in contact with them consistently. We actively manage the portfolio and that gives us the ability to clean this stuff up. So, there's a little saying here that we kind of joke about is that all loans are good until they're not. And sometimes we just get surprised with maybe a bad response from a borrower or bad news. But sometimes the bad stuff turns out pretty good for us.

<Q – Chris Muller – JMP Securities LLC>: Got it. That's helpful. And then I guess that leads into my second question here. Can you just talk about what a typical modification looks like? You guys typically require borrowers to put fresh equity in. Just what does a typical modification look like I guess?

<A – John Villano – Sachem Capital Corp.>: A typical mod for us it starts this way. We start contacting our borrowers 90 days prior to the end of their loan, just letting them know that we're watching and they should be aware that their loan is going to term out here at some point. And, the discussion then goes something like this. We have a refinance, we have a sale, what have you. We have a problem. At least we start the action early. When the loan is terming out, we have a plan. So we've started working on this before the loan terms, which you're going to figure out if this project needs new capital, if it's construction budget issue, if it's my God, it could be partners in the borrower partnership. But at least we're hands on before the loan terms. And then technically once that loan terms, it becomes a defaulted loan.

So what we're seeing now is, back during towards the end of COVID, we were doing 100 loans a quarter. And those modifications are coming due. And that's kind of why these numbers are a little bit elevated. So we're working off huge volumes of loan closings that are all maturing now.

And I also want to mention that, look at our loan count. We used to have in excess of 500 loans on our portfolio. We're down to the 270 range. And it's really our push to deal with quality borrowers and quality projects so that we don't have, I hate to say, the small guy who is not bankable. We're trying to get away from that.

<Q – Chris Muller – JMP Securities LLC>: That's helpful. Thanks for your comments, John.

Operator: This concludes our question and answer session and concludes the conference call. Thank you for attending today's presentation. You may now disconnect.

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