

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 13, 2019

SACHEM CAPITAL CORP.

(Exact name of Registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation)

001-37997

(Commission File Number)

81-3467779

(IRS Employer Identification No.)

698 Main Street, Branford, Connecticut

(Address of Principal Executive Office)

06405

(Zip Code)

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

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

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

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

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.

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

Item 2.02. Results of Operations and Financial Condition.

On May 13, 2019, 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 financial results for the three months ended March 31, 2019.

Item 7.01. Regulation FD Disclosure.

On May 14, 2019, the Company hosted a conference call for investors to discuss its operating results for three months ended March 31, 2019 and its financial condition at that date, as well as other relevant matters. A transcript of the call is attached hereto as Exhibit 99.2.

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

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
<u>99.1</u>	<u>Press release, dated May 13, 2019, announcing financial results for the three months ended March 31, 2019.</u>
<u>99.2</u>	<u>Transcript of investor conference call held on May 14, 2019.</u>

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

* * * * *

SIGNATURES

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

Sachem Capital Corp.

Dated: May 15, 2019

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

Exhibit Index

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Contact:
 Sachem Capital Corp.
 John L. Villano, Co-CEO & CFO
 (203) 433-4736

FOR IMMEDIATE RELEASE

Sachem Capital Reports 23.2% Increase in Revenue for the First Quarter of 2019

Conference Call and Webcast to be Held at 8:00 AM EDT on Tuesday, May 14, 2019

Branford, Connecticut, May 13, 2019-- Sachem Capital Corp. (NYSE American: SACH) today announced its financial results for the first quarter ended March 31, 2019. In addition, the Company announced that it will host a conference call on Tuesday, May 14, 2019 at 8:00 a.m. Eastern Daylight Time.

Financial highlights (Q1 2019 vs. Q1 2018):

- Revenue increased 23.2% to \$3.3 million
- Net income increased 4.2% to \$2.1 million
- Earnings per share of \$0.13 (basic and diluted)

Balance sheet highlights (as of March 31, 2019):

- Mortgages receivable increased to \$80.9 million, compared to \$78.0 million as of December 31, 2018
- Total assets increased to \$92.2 million, compared to \$86.0 million as of December 31, 2018
- Shareholders' equity increased to \$57.1 million, compared to \$52.8 million as of December 31, 2018

On April 1, 2019, the Company declared a dividend of \$0.12 per common share, which was paid on April 18, 2019 to shareholders of record on April 11, 2019. The total amount of the dividend payment was approximately \$2.1 million.

John Villano, CPA, co-chief executive officer and chief financial officer of Sachem Capital Corp., stated, "We are pleased with our results for the first quarter of 2019. Despite an uncertain economic environment and limited working capital to originate new loans, we recorded increases in revenue, net income, the size of our loan portfolio and shareholders' equity. With the U.S. economy seeming to be back on sound footing, significant additional working capital as a result of sales of our common shares and continued strong demand for our mortgage loan products, we believe our prospects for continued growth for the balance of 2019 are good while maintaining our commitment to our strict underwriting criteria, extensive due diligence and conservative loan-to-value ratio. In addition, we continue to evaluate options that may provide us greater financial flexibility."

Results of operations – three months ended March 31, 2019

Total revenue for the three months ended March 31, 2019 was approximately \$3.35 million compared to approximately \$2.72 million for the three months ended March 31, 2018, an increase of approximately \$630,000, or 23.2%. Compared to the 2018 period, for the 2019 period interest income increased approximately \$789,000, or 40.2%, to \$2.75 million from \$1.96 million and net origination fees increased approximately \$16,000.

Total operating costs and expenses for three months ended March 31, 2019 were approximately \$1.3 million compared to \$744,000 for the three months ended March 31, 2018, an increase of approximately \$547,000, reflecting an increase in lending operations and related increases in administrative expenses. Compared to the 2018 period, in the 2019 period interest expense and amortization of deferred financing costs expense increased approximately \$398,000, compensation expenses increased approximately \$139,000 and administrative expenses increased approximately \$67,000.

Net income for the three months ended March 31, 2019 was approximately \$2.1 million, or \$0.13 per basic and diluted share, compared to \$2.0 million, or \$0.13 per basic and diluted share for the three months ended March 31, 2018.

Investor Conference Call

The Company will host a conference call on Tuesday, May 14, 2019 at 8:00 a.m., Eastern Daylight Time, to discuss the Company's financial results for the first quarter ending March 31, 2019 as well as the Company's corporate progress and other meaningful developments.

Interested parties can access the conference call by calling 877-407-8033 for U.S. callers, or +201-689-8033 for international callers. The call will be available on the Company's website via webcast at <https://www.sachemcapitalcorp.com>. John Villano, Co-Chief Executive Officer and Chief Financial Officer will lead the conference call and other Sachem Capital executives will also be available to answer questions.

A webcast will also be archived on the Company's website and a telephone replay of the call will be available approximately one hour following the call, through 8:00 a.m. on Tuesday, May 28, 2019, and can be accessed by calling: 877-481-4010 for U.S. callers or +919-882-2331 for international callers and entering conference ID: 49099.

About Sachem Capital Corp.

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

Forward Looking Statements

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

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to several risks, uncertainties and assumptions as described in our Annual Report on Form 10-K for 2018 filed with the U.S. Securities and Exchange Commission on March 29, 2019. Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this press release may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

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

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

Investor & Media Contact:

Crescendo Communications, LLC

Email: sach@crescendo-ir.com

Tel: (212) 671-1021

**SACHEM CAPITAL CORP.
BALANCE SHEETS**

	<u>March 31, 2019</u> (Unaudited)	<u>December 31, 2018</u> (Audited)
Assets		
Assets:		
Cash	\$ -	\$ 99,310
Cash - restricted	1,069,393	59,549
Escrow deposits	-	12,817
Mortgages receivable	80,878,265	78,011,653
Mortgages receivable, affiliate	869,627	879,457
Interest and fees receivable	1,691,605	1,397,038
Other receivables	130,000	155,000
Due from borrowers	787,264	695,218
Prepaid expenses	85,378	14,866
Property and equipment, net	1,327,336	1,180,107
Deposits on property and equipment	49,881	12,000
Real estate owned	4,912,263	2,943,438
Deferred financing costs	518,635	553,597
Total assets	\$ 92,319,647	\$ 86,014,050
Liabilities and Shareholders' Equity		
Liabilities:		
Bank overdraft	\$ 117,781	\$ -
Line of credit	30,382,546	27,219,123
Mortgage payable	795,000	290,984
Notes payable	76,485	-
Capital lease payable	12,808	-
Accounts payable and accrued expenses	128,593	316,413
Security deposits held	7,800	7,800
Advances from borrowers	267,284	317,324
Due to shareholder	2,217,000	1,200,000
Deferred revenue	1,027,392	1,058,406
Dividend payable	-	2,624,566
Accrued interest	196,120	176,619
Total liabilities	35,228,809	33,211,235
Commitments and Contingencies		
Shareholders' equity:		
Preferred shares - \$.001 par value; 5,000,000 shares authorized; no shares issued	-	-
Common stock - \$.001 par value; 50,000,000 shares authorized; 15,950,256 and 15,438,621 issued and outstanding, respectively	15,950	15,439
Paid-in capital	55,424,167	53,192,859
Retained earnings (accumulated deficit)	1,650,721	(405,483)
Total shareholders' equity	57,090,838	52,802,815
Total liabilities and shareholders' equity	\$ 92,319,647	\$ 86,014,050

SACHEM CAPITAL CORP.
STATEMENTS OF OPERATIONS
(unaudited)

	Three Months	
	Ended March 31,	
	2019	2018
Revenue:		
Interest income from loans	\$ 2,751,080	\$ 1,962,373
Origination fees, net	364,717	348,548
Late and other fees	46,497	34,096
Processing fees	34,795	33,130
Rental income, net	25,649	43,756
Other income	117,140	294,747
Net gain on sale of real estate owned	7,149	-
	<u>3,347,027</u>	<u>2,716,650</u>
Operating costs and expenses:		
Interest and amortization of deferred financing costs	621,048	222,956
Professional fees	88,114	116,322
Compensation, fees and taxes	384,227	245,575
Exchange fees	10,287	-
Other expenses and taxes	14,193	34,480
Excise tax	-	19,000
Depreciation	7,503	7,634
General and administrative expenses	165,451	98,033
Total operating costs and expenses	<u>1,290,823</u>	<u>744,000</u>
	<u>\$ 2,056,204</u>	<u>\$ 1,972,650</u>
Net income		
	<u>\$ 2,056,204</u>	<u>\$ 1,972,650</u>
Basic and diluted net income per common share outstanding:		
Basic	<u>\$ 0.13</u>	<u>\$ 0.13</u>
Diluted	<u>\$ 0.13</u>	<u>\$ 0.13</u>
Weighted average number of common shares outstanding:		
Basic	<u>15,579,126</u>	<u>15,415,737</u>
Diluted	<u>15,579,126</u>	<u>15,415,737</u>

SACHEM CAPITAL CORP.
STATEMENTS OF CASH FLOW
(unaudited)

	Three Months Ended March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,056,204	\$ 1,972,650
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs	47,076	14,558
Depreciation expense	7,503	7,634
Stock based compensation	4,103	-
Impairment loss	-	-
Gain on sale of real estate owned	(7,149)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Escrow deposits	12,817	(64,141)
Interest and fees receivable	(649,157)	(134,023)
Other receivables	25,000	256,966
Due from borrowers	(92,045)	-
Prepaid expenses	(70,512)	(28,253)
Deposits	(37,881)	-
(Decrease) increase in:		
Due to note purchaser	-	(723,478)
Due to shareholder	-	-
Accrued interest	19,501	(40,771)
Accrued expenses	(187,820)	(231,740)
Deferred revenue	(31,014)	60,222
Advances from borrowers	69,438	213,522
Total adjustments	(890,140)	(669,504)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,166,064	1,303,146
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of real estate owned	124,808	-
Acquisitions of and improvements to real estate owned	(362,776)	(11,000)
Purchase of property and equipment	(141,924)	(1,987)
Principal disbursements for mortgages receivable	(12,827,043)	(10,345,784)
Principal collections on mortgages receivable	8,481,663	6,034,243
NET CASH USED FOR INVESTING ACTIVITIES	(4,725,272)	(4,324,528)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes sold to shareholder	1,017,000	-
Proceeds from line of credit	19,740,078	13,288,435
Proceeds from bank overdraft	117,781	-
Repayment of line of credit	(16,576,655)	(8,982,583)
Principal payments on mortgage payable	(290,984)	(2,532)
Dividends paid	(2,624,566)	(1,618,653)
Proceeds from mortgage payable	795,000	-
Proceeds from notes payable	76,485	-
Issuance of common stock-ATM	2,227,716	-
Financing costs incurred	(12,113)	(55,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,469,742	2,629,667
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	910,534	(391,715)
CASH AND RESTRICTED CASH- BEGINNING OF YEAR	158,859	954,223
CASH AND RESTRICTED CASH - END OF PERIOD	\$ 1,069,393	\$ 562,508

SACHEM CAPITAL CORP.
STATEMENTS OF CASH FLOW (Continued)

Three Months
Ended March 31,

	2019	2018
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SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Taxes paid	\$ -	\$ -
Interest paid	<u>\$ 573,670</u>	<u>\$ 208,398</u>

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the three months ended March 31, 2018 the Company incurred a mortgage funding payable in the amount of \$2,000,000 in connection with the acquisition of mortgages receivable.

Real estate acquired in connection with the foreclosure of certain mortgages, inclusive of interest and other fees receivable, during the period ended March 31, 2019 amounted to \$1,962,669.

During the three months ended March 31, 2019, the Company purchased equipment for \$13,005 subject to a capital lease.



Trading Under the Symbol: ISDR

Transcript of
Sachem Capital
First Quarter 2019 Business Update Call
May 14, 2019

Participants

David Waldman – Crescendo Communications
John Villano – CPA, Co-Chief Executive Officer and Chief Financial Officer

Analysts

Ethan Brown – Cox Capital Management
Paul Drees – Market Edge

Presentation**Operator**

Greetings. Welcome to Sachem Capital First Quarter 2019 Business Update Call. At this time all participants are in a listen-only mode. A question and answer session will follow the formal presentation. [Operator Instructions]. Please note this conference is being recorded.

I will now turn the conference over to David Waldman with Crescendo Communications. Thank you, you may begin.

David Waldman

Good morning, and thank you for joining Sachem Capital Corp's first quarter 2019 conference call. On the call with us today is John Villano, CPA, Co-CEO, and Chief Financial Officer of Sachem Capital.

The company issued a press release yesterday containing first quarter 2019 financial results, which is also posted on the company's website. In addition, the company filed its quarterly report on Form 10-Q with the US Securities and Exchange Commission on May 13th, which can also be accessed on the company's website, as well as the SEC's website at www.sec.gov. If you have any questions after the call or would like any additional information about the company, please contact Crescendo Communications at 212-671-1021.

Before Mr. Villano reviews the company's operating results for the first quarter 2019, and the company's financial condition at March 31, 2019, we would like to remind everyone that this conference call may contain forward-looking statements. All statements other than statements of historical facts contained in this conference call, including statements regarding our future results of operations and financial position, strategy and plans, and our expectations for future operations are forward-looking statements.

The words anticipate, estimate, expect, project, plan, seek, intend, believe, may, might, will, should, could, likely, continue, design, and the negative of such terms and other words and terms of similar expressions are intended to identify forward-looking statements. These forward-looking statements are based largely on the company's current expectations and projections about future events and trends that it believes may affect its financial condition, results of operations, strategy, short-term and long-term business operations and objectives, and financial needs.

These forward-looking statements are subject to several risks, uncertainties, and assumptions as described in the company's Form 10-Q for the first quarter of 2019 filed with the US Securities and Exchange Commission on May 13, 2019. Because of these risks, uncertainties, and assumptions, the forward-looking events and circumstances discussed in this conference call may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although, the company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, level of activity, performance, or achievements. In addition, neither the company nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements.

The company disclaims any duty to update any of these forward-looking statements. All forward-looking statements attributable to for company are expressly qualified in their entirety by these cautionary statements, as well as others made in this conference call. You should evaluate all forward-looking statements made by the company in the context of these risks and uncertainties.

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

John Villano

Thank you, David, and thanks to everyone for joining us today. I am pleased to report that Sachem continues to deliver strong and stable revenue growth and continued profitability. We achieved these results despite an uncertain economic environment and limited working capital to originate new loans. That said, we have improved our working capital, and see continued strong demand for our mortgage loan products. As a result, we are very encouraged by our prospects for continued growth for the balance of 2019.

In addition, we continue to evaluate options that may provide us greater financial flexibility. From an operation standpoint, we recorded increases in total revenues and net income for the three months ended March 31, 2019, compared to the first quarter of 2018. Interest income accounted for most of the revenue increase.

From a balance sheet perspective, we recorded increases in total assets, mortgages receivable, and real estate owned, as well as in working capital and shareholders' equity. And although our liabilities also increased, our leverage, which is debt versus equity, is only 35%, well below other mortgage REITs.

For the quarter, we earned \$0.13 per share, same as in the first quarter of 2018. However, in April of 2019, we paid a dividend of \$0.12 per share. This high dividend payout, when compared to year ago periods, reflects not only our strong financial performance, but also our commitment to providing investors attractive risk-adjusted returns. We believe the key factors to our continued success are, one, disciplined underwriting and extensive due diligence; two, a flexible approach to structuring loans; and finally, diligent monitoring of our loan portfolio and constant borrower contact.

With that as the background, I'm going to give a little more detail on our first quarter 2019 performance, and then provide some more color on our strategy and outlook.

For the first quarter of 2019, total revenues were approximately \$3.2 million, compared to approximately \$2.7 million for the corresponding period of 2018. Revenue growth was approximately \$630,000, or an increase of 23.2%. This increase in revenue reflects strong originations, and an overall increase in our lending operations. At the end of the quarter, our loan portfolio included 413 loans, compared to 366 at March 31, 2018.

The increase in revenue was mainly due to the growth in interest income from our mortgage loans, from \$2 million in 2018 period, to \$2.8 million end of March 31, 2019 period, an increase of approximately 40%.

Origination fees for the quarter were approximately \$365,000, compared to approximately \$349,000 in the corresponding 2018 period. Origination fee income now reflects our transition from longer term loans and corresponding larger origination fees, to shorter duration loans with lower origination fees.

The migration to shorter term loans is attributable to two factors. First, three-year loans are not considered eligible mortgage loans under our credit facility; and second, shorter term loans will make us less vulnerable to changes in market conditions, such as increases in interest rates, and/or reductions in real estate values.

Total operating costs and expenses for the three months ended March 31, 2019 were approximately \$1.3 million, compared to approximately \$744,000 for the three months ended March 31, 2018. This increase in operating costs and expenses was primarily due to the growth of our loan portfolio.

Key components of the cost increases are as follows. First, interest and amortization of deferred financing costs increased approximately \$400,000; second, compensation and related costs increased approximately \$139,000; and finally, general and administrative costs increased approximately \$67,000.

In the case of compensation and G&A costs, employee headcount increased from 8 at the end of 2017, to 12 at the end of March 2019. This is principally a result of the growth of our lending activity and our additional compliance and reporting obligations as a publicly owned REIT.

Net income for the first quarter of 2019 was \$2.1 million, compared to \$2 million for the March 31, 2018 period. This was a 4.2% increase. Basic and diluted net income per weighted average common share outstanding was \$0.13, for both the first quarter of 2019 and the first quarter of 2018.

Turning now to our balance sheet as of March 31, 2019, total assets were approximately \$92.3 million, compared to approximately \$86 million as of December 31, 2018. Our loan portfolio was approximately \$81.7 million, compared to approximately \$78.9 million as of December 31, 2018.

Interest and fees receivable from borrowers was approximately \$1.7 million, compared to approximately \$1.4 million at December 31, 2018. Real estate owned increased to \$4.9 million, from \$2.9 million as of March 31, 2019, compared to December 31, 2018. Of the \$4.9 million of real estate owned, approximately \$948,000 is classified as real estate held for rental, and \$3.9 million as real estate held for sale. All eight properties held for sale at March 31, 2019 are being actively marketed.

Total liabilities were approximately \$35.2 million, including approximately \$30.4 million outstanding under the Webster credit facility, compared to total liabilities of approximately \$33.2 million at December 31 of 2018. Approximately \$500,000 of the increase in total liabilities was due to a refinancing of the mortgage on our new corporate office. The amount of the newly refinanced mortgage loan is now \$795,000. The additional amount covers a portion of the renovation cost of the building, and provides additional working capital to the company.

Finally, shareholders' equity was approximately \$57.1 million, compared to approximately \$52.8 million as of December 31 of 2018. The increase of approximately \$4.3 million reflects a \$2.1 million increase in retained earnings, and a \$2.2 million increase in paid-in capital.

Paid-in capital increased by \$2.2 million due to the sale of approximately 500,000 common shares during the quarter. The sales of these common shares are under the at-the-market offering prospectus that we filed in November of 2018. This facility allows us to raise capital, as and when needed, by selling common shares directly into the market. We continue to use the facility in the second quarter of 2019, and, in total, sold approximately 3.5 million shares for aggregate net proceeds of approximately \$16 million.

In addition, the use of the ATM resulted in a more liquid market for our common shares. Average daily trading volume is now approximately 160,000 shares, which is significantly higher than it was last year. Even though the ATM has been useful, and an overall success from our perspective, we continue to look at alternative financing options that may provide us with even greater financial flexibility.

Overall, we continue to see strong demand for our loan products, in light of increased competitions from both traditional banks and non-bank sources. In addition, we are encouraged by the Fed's policy move to neutral interest rates. Rising rates had been a major concern of ours going into 2019. Notwithstanding the Fed's rate increases in 2018, we decided not to raise our rates in order to remain competitive and capture market share. In retrospect, given that the demand for our products continues to be strong, it seems that our strategy was correct.

However, as noted in our last earnings call in April of 2019, we continue to see softening in the Connecticut real estate market. We continually monitor real estate price reductions, as well as listing to sale times across local markets. We use this data to assist in our funding decisions.

To wrap up, we are encouraged by the outlook for the business, and remain fully committed to our goal of providing investors attractive risk-adjusted returns. Our lending platform is solid and sustainable, given our strict underwriting criteria and extensive due diligence. The demand for our loan products and services remain strong, as traditional lenders are unable to satisfy demand.

We are encouraged by our ability to compete effectively with larger market participants, and will continue to build a larger, more efficient platform to conduct our business operations. We remain fully committed to conservative lending.

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

Operator

Thank you. [Operator Instructions]. Our first question is from Ethan Brown with Cox Capital Management. Please proceed.

Q: Good morning. So, even though net income was \$2.1 million for the quarter, it looks like operating cash flows are a bit less as interest continues to accrue, but not be realized, and I know there was also a really big jump up in REO during the quarter. So, can you just speak to your confidence to successfully be able to liquidate those properties and realize some of this income that continues to accrue?

John Villano – CPA, Co-Chief Executive Officer, and Chief Financial Officer

Sure, I'll take the REO portion first. As stated in prior calls, it takes a long time for Sachem to fully take hold of a property through the foreclosure process. So even though we win the foreclosure proceeding, obviously, and get title to the property, in many cases the borrower is still there, which provides a level of eviction, in many cases a bankruptcy.

So it's a continuing fight. We try to secure the asset the best we can. Every once in a while one of these properties will come back in some form of disrepair, like I said, there could be an eviction. So the process is unbelievably slow. The law doesn't allow us to move quicker, to maybe say it better.

So it is an issue. We have a real estate professional in office. Her job is to market our properties and prepare them for sale. So we look to clear out some of this stuff, and, in fact we sold two properties that were on our books in the December 31 year-end K [ph], so two properties were sold. It's just a very slow process, unfortunately.

And the second part of your question is the accrual of interest. So our portfolio, on average, earns just under 12.5%, portfolio wide. And, yes, our interest is building a bit. Some of this has to deal with properties that are pending sale or refi, where a borrower knows that he has an approval in hand, or his sales contract in hand, and he may not pay us for a month or so pending sale. This is, unfortunately, a very common practice in the contractor world. It's a way for them to take some of the profits out a little bit prematurely.

So we see this a lot. Ethan, we do monitor borrower payments on a daily basis. We have people that call and set up meetings with borrowers if we see some form of deterioration in a payment history. So it's something that we spend a lot of time on this, and it's a very good question, so I thank you for asking it.

Q: So do you think, just because of the nature of your business, you'll continue to see kind of a dispersion between your net income and operating cash flow, that it may be larger some quarters and may be narrower during others?

John Villano – CPA, Co-Chief Executive Officer, and Chief Financial Officer

We have. We've done a couple of things in the fall of 2018, they're personnel related. One is the hiring of Crescendo as an IR firm, and the other is bringing on two individuals to help build and give our structure a little more quality of operation. So we are incurring a little more cost here in an effort to protect the overall platform. So we brought a comptroller on board. We have a builder repairman to assist with the repair of properties as they come, to speed the sale of the property. So these are things that we're investing in ourselves. Our basic payables and operations, they're running smoothly; we're highly profitable; our portfolio is earning a little bit more than it did a year ago; and collections are still overall very good.

Q: Okay, great. And then finally, any update on finding a new source of capital, or any insight you can provide there?

John Villano – CPA, Co-Chief Executive Officer, and Chief Financial Officer

I would very much like to discuss our plans, but I'd like to pass off on that for now if I could. We've mentioned this a couple of quarters in our calls. We have some things coming down the pipe that we think will be very good for Sachem. It will provide flexibility of operation. I just can't give too much color on it at the moment.

Q: Okay, fair enough, thank you.

Operator

[Operator Instructions]. Our next question is from Paul Drees with Market Edge. Please proceed.

Q: Hi, John. I had a similar question along the lines of operating cost, which increased faster than revenue growth squeezing net income. Can you comment specifically on compensation headcount and admin cost going forward, and what do you think the future ratio of those fixed costs to revenue would be?

John Villano – CPA, Co-Chief Executive Officer, and Chief Financial Officer

First of all, it's nice to hear from you again, and I appreciate your question. We think we have gone to the limit of compensation and personnel, so we have built the necessary model to, in effect, put the next \$20 million on our books. And the goal here is that we're building a team. We are starting to compensate our team a little better as they perform, and truly as our company performs, so we have a nice unit. We think we can handle the next phase. We do not expect further personnel going forward.

The other thing being our overall cost increase, because, first of all, the cost to be a public company is significant, and a lot depends on how it flows and what we are doing as a company. So you'll see things like increases in legal fees and professional fees, accounting, for example, where you've seen that we did an ATM prospectus in November. Well, those fees are significant, and some of them are ongoing.

The cost of being in the public space, it's significant, and we spend a lot of effort to control costs, but our largest expense is compensation, legal and professional, and our interest cost. And really, for the last nine months or so, our interest cost has been higher than it should be.

Q: But you're suggesting, or saying, you think you have the structure in the back office to support another \$20 million of equity?

John Villano – CPA, Co-Chief Executive Officer, and Chief Financial Officer

Yes. I think the personnel cost is now where it should be, and I don't see any further increases in that area. We will see increases in interest income. And as we move forward and we increase our portfolio, the legal and professional, that kind of rise, it ebbs and flows with what we're doing as a company. That's hard to plan, and sometimes the costs are kind of hard to get a real handle of until it's over.

Q: Okay, great. Thank you, John.

Operator

[Operator Instructions]. There are no further questions at this time. I would like to turn the conference back over to management for closing remarks.

John Villano – CPA, Co-Chief Executive Officer, and Chief Financial Officer

Thank you, all. I appreciate the questions. We appreciate your involvement in Sachem as a public company and an investment. We know you have many choices to invest your money, and we truly believe that we are a great place to park your money for a significant dividend growth. Thank you all for joining our call today. Thank you.