

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(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, 2023

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.)

568 East 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

Non-accelerated filer

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 \$0.001 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

As of May 15, 2023, the Issuer had a total of 43,893,050 common shares, \$0.001 par value per share, outstanding.

SACHEM CAPITAL CORP.
TABLE OF CONTENTS

	<u>Page Number</u>
<u>Part I</u>	<u>FINANCIAL INFORMATION</u>
<u>Item 1.</u>	<u>Financial Statements (unaudited)</u>
	<u>Consolidated Balance Sheets as of March 31, 2023 and December 31, 2022 (unaudited)</u> 1
	<u>Consolidated Statements of Comprehensive Income for the Three-Month Periods Ended March 31, 2023 and 2022 (unaudited)</u> 2
	<u>Consolidated Statements of Changes in Shareholders' Equity for the Three-Month Periods Ended March 31, 2023 and 2022 (unaudited)</u> 3
	<u>Consolidated Statements of Cash Flows for the Three-Month Periods Ended March 31, 2023 and 2022 (unaudited)</u> 4
	<u>Notes to Consolidated Financial Statements (unaudited)</u> 6
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 27
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u> 36
<u>Item 4.</u>	<u>Controls and Procedures</u> 36
<u>Part II</u>	<u>OTHER INFORMATION</u>
<u>Item 6.</u>	<u>Exhibits</u> 37
<u>SIGNATURES</u>	40

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q includes forward-looking statements. All statements other than statements of historical facts contained in this report, 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 numerous risks, uncertainties and assumptions, some of which are described in our 2022 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report 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 after the date of this report to confirm these statements in relationship to actual results or revised expectations.

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

Unless the context otherwise requires, all references in this quarterly report on Form 10-Q to “Sachem Capital,” “we,” “us” and “our” refer to Sachem Capital Corp., a New York corporation.

PART I. FINANCIAL INFORMATION**Item 1. FINANCIAL STATEMENTS****SACHEM CAPITAL CORP.
CONSOLIDATED BALANCE SHEETS
(unaudited)**

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Assets		
Cash and cash equivalents	\$ 20,332,516	\$ 23,713,097
Investment securities	35,837,202	24,576,462
Mortgages receivable, net	476,469,464	460,633,268
Interest and fees receivable, net	6,645,909	6,309,845
Due from borrowers, net	6,037,966	5,276,967
Real estate owned	6,138,912	5,216,149
Investments in partnerships	35,322,234	30,831,180
Property and equipment, net	4,792,472	4,121,721
Other assets	5,420,367	4,983,173
Total assets	<u>\$ 596,997,042</u>	<u>\$ 565,661,862</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable (net of deferred financing costs of \$7,793,640 and \$8,352,597)	\$ 280,608,110	\$ 280,049,153
Repurchase facility	54,055,815	42,533,466
Mortgage payable	1,660,000	750,000
Line of credit	13,673,930	3,587,894
Accrued dividends payable	—	5,342,160
Accounts payable and accrued liabilities	2,007,450	1,439,219
Advances from borrowers	11,314,622	9,892,164
Deferred revenue	4,681,060	4,360,452
Total liabilities	<u>368,000,987</u>	<u>347,954,508</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; 1,909,187 and 1,903,000 shares of Series A Preferred Stock issued and outstanding at March 31, 2023 and December 31, 2022, respectively	1,909	1,903
Common shares - \$0.001 par value; 200,000,000 shares authorized; 43,756,724 and 41,093,536 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	43,757	41,094
Paid-in capital	235,709,499	226,220,990
Accumulated other comprehensive loss	(469,853)	(561,490)
Accumulated deficit	(6,289,257)	(7,995,143)
Total shareholders' equity	<u>228,996,055</u>	<u>217,707,354</u>
Total liabilities and shareholders' equity	<u>\$ 596,997,042</u>	<u>\$ 565,661,862</u>

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

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

	Three Months Ended March 31,	
	2023	2022
Revenue:		
Interest income from loans	\$ 10,983,326	\$ 8,511,375
Investment gain, net	274,796	117,337
Income from partnership investments	549,723	272,488
Origination and modification fees, net	1,475,920	1,843,841
Fee and other income	707,605	608,564
Unrealized gain (loss) on investment securities	716,389	(1,052,230)
Total revenue	<u>14,707,759</u>	<u>10,301,375</u>
Operating costs and expenses:		
Interest and amortization of deferred financing costs	6,872,967	3,898,389
Compensation, fees and taxes	1,779,318	993,962
General and administrative expenses	898,115	631,948
Other expenses	83,722	99,272
(Gain) Loss on sale of real estate	(148,100)	65,838
Allowance for credit losses	101,515	105,000
Impairment loss	—	155,500
Total operating costs and expenses	<u>9,587,537</u>	<u>5,949,909</u>
Net income	5,120,222	4,351,466
Series A Preferred Stock dividend	(924,762)	(921,766)
Net income attributable to common shareholders	<u>4,195,460</u>	<u>3,429,700</u>
Other comprehensive loss		
Unrealized gain on investment securities	91,637	242,808
Comprehensive income	<u>\$ 4,287,097</u>	<u>\$ 3,672,508</u>
Basic and diluted net income per common share outstanding:		
Basic	<u>\$ 0.10</u>	<u>\$ 0.10</u>
Diluted	<u>\$ 0.10</u>	<u>\$ 0.10</u>
Weighted average number of common shares outstanding:		
Basic	42,792,509	34,892,883
Diluted	<u>42,792,509</u>	<u>34,898,666</u>

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

SACHEM CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Totals
	Shares	Amount	Shares	Amount				
Balance, January 1, 2023	1,903,000	\$ 1,903	41,093,536	\$ 41,094	\$ 226,220,990	\$ (561,490)	\$ (7,995,143)	\$ 217,707,354
Cumulative effect of change in accounting principle - Adoption of ASU 2016-13 (Note 2)	—	—	—	—	—	—	(2,489,574)	(2,489,574)
Issuance of Series A Preferred Stock, net of expenses	6,187	6	—	—	136,699	—	—	136,705
Issuance of common shares, net of expenses	—	—	2,479,798	2,480	9,178,678	—	—	9,181,158
Stock based compensation	—	—	183,390	183	173,132	—	—	173,315
Unrealized gain on investments	—	—	—	—	—	91,637	—	91,637
Dividends paid on Series A Preferred Stock	—	—	—	—	—	—	(924,762)	(924,762)
Net income for the period ended March 31, 2023	—	—	—	—	—	—	5,120,222	5,120,222
Balance, March 31, 2023	<u>1,909,187</u>	<u>\$ 1,909</u>	<u>43,756,724</u>	<u>\$ 43,757</u>	<u>\$ 235,709,499</u>	<u>\$ (469,853)</u>	<u>\$ (6,289,257)</u>	<u>\$ 228,996,055</u>

FOR THE THREE MONTHS ENDED MARCH 31, 2022

	Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Totals
	Shares	Amount	Shares	Amount				
Balance, January 1, 2022	1,903,000	\$ 1,903	32,730,004	\$ 32,730	\$ 185,516,394	\$ (476,016)	\$ (4,992,450)	\$ 180,082,561
Issuance of common shares, net of expenses	—	—	2,730,725	2,730	15,545,085	—	—	15,547,815
Exercise of warrants	—	—	19,658	20	(20)	—	—	—
Stock based compensation	—	—	33,500	34	106,845	—	—	106,879
Unrealized gain on marketable securities	—	—	—	—	—	242,808	—	242,808
Dividends paid on Series A Preferred Stock	—	—	—	—	—	—	(921,766)	(921,766)
Net income for the period ended March 31, 2022	—	—	—	—	—	—	4,351,466	4,351,466
Balance, March 31, 2022	<u>1,903,000</u>	<u>\$ 1,903</u>	<u>35,513,887</u>	<u>\$ 35,514</u>	<u>\$ 201,168,304</u>	<u>\$ (233,208)</u>	<u>\$ (1,562,750)</u>	<u>\$ 199,409,763</u>

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

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

	Three Months Ended March 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 5,120,222	\$ 4,351,466
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs and bond discount	600,215	469,251
Depreciation expense	40,132	22,239
Stock based compensation	173,315	106,879
Allowance for credit losses	101,515	105,000
Impairment loss	—	155,500
(Gain) loss on sale of real estate	(148,100)	65,838
Unrealized(gain) loss on investment securities	(716,389)	1,052,230
(Gain) loss on sale of investment securities	(275,879)	154,135
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Interest and fees receivable	(366,191)	(395,924)
Other assets - miscellaneous	(499,651)	(210,688)
Due from borrowers	(783,302)	(292,302)
Other assets - prepaid expenses	9,955	42,220
(Decrease) increase in:		
Accounts payable and accrued liabilities - accrued interest	95,221	121,913
Accounts payable and accrued liabilities - accounts payable and accrued expenses	(84,738)	10,720
Deferred revenue	320,608	232,794
Advances from borrowers	1,422,458	1,563,852
Total adjustments	(110,831)	3,203,657
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,009,391	7,555,123
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(13,971,218)	(27,545,183)
Proceeds from the sale of investment securities	3,780,522	51,705,055
Purchase of interests in investment partnerships, net	(4,491,054)	(11,358,017)
Proceeds from sale of real estate owned	515,136	622,737
Acquisitions of and improvements to real estate owned, net	(103,136)	(177,336)
Purchase of property and equipment	(710,883)	(3,658)
Principal disbursements for mortgages receivable	(58,883,818)	(88,735,230)
Principal collections on mortgages receivable	39,884,300	27,106,768
Other assets - pre-offering costs	25,111	(57,768)
NET CASH USED FOR INVESTING ACTIVITIES	(33,955,040)	(48,442,632)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (repayment of) line of credit	10,086,036	(9,898,667)
Net proceeds from repurchase facility	11,522,349	7,857,960
Proceeds from mortgage	910,000	—
Accounts payable and accrued liabilities - principal payments on other notes	(4,252)	(6,627)
Dividends paid on Common Stock	(5,342,160)	(3,927,600)
Dividends paid on Series A Preferred Stock	(924,762)	(921,766)
Proceeds from issuance of common shares, net of expenses	9,181,158	15,547,815
Proceeds from issuance of Series A Preferred Stock, net of expenses	136,699	—
Gross proceeds from issuance of fixed rate notes	—	50,000,000
Financings costs incurred in connection with fixed rate notes	—	(1,839,034)
NET CASH PROVIDED BY FINANCING ACTIVITIES	25,565,068	56,812,081
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,380,581)	15,924,572
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	23,713,097	41,938,897
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 20,332,516	\$ 57,863,469

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

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

	Three Months Ended	
	March 31,	
	2023	2022
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Interest paid	\$ 6,191,398	\$ 3,307,225

Real estate acquired in connection with the foreclosure of certain mortgages, inclusive of interest and other fees receivable, during the three months ended March 31, 2023 amounted to \$1,186,663.

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

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

1. The Company

Sachem Capital Corp. (the “Company”), a New York corporation, specializes in originating, underwriting, funding, servicing and managing a portfolio of first mortgage loans. The Company offers short term (*i.e.*, one to three years), secured, non-bank loans (sometimes referred to as “hard money” loans) to real estate owners and investors to fund their acquisition, renovation, development, rehabilitation or improvement of properties located primarily in the Northeastern United States and Florida. 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 and may also be secured with additional collateral, such as other real estate owned by the borrower or its principals, a pledge of the ownership interests in the borrower by the principals thereof, and/or personal guarantees by the principals of the borrower. The Company does not lend to owner occupants. The Company’s primary underwriting criteria is a conservative loan to value ratio. In addition, the Company may make opportunistic real estate purchases apart from its lending activities or enter into other transactions with third parties involving real estate financing transactions.

2. Significant Accounting Policies

Unaudited Financial Statements

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2022 and the notes thereto included in the Company’s Annual Report on Form 10-K. Results of operations for the three months ended March 31, 2023, are not necessarily indicative of the operating results to be attained in the entire fiscal year, or for any subsequent period.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Management bases its estimates on (a) various assumptions that are based on experience, (b) projections regarding future operations and (c) general financial market and local and general economic conditions. Actual amounts could materially differ from those estimates.

Cash and Cash Equivalents

The Company considers all demand deposits, cashier’s checks, money market accounts and certificates of deposit with an original maturity of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents at financial institutions. The combined account balances typically exceed the Federal Deposit Insurance Corporation insurance coverage, and, as a result, there is a concentration of credit risk related to amounts on deposit. The Company does not believe that the risk is significant.

Investment Securities

The Company considers all highly liquid interest-earning investments with a maturity of three months or less at the date of purchase to be cash equivalents. The fair values of these investments approximate their carrying values.

Debt investments are classified as available-for-sale and realized gains and losses are recorded using the specific identification method. Changes in fair value, excluding credit losses and impairments, are recorded in other comprehensive income. Fair value is calculated based on publicly available market information or other estimates determined by management. If the cost of an investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, credit quality of debt instrument issuers, and the extent to which the fair value is less than cost. If qualitative factors indicate an available for sale debt security may be credit impaired the loss is measured as the excess of carrying value over the present value of expected cash flows, limited to the excess of carrying value over fair value. To determine credit losses, the Company may employ a systematic

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

methodology that considers available quantitative and qualitative evidence. In addition, the Company considers specific adverse conditions related to the financial health of, and business outlook for, the investee. If the Company has plans to sell the security or it is more likely than not that the Company will be required to sell the security before recovery, then a decline in fair value below cost is recorded as an impairment charge in net income and a new cost basis in the investment is established. If market, industry, and/or investee conditions deteriorate, the Company may incur future impairments.

Equity investments with readily determinable fair values are measured at fair value. Equity investments without readily determinable fair values are measured using the equity method or measured at cost with adjustments for observable changes in price or impairments (referred to as the measurement alternative). The Company performs a qualitative assessment on a periodic basis and recognize an impairment if there are sufficient indicators that the fair value of the investment is less than carrying value. Changes in value are recorded in net income.

Current Expected Credit Losses Allowance

The Company adopted the current expected credit loss (“CECL”) standard effective January 1, 2023 in accordance with ASU No. 2016-13. The initial CECL allowance adjustment of \$2,489,574 was recorded effective January 1, 2023 as a cumulative-effect of change in accounting principle through a direct charge to accumulated deficit on the consolidated statements of shareholders’ equity; however, subsequent changes to the CECL allowance will be recognized in the consolidated statements of comprehensive income.

The Company records an allowance for credit losses in accordance with the CECL standard on the Company’s loan portfolio, including unfunded construction commitments, on a collective basis by assets with similar risk characteristics. This methodology replaces the probable incurred loss impairment methodology. In addition, interest and fees receivable and amounts included in due from borrowers, other than reimbursements, which include origination, modification and other fees receivable are also analyzed for credit losses in accordance with the CECL standard, as they represent a financial asset that is subject to credit risk. As allowed under the CECL standard the Company uses, as a practical expedient, the fair value of the collateral at the reporting date when recording the net carrying amount of the loan and determining the allowance for credit losses for loans in pending/pre-foreclosure status, as defined. Fair value of collateral is reduced by estimated cost to sell if the collateral is expected to be sold. The amount of loans in pending/pre-foreclosure as of March 31, 2023 and December 31, 2022 was approximately \$40.6 million and \$24.0 million, respectively. As of March 31, 2023 and December 31, 2022, there were no such loans in pending/pre-foreclosure that required an allowance for credit loss.

The CECL standard requires an entity to consider historical loss experience, current conditions, and a reasonable and supportable forecast of the economic environment. The Company utilizes a loss-rate method for estimating current expected credit losses. The loss rate method involves applying a loss rate to a pool of loans with similar risk characteristics to estimate the expected credit losses on that pool of loans. In determining the CECL allowance, the Company considers various factors including (1) historical loss experience in its portfolio, (2) loan specific losses for loans deemed collateral dependent based on excess amortized cost over the fair value of the underlying collateral, and (3) its current and future view of the macroeconomic environment. The Company utilizes a reasonable and supportable forecast period equal to the contractual term of the loan plus any applicable short-term extensions that are reasonably expected for construction loans.

Management estimates the allowance for credit losses using relevant information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses is maintained at a level sufficient to provide for expected credit losses over the life of the loans based on evaluating historical credit loss experience and making adjustments to historical loss information for differences in the specific risk characteristics in the current loan portfolio. The CECL allowance related to the principal outstanding is presented within “Mortgages receivable, net” and for unfunded commitments is within accounts payable and accrued liabilities in the Company’s consolidated balance sheets. The CECL allowance related to the late payment fees are presented in “Interest and fees receivable” and “Due from borrowers” in the Company’s consolidated balance sheets.

As of March 31, 2023 and January 1, 2023, the CECL allowance for mortgages receivable was approximately \$2.0 million and approximately \$1.9 million, respectively, an increase of approximately \$55,000.

**SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023**

As of March 31, 2023 and January 1, 2023, the CECL allowance for interest and fees receivable was approximately \$30,100 and approximately \$26,100, respectively, an increase of \$4,000.

As of March 31, 2023 and January 1, 2023, the CECL allowance for due from borrower was approximately \$22,300 and \$19,900, respectively, an increase of approximately \$2,400.

As of March 31, 2023 and January 1, 2023, the CECL allowance for unfunded commitments was \$562,000, and approximately \$522,000, respectively, an increase of approximately \$40,000.

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company can access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation to other means.

If the asset or liability has a specified (*i.e.*, contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Property and Equipment

Land and building acquired in December 2016 to serve as the Company’s office facilities is stated at cost. The building is being depreciated using the straight-line method over its estimated useful life of 40 years. Expenditures for repairs and maintenance are charged to expense as incurred. The Company relocated its entire operations to this property in March 2019.

Land and building acquired in 2021 to serve as the Company’s future corporate headquarters is stated at cost. Renovation of the building was completed in the first quarter of 2023 and the Company relocated its operations to the new building in March 2023. The building is being depreciated using the straight-line method over its estimated useful life of 40 years. The new building was placed in service during the three months ended March of 2023.

Real Estate Owned

Real estate owned by the Company is stated at cost and is tested for impairment quarterly.

**SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023**

Consolidations

The consolidated financial statements of the Company include the accounts of all subsidiaries in which the Company has control over significant operating, financial and investing decisions of the entity. All intercompany accounts and transactions have been eliminated.

Impairment of Long-Lived Assets

The Company monitors events or changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances occur, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the undiscounted cash flows are less than the carrying amount of these assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair market value of the assets.

Goodwill

Goodwill is not amortized, but rather tested for impairment annually or more frequently if events or changes in circumstances indicate potential impairment. Goodwill at March 31, 2023 represents the excess of the consideration paid over the fair value of net assets acquired from Urbane New Haven, LLC in October 2022.

In testing goodwill for impairment, the Company follows FASB ASC 350, “Intangibles—Goodwill and Other”, which permits a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit is less than its carrying value including goodwill. If the qualitative assessment determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying value including goodwill, then no impairment is determined to exist for the reporting unit. However, if the qualitative assessment determines that it is more likely than not that the fair value of the reporting unit is less than its carrying value including goodwill, or the Company chooses not to perform the qualitative assessment, then the Company compares the fair value of that reporting unit with its carrying value, including goodwill.

Deferred Financing Costs

Costs incurred in connection with the Company’s revolving credit facilities, described in Note 7-Line of Credit, Mortgage Payable, Churchill Facility, and Needham Facility are, amortized over the term of the applicable facility using the straight-line method.

Costs incurred by the Company in connection with the public offering of its unsecured, unsubordinated notes, described in Note 9 - Notes Payable, are being amortized over the term of the respective Notes.

Revenue Recognition

Interest income from the Company’s loan portfolio is earned over the loan period and is calculated using the simple interest method on principal amounts outstanding. Generally, the Company’s loans provide for interest to be paid monthly in arrears. The Company, generally, does not accrue interest income on mortgages receivable that are more than 90 days past due or interest charged at default rates. However, interest income not accrued at March 31, 2023 but collected prior to the issuance of this report is included in income for the period ended March 31, 2023.

Origination and modification fee revenue, generally 1% – 3% of either the original loan principal or the modified loan balance, is collected at loan funding and is recognized ratably over the contractual life of the loan in accordance with ASC 310.

Income Taxes

The Company believes it qualifies as a real estate investment trust (“REIT”) for federal income tax purposes and operates accordingly. It made the election to be taxed as a REIT on its 2017 Federal income tax return. The Company’s qualification as a REIT

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

depends on its 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 (the “Code”), relating to, among other things, the sources of its income, the composition and values of its assets, its compliance with the distribution requirements applicable to REITs and the diversity of ownership of its outstanding capital stock. So long as it qualifies as a REIT, the Company, generally, will not be subject to U.S. federal income tax on its taxable income distributed to its shareholders. However, if it fails to qualify as a REIT in any taxable year and does not qualify for certain statutory relief provisions, it will be subject to U.S. federal income tax at regular corporate rates and may also be subject to various penalties and may be precluded from re-electing REIT status for the four taxable years following the year during in which it lost its REIT qualification.

The Company has elected, and may elect in the future, to treat certain of its existing or newly created corporate subsidiaries as taxable REIT subsidiaries (“TRSs”). In general, a TRS may hold assets that the Company cannot hold directly and generally may engage in any real estate or non-real estate related business. The TRSs generate income, resulting in federal and state income tax liability for these entities. The Company does not expect to incur any corporate federal income tax liability outside of the TRSs, as it believes it has maintained its qualification as a REIT. During the three months ended March 31, 2023 and 2022, the Company’s TRSs recognized no provisions for federal income tax or state, local and franchise taxes on the Company’s consolidated statements of operations. During the three months ended March 31, 2023 and 2022, there were no recognized provisions for federal income tax nor state, local and franchise tax.

The income tax provision for the Company differs from the amount computed from applying the statutory federal income tax rate to income before income taxes due to non-taxable REIT income and other permanent differences including the non-deductibility of acquisition costs of business combinations for federal income tax reporting.

FASB ASC Topic 740-10 “Accounting for Uncertainty in Income Taxes” prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and disclosure required. Under this standard, an entity may only recognize or continue to recognize tax positions that meet a “more likely than not” threshold. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. The Company has determined that there are no uncertain tax positions requiring accrual or disclosure in the accompanying consolidated financial statements as of March 31, 2023 and 2022.

Earnings Per Share

Basic and diluted earnings per share are calculated in accordance with ASC 260 — “Earnings Per Share.” Under ASC 260, basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. The computation of diluted earnings per share is similar to basic earnings per share, except that the denominator is increased to include the potential dilution from the exercise of stock options and warrants for common shares using the treasury stock method. The numerator in calculating both basic and diluted earnings per common share for each period is the reported net income.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, “Measurement of Credit Losses on Financial Instruments”, (ASU 2016-13), which changes accounting requirements for the measurement and recognition of expected credit losses from an incurred or probable methodology to a current expected credit loss methodology. Mortgages receivable, unfunded loan commitments, interest and fees receivable and amounts included in due from borrowers, other than reimbursements, which include origination, modification and other fees receivable are the only items currently held by the Company that are within the scope of ASU 2016-13. The Company adopted this ASU effective January 1, 2023 and applied a modified retrospective approach through a cumulative-effect adjustment to retained earnings upon adoption. At transition on January 1, 2023, the cumulative effect of adopting this ASU resulted in a decrease in retained earnings of \$2,489,574 and an increase in the allowance for credit losses. The increase in the allowance is driven by the fact that the allowance under CECL covers expected credit losses over the full expected life of the loan portfolios and also takes into account forecasts of expected future economic conditions.

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

In March 2022, the FASB issued ASU 2022-02, “Financial Instruments-Credit Losses” (Topic 326): Troubled Debt Restructurings and Vintage Disclosures, which eliminates the accounting guidance for troubled debt restructurings (“TDR”) for creditors that have adopted the CECL standard and requires enhanced disclosures for loan modifications made to borrowers experiencing financial difficulty in the form of interest rate reductions, principal forgiveness, other-than-insignificant payment delays, or term extensions. In addition, the new guidance requires presentation in the vintage disclosures of current-period gross write-offs by year of origination. The amendments in this update became effective for fiscal years beginning after December 15, 2022. This update did not have a material effect on the Company’s financial statements.

In June 2022, the FASB issued ASU 2022-03, “Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions.” ASU 2022-03 was issued to (1) to clarify the guidance in FASB ASC Topic 820, “Fair Value Measurement”, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, (2) to amend a related illustrative example, and (3) to introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with FASB ASC Topic 820. The amendments in this update are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Company does not anticipate that this update will have a material impact on its consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the Company’s consolidated financial statements.

Reclassifications

Certain amounts included in the March 31, 2022 and December 31, 2022 consolidated financial statements have been reclassified to conform to the March 31, 2023 presentation.

3. Fair Value Measurement

The fair value measurement level within the fair value hierarchy of an asset or liability is based on the lowest level of any input that is significant to the fair market value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by Level, within the fair value hierarchy, the Company’s assets at fair value as of March 31, 2023:

	Level 1	Level 2	Level 3	Total
Stocks and ETFs	\$ —	\$ 1,403,680	\$ —	\$ 1,403,680
Mutual funds	15,193,680	—	—	15,193,680
Debt securities	18,109,325	1,130,517	—	19,239,842
Total liquid investments	<u>\$ 33,303,005</u>	<u>\$ 2,534,197</u>	<u>\$ —</u>	<u>\$ 35,837,202</u>
Real estate owned	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,138,912</u>	<u>\$ 6,138,912</u>

The following table sets forth by Level, within the fair value hierarchy, the Company’s assets at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Stocks and ETF’s	\$ 3,282,659	\$ 1,446,065	\$ —	\$ 4,728,724
Mutual funds	14,850,839	—	—	14,850,839
Debt securities	3,880,045	1,116,854	—	4,996,899
Total liquid investments	<u>\$ 22,013,543</u>	<u>\$ 2,562,919</u>	<u>\$ —</u>	<u>\$ 24,576,462</u>
Real estate owned	<u>—</u>	<u>—</u>	<u>\$ 5,216,149</u>	<u>\$ 5,216,149</u>

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

Following is a description of the methodologies used for assets measured at fair value:

Stocks and ETFs (level 1 and 2): Valued at the closing price reported in the active market in which the individual securities are traded.

Mutual funds (level 1 and 2): Valued at the daily closing price reported by the fund. Mutual funds held by the Company are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset values and to transact at that price. The mutual funds held by the Company are deemed to be actively traded.

Debt securities: Valued at the closing price reported in the active market in which the individual securities are traded.

Real estate owned: The Company estimates fair values of real estate owned using market information such as recent sales contracts, appraisals, recent sales, assessed values or discounted cash value models.

See Note 5 for the roll forward of real estate owned – Level 3 assets.

Impact of Fair Value of AFS Securities on OCI

The carrying value of the Company's financial instruments approximates fair value generally due to the relative short-term nature of such instruments. Other financial assets and financial liabilities have fair value that approximate their carrying value.

Pursuant to ASC 326-30-50-4 and 50-5 the Company is required to disclose investment securities that have been in a continuous unrealized loss position for 12 months or more as of the balance sheet date. As of March 31, 2023 and December 31, 2022, the Company had a continuous unrealized losses over 12 months in Available-For-Sale debt securities of approximately \$517,000 and approximately \$531,000, respectively. The Company reviewed a number of factors to assess the credit quality of the debt instruments including, but not limited to, current cash position, operating cash flow, and corporate earnings as of the most recently filed financial statements. As such, as of March 31, 2023, the Company has concluded no such allowance for credit losses in regards to Available-For-Sale debt securities was deemed necessary.

The following table presents the impact of the Company's Available-For-Sale (AFS) securities - debt securities on its Other Comprehensive Income (OCI) for the three months ended March 31, 2023:

	Three months Ended	
	March 31,	
	2023	2022
OCI from AFS securities:		
Unrealized (loss) on AFS-debt securities at beginning of period	\$ (561,490)	\$ (476,016)
Unrealized gain on securities available-for-sale – debt securities	91,637	242,808
Change in OCI from AFS securities – debt securities	91,637	242,808
Balance at end of period	<u>\$ (469,853)</u>	<u>\$ (233,208)</u>

4. Mortgages Receivable

The Company offers secured, non-bank loans to real estate owners and investors (also known as “hard money” loans) to fund their acquisition, renovation, development, rehabilitation or improvement of properties located primarily in the Northeastern United States and Florida. The Company's lending standards typically require that the original principal amount of all mortgage receivable notes be secured by first mortgage liens on one or more properties owned by the borrower or related parties and that the maximum LTV be no greater than 70% of the appraised value of the underlying collateral, as determined by an independent appraiser at the time of the loan origination. The Company considers the maximum LTV as an indicator for the credit quality of a mortgage note receivable. In the case of properties undergoing renovation, the loan-to-value ratio is calculated based on the estimated fair market value of the property after the renovations have been completed. However, the Company makes exceptions to this guideline if the facts and circumstances support the incremental risk. These factors include the additional collateral provided by the borrower, the

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

credit profile of the borrower, the Company's previous relationship, if any, with the borrower, the nature of the property, the geographic market in which the property is located and any other information the Company deems appropriate.

The loans are generally for a term of one to three years. The loans are initially recorded and carried thereafter, in the financial statements, at cost. Most of the loans provide for monthly payments of interest only (in arrears) during the term of the loan and a "balloon" payment of the principal on the maturity date.

Allowance for credit losses are charged to income in amounts sufficient to maintain an allowance for credit losses inherent in the loans which are established systematically by management as of the reporting date. Management's estimate of expected credit losses is based on an evaluation of relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the future collectability of the reported amounts. The Company uses static pool modeling techniques to determine the allowance for loan losses expected over the remaining life of the loans, which is supplemented by management judgment. Expected losses are estimated for groups of accounts aggregated by geographical location.

The Company's estimate of expected credit losses includes a reasonable and supportable forecast period equal to the contractual term of the loan plus any applicable short-term extensions that are reasonably expected for construction loans. The Company reviews charge-off experience factors, contractual delinquency, historical collection rates, the value of underlying collateral and other information to make the necessary judgments as to credit losses expected in the portfolio as of the reporting date. While management utilizes the best information available to make its evaluations, changes in macroeconomic conditions, interest rate environments, or both, may significantly impact the assumptions and inputs used in determining the allowance for credit losses. The Company's charge-off policy is based on a loan by loan review of delinquent loans. The Company has an accounting policy to not place loans on nonaccrual status unless they are greater than 90 days delinquent. Accrual of interest income is generally resumed when delinquent contractual principal and interest is paid or when a portion of the delinquent contractual payments are made and the ongoing required contractual payments have been made for an appropriate period.

As of March 31, 2023 and December 31, 2022, the Company had an outstanding principal balance of \$97,106,984 and \$55,691,857 of loans on nonaccrual status, respectively. The nonaccrual loans are inclusive of loans pending foreclosure. For the three months ended March 31, 2023, \$649,347 of interest income was recorded on nonaccrual loans.

For the three months ended March 31, 2023 and 2022, the aggregate amounts of loans funded by the Company were \$58,883,818 and \$88,735,230, respectively, offset by principal repayments of \$39,884,300 and \$27,106,768, respectively.

As of March 31, 2023, the Company's mortgage loan portfolio includes loans ranging in size up to \$29,919,097 with stated interest rates ranging from 5.0% to 14.2%. The default interest rate is generally 18%, but could be more or less depending on state usury laws.

At March 31, 2023, and December 31, 2022, no single borrower or group of related borrowers had loans outstanding representing more than 10% of the total balance of the loans outstanding.

The Company may agree to extend the term of a loan if, at the time of the extension, the loan and the borrower meet all the Company's then underwriting requirements. The Company treats a loan extension as a new loan. If an interest reserve is established at the time a loan is funded, accrued interest is paid out of the interest reserve and recognized as interest income at the end of each month. If no reserve is established, the borrower is required to pay the interest monthly from its own funds. The deferred origination, loan servicing and amendment fee income represents amounts that will be recognized over the contractual life of the underlying mortgage notes receivable.

Allowance for Credit Loss

In assessing the Allowance for Credit Losses ("CECL Allowance"), the Company considers historical loss experience, current conditions, and a reasonable and supportable forecast of the macroeconomic environment. The Company derived an annual historical loss rate based on its historical loss experience in its portfolio, adjusted to incorporate the risks of construction lending and to reflect the Company's expectations of the macroeconomic environment.

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

The following table summarizes the activity in the CECL Allowance from adoption on January 1, 2023:

<i>(dollars in thousands)</i>	CECL Allowance as of December 31, 2022 ⁽¹⁾	Adoption of ASU 2016-13 ⁽²⁾	Charge-offs	Provision for CECL Allowance	CECL Allowance as of March 31, 2023
Geographical Location					
New England	\$ 105	\$ 1,302	\$ —	\$ 3	\$ 1,410
West	—	7	—	—	7
South	—	402	—	56	458
Mid-Atlantic	—	210	—	(3)	207
Total	<u>\$ 105</u>	<u>\$ 1,921</u>	<u>\$ —</u>	<u>\$ 56</u>	<u>\$ 2,082</u>

(1) As of December 31, 2022, amounts represent probable loan loss provisions recorded before the adoption of the ASU 2016-13.

(2) As a component of the adoption of ASU 2016-13, \$562,000 of the CECL allowance is excluded from this table because it relates to unfunded commitments and has been recorded as a liability under accounts payable and accrued liabilities in the Company's consolidated balance sheet.

Presented below is the Company's loan portfolio by geographical location:

<i>(dollars in thousands)</i>	March 31, 2023		December 31, 2022	
	Carrying Value	% of Portfolio	Carrying Value	% of Portfolio
Geographical Location				
New England	\$ 226,026	47.23 %	\$ 225,603	48.97 %
West	3,150	0.66 %	3,150	0.68 %
South	154,662	32.32 %	135,857	29.49 %
Mid-Atlantic	94,713	19.79 %	96,128	20.86 %
Total	<u>478,551</u>	<u>100.00 %</u>	<u>460,738</u>	<u>100.00 %</u>
Less, CECL Allowance	2,082		105	
Carrying value, net	<u>\$ 476,469</u>		<u>\$ 460,633</u>	

Presented below are the carrying values by Property Type:

<i>(dollars in thousands)</i>	March 31, 2023		December 31, 2022	
	Outstanding Principal	% of Portfolio	Outstanding Principal	% of Portfolio
Property Type				
Residential	\$ 217,734	45.50 %	\$ 229,944	49.91 %
Commercial	167,814	35.07 %	154,929	33.63 %
Land	63,515	13.27 %	46,499	10.09 %
Mixed use	29,488	6.16 %	29,366	6.37 %
Total	<u>478,551</u>	<u>100.00 %</u>	<u>460,738</u>	<u>100.00 %</u>
Less, CECL Allowance	2,082		105	
Carrying value, net	<u>\$ 476,469</u>		<u>\$ 460,633</u>	

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

The following tables allocate the carrying value of the Company's loan portfolio based on internal credit quality indicators in assessing estimated credit losses and vintage of origination at the dates indicated:

FICO Score ⁽²⁾ (dollars in thousands)	March 31, 2023		Year Originated ⁽¹⁾				
	Carrying Value	% of Portfolio	2023	2022	2021	2020	Prior
Under 500	\$ 443	0.09 %	\$ —	\$ —	\$ —	\$ —	\$ 443
501-550	4,637	0.97 %	—	—	1,779	49	2,809
551-600	10,806	2.26 %	—	2,678	5,073	700	2,355
601-650	40,514	8.47 %	2,693	19,205	7,238	6,333	5,045
651-700	90,868	18.99 %	6,784	32,306	34,570	7,113	10,095
701-750	177,295	37.04 %	15,961	54,823	91,255	8,477	6,779
751-800	138,329	28.91 %	3,231	75,055	48,163	9,997	1,883
801-850	15,659	3.27 %	—	15,035	—	359	265
Total	478,551	100.00 %	\$ 28,669	\$ 199,102	\$ 188,078	\$ 33,028	\$ 29,674
Less, CECL Allowance	2,082						
Carrying value, net	<u>\$ 476,469</u>						

(1) Represents the year of origination or amendment where the loan was subject to a full re-underwriting.

(2) The FICO Scores are calculated at the inception of the loan and are updated if the loan is modified or on an as needed basis.

FICO Score ⁽²⁾ (dollars in thousands)	December 31, 2022		Year Originated ⁽¹⁾				
	Carrying Value	% of Portfolio	2022	2021	2020	2019	Prior
Under 500	\$ 629	0.14 %	\$ —	\$ —	\$ 185	\$ 235	\$ 209
501-550	4,786	1.04 %	—	1,779	87	803	2,117
551-600	15,977	3.47 %	3,061	8,256	1,836	1,357	1,467
601-650	40,349	8.76 %	21,382	7,474	6,273	1,547	3,673
651-700	84,085	18.25 %	33,832	31,342	7,398	5,269	6,244
701-750	174,347	37.83 %	65,190	90,524	11,892	5,527	1,214
751-800	125,347	27.21 %	68,826	45,038	9,470	1,640	373
801-850	15,218	3.30 %	14,554	—	399	—	265
Total	460,738	100.00 %	\$ 206,845	\$ 184,413	\$ 37,540	\$ 16,378	\$ 16,562
Less, CECL Allowance	105						
Carrying value, net	<u>\$ 460,633</u>						

(1) Represents the year of origination or amendment where the loan was subject to a full re-underwriting.

(2) The FICO Scores are calculated at the inception of a loan and are updated if the loan is modified or on an as needed basis.

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

The following table sets forth the maturities of mortgages receivable as of March 31, 2023 and December 31, 2022:

	<u>As of March 31, 2023</u>	<u>As of December 31, 2022</u>
2023 and prior	\$ 300,437,227	\$ 372,964,665
2024	163,582,069	85,968,294
2025	14,428,471	1,699,500
2026	—	—
2027	—	—
Thereafter	103,356	105,809
Total	<u>478,551,123</u>	<u>460,738,268</u>
Less, CECL Allowance	2,081,659	105,000
Total	<u>\$ 476,469,464</u>	<u>\$ 460,633,268</u>

At March 31, 2023, of the 406 mortgage loans included in the Company's loan portfolio, 128, or approximately 31.5%, representing approximately \$81.4 million of mortgage receivables have matured but have not been repaid in full or extended. The 128 aforementioned loans are inclusive of loans in pending/pre-foreclosure status. These loans are in the process of modification and will be extended if the borrower can satisfy the Company's underwriting criteria, including the proper loan-to-value ratio, at the time of renewal. The Company treats renewals and extensions of existing loans as new loans.

At March 31, 2023, of the 406 mortgage loans in the Company's loan portfolio, 52 were the subject of foreclosure proceedings. The aggregate outstanding principal balance of these loans and the accrued but unpaid interest and borrower charges as of March 31, 2023 was approximately \$40.6 million. In the case of each of these loans, the Company believes the value of the collateral exceeds the outstanding balance on the loan.

At December 31, 2022, of the 444 mortgage loans included in the Company's loan portfolio, 105, or approximately 23.6%, representing approximately \$61.7 million of mortgage receivables had matured but have not been repaid in full or extended. These loans are in the process of modification and will be extended if the borrower can satisfy the Company's underwriting criteria, including the proper loan-to-value ratio, at the time of renewal. The Company treats renewals and extensions of existing loans as new loans.

At December 31, 2022, of the 444 mortgage loans in the Company's loan portfolio, 40 were the subject of foreclosure proceedings. The aggregate outstanding principal balance of these loans and the accrued but unpaid interest and borrower charges as of December 31, 2022 was approximately \$24.0 million. In the case of each of these loans, the Company believed the value of the collateral exceeded the outstanding balance on the loan.

5. Real Estate Owned

Property purchased for rental or acquired through foreclosure are included on the balance sheet as real estate owned.

As of March 31, 2023 and March 31, 2022, real estate owned totaled \$6,138,912 and \$6,312,818, respectively, with no valuation allowance. During the three months ended March 31, 2023, the Company recorded an impairment loss of \$0- compared to an impairment loss of \$155,500 during the three months ended March 31, 2022.

As of March 31, 2023, real estate owned included \$813,090 of real estate held for rental and \$5,325,822 of real estate held for sale. As of March 31, 2022, real estate owned included \$799,533 of real estate held for rental and \$5,513,285 of real estate held for sale.

Properties Held for Sale

During the three months ended March 31, 2023, the Company sold two properties held for sale and recognized an aggregate gain of \$148,100. During the three months ended March 31, 2022, the Company sold a property held for sale and recognized an aggregate loss of \$65,838.

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

Properties Held for Rental

As of March 31, 2023, one property, a commercial building, was held for rental. The tenant signed a five-year lease that commenced on August 1, 2021.

Rental payments due from real estate held for rental are as follows:

Year ending December 31, 2023	\$	53,200
Year ending December 31, 2024		53,200
Year ending December 31, 2025		53,200
Year ending December 31, 2026		31,033
Total	\$	<u>190,633</u>

6. Other Assets

As of March 31, 2023 and December 31, 2022, other assets consists of the following:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Prepaid expenses	\$ 400,418	\$ 410,373
Other receivables	3,741,984	3,519,804
Other assets	459,291	477,048
Goodwill	391,000	391,000
Intangible asset – trade name	130,400	130,400
Deferred financing costs, net	297,274	54,548
Total	<u>\$ 5,420,367</u>	<u>\$ 4,983,173</u>

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

7. Line of Credit, Mortgage Payable, Churchill Facility, Credit Facility

Wells Fargo Margin Line of Credit

During the year ended December 31, 2020, the Company established a margin loan account at Wells Fargo Advisors that is secured by the Company's portfolio of short-term securities. The credit line bears interest at a rate equal to 1.75% below the prime rate (6.25% at March 31, 2023, 6.50% as of May 11, 2023). As of March 31, 2023 the total outstanding balance on the Wells Fargo credit line was \$13,673,930.

Mortgage Payable

In 2021, the Company obtained a \$1.4 million adjustable-rate mortgage loan from New Haven Bank (the "NHB Mortgage") of which \$750,000 was funded at closing and remained outstanding as of December 31, 2022. The NHB Mortgage accrued interest at an initial rate of 3.75% per annum for the first 72 months and was due and payable in full on December 1, 2037. During the first 12 months, from December 1, 2021 to November 30, 2022, only interest was due and payable. Beginning on December 1, 2022 principal and interest on the NHB Mortgage were to be due and payable on a monthly basis. All payments under the NHB Mortgage was to be amortized based on a 20-year amortization schedule. The interest rate was to be adjusted on each of December 1, 2027 and 2032 to the then published 5-year Federal Home Loan Bank of Boston Classic Advance Rate, plus 2.60%. The NHB Mortgage was a non-recourse loan, secured by a first mortgage lien on each of the properties, located at 698 Main Street, Branford, Connecticut, and 568 East Main Street, Branford, Connecticut. The \$750,000 of proceeds funded at closing were used to reimburse the Company for out-of-pocket costs relating to the acquisition of the East Main Street property.

On February 28, 2023, the Company refinanced the NHB Mortgage with a new \$1.66 million adjustable-rate mortgage loan from New Haven Bank (the "New NHB Mortgage"). The new loan accrues interest at an initial rate of 5.75% per annum for the first 60 months. The interest rate will be adjusted on each of March 1, 2028 and March 1, 2033 to the then published 5-year Federal Home Loan Bank of Boston Classic Advance Rate, plus 1.75%. Beginning on April 1, 2023 and through March 1, 2038, principal and interest will be due and payable on a monthly basis. All payments under the new loan are amortized based on a 20-year amortization schedule. The unpaid principal amount of the loan and all accrued and unpaid interest are due and payable in full on March 1, 2038. The new loan is a non-recourse obligation, secured primarily by a first mortgage lien on the properties located 698 Main Street, Branford, Connecticut and 568 East Main Street, Branford, Connecticut, which are owned by the Company.

Churchill MRA Funding I LLC Repurchase Financing Facility

On July 21, 2021, the Company consummated a \$200 million master repurchase financing facility ("Facility") with Churchill MRA Funding I LLC ("Churchill"), a subsidiary of Churchill Real Estate, a vertically integrated real estate finance company based in New York, New York. Under the terms of the Facility, the Company has 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, the Company has 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. The repurchase price is calculated by applying an interest factor, as defined, to the purchase price of the mortgage loan. The Company has also pledged the mortgage loans sold to Churchill to secure its repurchase obligation. The cost of capital under the Facility is equal to the sum of (a) the greater of (i) 0.25% and (ii) the 90-day LIBOR plus (b) 3%-4%, depending on the aggregate principal amount of the mortgage loans held by Churchill at that time. On November 18, 2022, the Facility was amended to replace the 90-day LIBOR with the 90-day SOFR as the new benchmark rate. As of March 31, 2023 the effective rate charged under the Facility was 9.09%.

The Facility is subject to other terms and conditions, including representations and warranties, covenants and agreements typically found in these types of financing arrangements. Under one such covenant, the Company (A) is prohibited from (i) paying any dividends or making distributions in excess of 90% of its taxable income, (ii) incurring any indebtedness or (iii) purchasing any of its capital stock, unless, it has an asset coverage ratio of at least 150%; and (B) must maintain unencumbered cash and cash equivalents in an amount equal to or greater than 2.50% of the amount of its repurchase obligations. Churchill has the right to terminate the Facility at any time upon 180 days prior notice to the Company. The Company then has an additional 180 days after termination to repurchase all the mortgage loans held by Churchill.

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

The Company uses the proceeds from the Facility to finance the continued expansion of its lending business and for general corporate purposes. At March 31, 2023, the total amount outstanding under the Facility was \$54,055,815. The collateral pledged to Churchill at March 31, 2023 was 31 mortgage loans that in the aggregate had unpaid principal balance of approximately \$87.9 million.

Each of the New NHB Mortgage and the Churchill Facility contain cross-default provisions.

Needham Bank Credit Facility

On March 2, 2023, the Company entered into a Credit and Security Agreement (the "Credit Agreement"), with Needham Bank, a Massachusetts co-operative bank, as the administrative agent (the "Administrative Agent") for the lenders party thereto (the "Lenders") with respect to a \$45 million revolving credit facility (the "Credit Facility"). Under the Credit Agreement, the Company also has the right to request an increase in the size of the Credit Facility up to \$75 million, subject to certain conditions, including the approval of the Lenders. Loans under the Credit Facility accrue interest at the greater of (i) the annual rate of interest equal to the "prime rate," as published in the "Money Rates" column of The Wall Street Journal minus one-quarter of one percent (0.25%), and (ii) four and one-half percent (4.50%). All amounts borrowed under the Credit Facility are secured by a first priority lien on virtually all Company's assets. Assets excluded from the lien include real estate owned by the Company (other than real estate acquired pursuant to foreclosure) and mortgages sold to Churchill under the Facility. The Credit Facility expires March 2, 2026 but the Company has a right to extend the term for one year upon the consent of the Administrative Agent and the Lenders, which consent cannot be unreasonably withheld, and so long as it is not in default and satisfies certain other conditions. All outstanding revolving loans and accrued but unpaid interest are due and payable on the expiration date. The Company may terminate the Credit Facility at any time without premium or penalty by delivering written notice to the Administrative Agent at least ten (10) days prior to the proposed date of termination.

The Credit Facility is subject to other terms and conditions, including representations and warranties, covenants and agreements typically found in these types of financing arrangements, including a covenant that requires the Company to maintain: (A) a ratio of Adjusted EBITDA (as defined in the Credit Agreement) to Debt Service (as defined in the Credit Agreement) of less than 1.40 to 1.0, tested on a trailing-twelve-month basis at the end of each fiscal quarter, commencing with the quarter ending June 30, 2023; (B) a sum of cash, cash equivalents and availability under the facility equal to or greater than \$10 million; and (C) an asset coverage ratio of at least 150%.

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

8. Notes Payable

At March 31, 2023, the Company had an aggregate of \$280,608,110 of unsecured, unsubordinated notes payable outstanding, net of \$7,793,640 of deferred financing costs (collectively, the “Notes”). Currently, the Company has seven series of Notes outstanding:

- (i) Notes having an aggregate principal amount of \$23,663,000 bearing interest at 7.125% per annum and maturing June 30, 2024 (“the June 2024 Notes”);
- (ii) Notes having an aggregate principal amount of \$34,500,000 bearing interest at 6.875% per annum and maturing December 30, 2024 (the “December 2024 Notes”);
- (iii) Notes having an aggregate principal amount of \$56,363,750 bearing interest at 7.75% per annum and maturing September 30, 2025 (the “September 2025 Notes”);
- (iv) Notes having an aggregate principal amount of \$51,750,000 bearing interest at 6.0% per annum and maturing December 30, 2026 (the “December 2026 Notes”);
- (v) Notes having an aggregate principal amount of \$51,875,000 bearing interest at 6.0% per annum and maturing March 30, 2027 (the “March 2027 Notes”);
- (vi) Notes having an aggregate principal amount of \$30,000,000 bearing interest at 7.125% per annum and maturing June 30, 2027 (the “June 2027 Notes”); and
- (vii) Notes having an aggregate principal amount of \$40,250,000 bearing interest at 8.00% per annum and maturing September 30, 2027 (the “September 2027 Notes”).

The Notes were sold in underwritten public offerings, were issued in denomination of \$25.00 each and are listed on the NYSE American and trade under the symbols “SCCB,” “SACC,” “SCCC,” “SCCD,” “SCCE,” “SCCF” and “SCCG,” respectively. All the Notes were issued at par except for the last tranche of the September 2025 notes, in the original principal amount of \$28 million, which were issued at \$24.75 each. Interest on the Notes is payable quarterly on each March 30, June 30, September 30 and December 30 that they are outstanding. So long as the Notes are outstanding, the Company is prohibited from making distributions in excess of 90% of its taxable income, incurring any additional indebtedness or purchasing any shares of its capital stock unless it has an “Asset Coverage Ratio” of at least 150% after giving effect to the payment of such dividend, the incurrence of such indebtedness or the application of the net proceeds, as the case may be. The Company may redeem the Notes, in whole or in part, without premium or penalty, at any time after their second anniversary of issuance upon at least 30 days prior written notice to the holders of the Notes. The redemption price will be equal to the outstanding principal amount of the Notes redeemed plus the accrued but unpaid interest thereon up to, but not including the date of redemption. Currently, the June 2024 Notes, December 2024 Notes and the September 2025 Notes are callable at any time. The December 2026 Notes will be callable at any time after December 30, 2023, the March 2027 Notes will be callable at any time after March 9, 2024, the June 2027 Notes will be callable at any time after May 11, 2024, and the September 2027 Notes will be callable at any time after August 23, 2024.

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

The following are the future principal payments on the notes payable as of March 31, 2023:

Year ending December 31,	Amount
Remainder of 2023	\$ —
2024	58,163,000
2025	56,363,750
2026	51,750,000
2027	122,125,000
Total principal payments	288,401,750
Deferred financing costs	(7,793,640)
Total notes payable, net of deferred financing costs	<u>\$ 280,608,110</u>

The estimated amortization of the deferred financing costs as of March 31, 2023 is as follows:

Year ending December 31,	Amount
Remainder of 2023	\$ 1,745,150
2024	2,336,228
2025	1,807,606
2026	1,410,319
2027	494,337
Total deferred costs	<u>\$ 7,793,640</u>

9. Accounts Payable and Accrued Liabilities

As of March 31, 2023 and December 31, 2022, accounts payable and accrued liabilities include the following:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable and accrued expenses	\$ 1,025,051	\$ 1,109,789
CECL - allowance for unfunded contractual obligation credit losses	562,000	—
Other notes	1,762	6,014
Accrued interest	418,637	323,416
Total	<u>\$ 2,007,450</u>	<u>\$ 1,439,219</u>

10. Fee and Other Income

For the three month periods ended March 31, 2023 and 2022, fee and other income consists of the following:

	Three Months ended March 31,	
	<u>2023</u>	<u>2022</u>
Late and other fees	\$ 113,131	\$ 128,864
Processing fees	32,070	65,855
Rental income, net	13,300	10,042
Extension fees	180,410	101,834
Other fees	203,029	50,562
Legal fees	96,500	62,100
Other income	69,165	189,307
Total	<u>\$ 707,605</u>	<u>\$ 608,564</u>

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

11. Commitments and Contingencies

Origination and Modification Fees

Loan origination and modification fees generally range from 1% - 3% each of the original loan principal or the modified loan balance and, generally, are payable at the time the loan is funded or modified. The unamortized portion is recorded as deferred revenue on the consolidated balance sheet. At March 31, 2023, deferred revenue was \$4,681,060, which will be recorded as income as follows:

Year ending December 31, 2023	\$ 3,578,108
Year ending December 31, 2024	924,890
Year ending December 31, 2025	178,062
Total	<u>\$ 4,681,060</u>

In instances in which mortgages are repaid before their maturity date, the balance of any unamortized deferred revenue is recognized in full at the time of repayment.

Employment Agreements

In February 2017, the Company entered into an employment agreement with John Villano, the material terms of which are as follows: (i) the employment term is five years with extensions for successive one-year periods unless either party provides written notice at least 180 days prior to the next anniversary date of its intention to not renew the agreement; (ii) a base salary of \$260,000, which was increased in April 2018, April 2021 and April 2022 to \$360,000, \$500,000 and \$750,000, respectively; (iii) incentive compensation in such amount as determined by the Compensation Committee of the Company's Board of Directors; (iv) participation in the Company's employee benefit plans; (v) full indemnification to the extent permitted by law; (vi) a two-year non-competition period following the termination of employment without cause; and (vii) payments upon termination of employment or a change in control. In April 2021, the Company granted 89,928 restricted common shares (having a market value of approximately \$500,000) to Mr. Villano. One-third of such shares vested on each of January 1, 2022 and 2023, and the remaining one-third will vest on January 1, 2024. In April 2022, the Company granted 98,425 restricted common shares (having a market value of approximately \$500,000) to Mr. Villano. One-third of such shares vested on January 1, 2023, and an additional one-third will vest on each of January 1, 2024 and 2025. In February 2023, the Company granted 130,890 restricted common shares (having a market value of approximately \$500,000) to Mr. Villano. One-third of such shares will vest on each of January 1, 2024, 2025 and 2026. As of March 31, 2023, 226,483 restricted common shares remain unvested.

In July 2022, the Company entered into an employment agreement with John E. Warch, the material terms of which are as follows: (i) the employment term commenced on August 1, 2022 and will continue until terminated by either party; (ii) a base salary of \$325,000; (iii) incentive compensation in such amount as determined by the Compensation Committee of the Company's Board of Directors; (iv) participation in the Company's employee benefit plans; (v) full indemnification to the extent permitted by law; and (vi) payments upon termination of employment or a change in control. In February 2023, the Company granted 8,000 restricted common shares (having a market value of approximately \$30,000) to Mr. Warch. One-third of such shares vested on February 9, 2023, and an additional one-third will vest on each of February 9, 2024 and 2025. As of March 31, 2023, 5,333 restricted common shares remain unvested. Mr. Warch's employment with the Company was terminated effective May 4, 2023.

Unfunded Commitments

At March 31, 2023, the Company had future funding obligations totaling \$114,851,913, which can be drawn by the borrowers when the conditions relating thereto have been satisfied. The unfunded commitments will be funded from loan payoffs and additional drawdowns under existing and future credit facilities and proceeds from sale of debt and equity securities.

**SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023**

Other

In the normal course of its business, the Company is named as a party-defendant in connection with tax foreclosure proceedings against properties on which it holds a first mortgage lien. The Company actively monitors these actions and, in all cases, believes there remains sufficient value in the subject property to assure that no loan impairment exists. At March 31, 2023, there were three such proceedings. The unpaid principal balances on the properties that are the subject of these proceedings was approximately \$631,000.

In accordance with the asset purchase agreement with Urbane New Haven, LLC in October 2022 under certain circumstances the Company will be required to pay the seller 20% of the net proceeds, as defined, of certain real estate development projects completed by the Company until such time that the principal former owner is no longer employed by the Company. Any future payments will be expensed and included in net income.

12. Related Party Transactions

In the ordinary course of business, the Company may originate, fund, manage and service loans to shareholders. The underwriting process on these loans adheres to prevailing Company policy. The terms of such loans, including the interest rate, income, origination fees and other closing costs are the same as those applicable to loans made to unrelated third parties in the portfolio. As of March 31, 2023, and 2022, loans to known shareholders totaled \$25,436,352 and \$15,594,572, respectively. Interest income earned on these loans for the three months ended March 31, 2023 and 2022 totaled \$506,093 and \$347,638, respectively.

The wife of the Company's chief executive officer was employed by the Company as its director of finance until the third quarter of 2022 when she retired. For the three month periods ended March 31, 2023 and 2022, she was paid \$0 and \$27,500, respectively, as compensation from the Company. In December 2021, the Company hired the daughter of the Company's chief executive officer to perform certain internal audit and compliance services. For the three month period ended March 31, 2023 and 2022, she received compensation of \$43,000 and \$27,500, respectively.

13. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, investments in securities, investments in partnerships, and mortgage loans.

The Company maintains its cash and cash equivalents with various financial institutions. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

The Company is potentially subject to concentration of credit risk in its investment securities. Currently, all of its investment securities, which include common stocks, preferred stock, corporate bonds and mutual funds, are held at Wells Fargo Advisors. Wells Fargo Advisors is a member of the Securities Investor Protection Corporation (SIPC). SIPC protects clients against the custodial risk of a member investment firm becoming insolvent by replacing missing securities and cash up to \$500,000, including up to \$250,000 in cash, per client in accordance with SIPC rules.

The Company makes loans that are secured by first mortgage liens on real property located primarily in Connecticut (approximately 41.13%), Florida (approximately 26.79%) and New York (approximately 12.55%). This concentration of credit risk may be affected by changes in economic or other conditions of the particular geographic area.

Credit risks associated with the Company's mortgage loan portfolio and related interest receivable are described in Note 4 - Mortgages Receivable.

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

14. Outstanding Warrants

In connection with a public offering that was consummated in October 2017, the Company issued to the underwriters warrants to purchase an aggregate of 187,500 common shares at an exercise price of \$5.00 per share. In January 2022, warrants to purchase 93,750 of the Company's common shares were exercised. The holders of those warrants elected to use the cashless exercise option available to them under the terms of the warrants. As such, they received 19,658 common shares. All the remaining unexercised warrants expired on October 24, 2022.

15. Stock-Based Compensation and Employee Benefits

Stock-Based Compensation

On October 27, 2016, the Company adopted the 2016 Equity Compensation Plan (the "Plan"), the purpose of which is to align the interests of the Company's officers, other employees, advisors and consultants or any subsidiary, if any, with those of the Company's shareholders and to afford an incentive to such officers, employees, consultants and advisors to continue as such, to increase their efforts on the Company's behalf and to promote the success of the Company's business. The Plan is administered by the Compensation Committee. The maximum number of common shares reserved for the grant of awards under the Plan is 1,500,000, subject to adjustment as provided in Section 5 of the Plan. The number of securities remaining available for future issuance under the Plan as of March 31, 2023 was 1,005,078.

During the three months ended March 31, 2023 and 2022, the Company granted an aggregate of 183,390 and 33,500 restricted common shares under the Plan, respectively with a fair value of \$709,719 and \$183,915, respectively.

With respect to the restricted common shares granted during the three months ended March 31, 2023, (i) an aggregate of 17,500 shares vested immediately on the date of grant, an additional aggregate of 17,500 shares will vest on each of the first and second anniversaries of the date of grant and (ii) 43,630 shares will vest on January 1, 2024, and an additional 43,630 shares will vest on January 1, 2025 and 2026, respectively.

Stock based compensation for the three months ended March 31, 2023 and 2022 was \$173,132 and \$106,879, respectively. As of March 31, 2023, there was unrecorded stock-based compensation expense of \$1,384,043.

Employee Benefits

On April 16, 2018, the Company's Board of Directors approved the adoption of the Sachem Capital Corp. 401(k) Profit Sharing Plan (the "401(k) Plan"). All employees, who meet the participation criteria, are eligible to participate in the 401(k) Plan. Under the terms of the 401(k) Plan, the Company is obligated to contribute 3% of a participant's compensation to the 401(k) Plan on behalf of an employee-participant. For the three months ended March 31, 2023 and 2022, the 401(k) Plan expense was \$44,696 and \$19,993, respectively.

16. Equity Offerings

On August 24, 2022, the Company filed a prospectus supplement to its Form S-3 Registration Statement covering the sale of up to \$75,000,000 of its common shares and its Series A Preferred Stock (as defined in Note 19 below) with an aggregate liquidation preference of up to \$25,000,000 in an "at-the market" offering, which is ongoing. During the three months ended March 31, 2023, under this offering, the Company sold an aggregate of 2,479,798 common shares, realizing gross proceeds of approximately \$9.4 million and sold shares of its Series A Preferred Stock having an aggregate liquidation preference of \$154,675, realizing gross proceeds of \$139,500 representing a discount of approximately 10% from the liquidation preference.

17. Partnership Investments

As of March 31, 2023, the Company had invested an aggregate of approximately \$35.3 million in four limited liability companies managed by a commercial real estate finance company that provides debt capital solutions to local and regional commercial real estate owners in the Northeastern United States. The Company's ownership interest in the four limited liability

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

companies ranges up to 49%. The Company accounts for these investments at cost because the Company does not control or have significant influence over the investments. The Company's withdrawal from each limited liability company may only be granted by the manager of such entity. Each limited liability company has elected to be treated as a partnership for income tax purposes.

The Company's partnership investments can be categorized into two fund structures, fund investments and direct loan investments. The fund investments primarily include investments in two funds that invest in mortgage loans to borrowers. The direct loan investments are through two partnerships whereby the Company directly invests in the participation of individual loans to borrowers. Both the fund and direct loan structure primarily invest in mortgage loans to borrowers with a majority of the deals being leveraged by a bank. These loans are primarily two to three year collateralized mortgage loans, often with contractual extension options for the borrowers of an additional year. The Company receives quarterly dividends from the partnerships that are composed of a preferred return, return of capital and promote depending on each loans waterfall calculation, as defined by the loan agreements. The Company cannot redeem its fund investment at any time, its investment will be repaid as the underlying loans are repaid. The Company expects to be repaid on its current investments by December 31, 2026.

For the three months ended March 31, 2023 and 2022, the partnerships generated \$549,723 and \$272,488, respectively, of income for the Company.

At March 31, 2023, the Company had unfunded partnership commitments totaling approximately \$573,000.

18. Special Purpose Acquisition Corporation

On March 24, 2021, the Company loaned \$25,000 to its wholly-owned subsidiary, Sachem Sponsor LLC. Sachem Sponsor LLC used those funds to purchase 1,437,500 shares of Class B common stock of Sachem Acquisition Corp., a newly organized blank check company formed under the laws of Maryland in February 2021, for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or similar business combination with one or more businesses. As of March 31, 2023, the Company had incurred approximately \$452,000 of costs related to the preparation and filing of the registration statement, including legal fees, accounting fees and filing fees as well as organizational costs and an expense advance to the underwriter.

On July 14, 2021, Sachem Acquisition Corp. filed a registration statement on Form S-1 registering the sale of 5,750,000 units at \$10.00 per unit, or \$57,500,000 in the aggregate. Each unit consists of one share of Class A common stock and one-half of a warrant to purchase one share of Class A common stock.

19. Series A Preferred Stock

The Company has designated 2,903,000 shares of its authorized preferred shares, par value \$0.001 per share, as shares of Series A Preferred Stock (the "Series A Preferred Stock") with the powers, designations, preferences and other rights as set forth in an Amended and Restated Certificate of Designation (the "Series A Designation Certificate"). The Series A Designation Certificate provides that the Company will pay quarterly cumulative dividends on the Series A Preferred Stock, in arrears, on the 30th day of each of March, June, September and December, and including, the date of original issuance of the Series A Preferred Stock until redeemed at 7.75% of the \$25.00 per share liquidation preference per annum (equivalent to \$1.9375 per annum per share). The Series A Preferred Stock is not redeemable before June 29, 2026, except upon the occurrence of a Change of Control (as defined in the Series A Designation Certificate). On or after June 29, 2026, the Company may, at its option, redeem any or all of the shares of the Series A Preferred Stock at \$25.00 per share plus any accumulated and unpaid dividends to, but not including, the redemption date. Upon the occurrence of a Change of Control, the Company may, at its option, redeem any or all of the shares of Series A Preferred Stock within 120 days after the first date on which such Change of Control occurred at \$25.00 per share plus any accumulated and unpaid dividends to, but not including, the redemption date. The Series A Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless repurchased or redeemed by the Company or converted into common shares in connection with a Change of Control by the holders of the Series A Preferred Stock. Upon the occurrence of a Change of Control, each holder of Series A Preferred Stock will have the right (subject to the Company's election to redeem the Series A Preferred Stock in whole or in part, as described above, prior to the Change of Control Conversion Date as defined in the Series A Designation Certificate) to convert some or all of the Series A Preferred Stock held by such holder on the Change of Control Conversion Date into a number of the common shares determined by formula, in each case, on the terms and subject to the conditions described in the Series A Designation Certificate, including provisions for the receipt, under specified circumstances, of alternative

SACHEM CAPITAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

consideration as described in the Series A Designation Certificate. Except under limited circumstances, holders of the Series A Preferred Stock generally do not have any voting rights. The Company has reserved 72,575,000 common shares for issuance upon conversion of the Series A Preferred Stock.

20. Subsequent Events

From April 1, 2023 through May 12, 2023, the Company sold an aggregate of 136,356 common shares under its at-the-market offering facility, realizing gross proceeds of approximately \$510,000.

On April 4, 2023, the Company's Board of Directors declared a dividend of \$0.13 per share payable to shareholders of record as of April 17, 2023. The dividend was paid April 24, 2023.

Management has evaluated subsequent events through May 12, 2023 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.

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, expand our mortgage loan portfolio and 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 2022, revenue increased 42.8%, net income attributable to common shareholders increased 22.3%, 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 29.0% and our income from partnership investments that had an increase of 101.7%. We also recorded an unrealized gain of approximately \$716,000 on investment securities in the first quarter of 2023 compared to a loss of \$1.1 million in the first quarter of 2022, reflecting a \$1.8 million increase in the value of those securities. The increase in revenue was partly offset by a 61.1% increase in operating costs and expenses. The increase in operating expenses is mainly attributable to a 76.3% increase in interest and amortization of deferred financing costs and an 79.0% increase in compensation and related expenses. The increase in compensation expense is mainly attributable to the addition of a Chief Financial Officer in August 2022 as well as additional staff positions that are part of our long-term growth strategy. Mortgages receivable increased by 34.7% compared to the same prior year period, while cash and cash equivalents decreased 64.9%. The increase in mortgages receivable was primarily due to increase in lending.

Our primary business objective for 2023 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 additional operational excellence, we continuously review, assess, and upgrade our existing operational processes, from workflows and employee roles/responsibilities to decision trees and data collection forms. Additionally, we continue 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.

[Table of Contents](#)

Our overall business strategy is as follows:

- 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;
- continue to improve operational efficiencies and reduce general and administrative expenses as a percentage of revenue;
- 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
- continue to operate to qualify as a REIT and continue to qualify for an exemption from registration under the Investment Company Act of 1940, as amended, or the Investment Company Act.

We expect 2023 to be a challenging year due to the following factors:

Interest rate compression. For the three months ended March 2023 and 2022, the yield on our mortgage loan portfolio, inclusive of default interest, was 11.69% and 11.30%, 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 2023, particularly as the Federal Reserve Board continues to increase interest rates, thereby increasing our cost of capital. The rates on our existing credit facilities, including the Churchill Facility, the Wells Fargo Loan and the NHB Mortgage (refinanced in February 2023) (as defined below), have all increased. In addition, the interest rate on the September 2027 Notes, our last note offering in 2022, was 8%, the highest its ever been. Overall, our weighted average cost of capital as of March 31, 2023 was 7.23% compared to 6.08% as of March 31, 2022.

Geopolitical concerns. Various geopolitical concerns have led to market volatility, spikes in commodity prices, supply chain interruptions, heightened cybersecurity concerns and general concerns that it might lead to unconventional warfare. These concerns include the ongoing war between Russia and Ukraine, heightened tensions between the United States and China, Iran's pursuit of nuclear weapons and North Korea's ongoing belligerence. 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 (like Sachem Capital Corp.) and banks and other financial institutions. 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. In addition, competition is becoming more of a factor as we implement our strategy to focus on larger loans and more sophisticated borrowers. Given recent developments regarding mid-size regional banks, we believe competition from traditional banks will abate in 2023 rather than increase. However, as traditional banks exit the lending market, non-traditional lenders, such as non-bank real estate companies, hedge funds, private equity funds and insurance companies, are likely to step into the void. Our principal competitive advantages include our experience, our reputation, our size and our ability to address the needs of borrowers in terms of timing and structuring loan transactions.

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

[Table of Contents](#)

in a sound and proper manner, we see no reason to expect any 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, 2023 are significantly higher than they were in 2022 due to our higher debt load. In addition, we expect that our aggregate dividend payments will be higher in 2023 than in 2022 due to an increase in the number of our common shares ("Common Shares") outstanding as well as the full year effect of our Series A Preferred Stock ("Series A Preferred Stock"), which carries a 7.75% annual dividend rate. Finally, 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, 2023, our mortgage loan portfolio included 171 loans with future funding obligations, in the aggregate principal amount of \$114.9 million, compared to 204 loans in the aggregate principal amount of \$115.4 million at March 31, 2022. Advances under construction 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 these challenges 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 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 and we are mindful of the need to repay it at the appropriate time. 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, 2023, debt represented approximately 59.9% of our total capital compared to 55.5% at March 31, 2022. 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.

As of March 31, 2023, we had seven series of unsecured unsubordinated notes outstanding, having an aggregate outstanding principal balance of \$288.4 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. The net proceeds, net of the deferred financing costs, was approximately \$276.4 million.

- \$40,250,000 aggregate original principal amount, issued August 23, 2022, bearing interest at the rate of 8.00% per annum and maturing on September 30, 2027 (the "September 2027 Notes") and which trade on the NYSE American under the symbol SCCG;

[Table of Contents](#)

- \$30,000,000 aggregate original principal amount, issued May 11, 2022, bearing interest at the rate of 7.125% per annum and maturing on June 30, 2027 (the “June 2027 Notes”) and which trade on the NYSE American under the symbol SCCF;
- \$51,875,000 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 “March 2027 Notes”) and which trade on the NYSE American under the symbol SCCE;
- \$51,750,000 million 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 million 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;
- \$34,500,000 million 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 million 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 the 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 two years from the date of issuance redeem the Notes. Accordingly, notes in the aggregate principal amount of approximately \$114.5 million are currently redeemable. Notes in the aggregate principal amount of \$51.75 million will become redeemable on December 20, 2023 and Notes in the aggregate principal amount of \$122.13 million will become redeemable at various dates in 2024. In all cases, the 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, the New NHB Mortgage and the Needham Credit Facility (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 90-day SOFR 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. The Churchill Facility is also subject to various terms

[Table of Contents](#)

and conditions, including representations and warranties, covenants and agreements typically found in these types of financing arrangements, including a covenant that (A) prohibits us from (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) requires us to maintain 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, 2023, the amount outstanding under the Churchill Facility was approximately \$54.1 million, which amount was accruing interest of an effective rate of 9.09% 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 \$13.7 million at March 31, 2023. The outstanding balance on this loan bears interest at a rate equal to 1.75% below the prime rate. At March 31, 2023 the prime rate was 8.0% and the interest rate on the Wells Fargo Loan was, thus, 6.25%.

In 2021, we obtained a \$1.4 million adjustable-rate mortgage loan from New Haven Bank (the “NHB Mortgage”) of which \$750,000 was funded at closing and remained outstanding as of December 31, 2022. The purpose of the NHB Mortgage was to fund the cost of our acquisition and renovation of the property located at 568 East Main Street, Branford, Connecticut, as our new corporate headquarters. The balance of the NHB Mortgage was to be funded when those renovations were completed. Prior to its refinancing in February 2023, as described below, the NHB Mortgage accrued interest at an initial rate of 3.75% per annum for the first 72 months and was to be due and payable in full on December 1, 2037. During the first 12 months, from December 1, 2021 to November 30, 2022, only interest was due and payable. Beginning December 1, 2022 and through December 1, 2037, principal and interest was to be due and payable monthly, based on a 20-year amortization schedule.

On February 28, 2023, we refinanced the NHB Mortgage with a new \$1.66 million adjustable-rate mortgage loan from New Haven Bank (the “New NHB Mortgage”). The new loan accrues interest at an initial rate of 5.75% per annum for the first 60 months. The interest rate will be adjusted on each of March 1, 2028 and March 1, 2033 to the then published 5-year Federal Home Loan Bank of Boston Classic Advance Rate, plus 1.75%. Beginning on April 1, 2023 and through March 1, 2038, principal and interest will be due and payable monthly, based on a 20-year amortization schedule. The unpaid principal amount of the loan and all accrued and unpaid interest are due and payable in full on March 1, 2038. The new loan is a non-recourse obligation, secured primarily by a first mortgage lien on the properties located 698 Main Street, Branford, Connecticut and 568 East Main Street, Branford, Connecticut.

On March 2, 2023, we entered into a Credit and Security Agreement (the “Credit Agreement”), with Needham Bank, a Massachusetts co-operative bank, as the administrative agent (the “Administrative Agent”) for the lenders party thereto (the “Lenders”) with respect to a \$45 million revolving credit facility (the “Needham Credit Facility”). Under the Credit Agreement, we have the right to request an increase in the size of the Needham Credit Facility up to \$75 million, subject to certain conditions, including the approval of the Lenders. Loans under the Needham Credit Facility accrue interest at the greater of (i) the annual rate of interest equal to the “prime rate,” as published in the “Money Rates” column of The Wall Street Journal minus one-quarter of one percent (0.25%), and (ii) four and one-half percent (4.50%). All amounts borrowed under the Needham Credit Facility are secured by a first priority lien on virtually all our assets. Assets excluded from the lien include real estate owned by us (other than real estate acquired pursuant to foreclosure) and mortgages sold under the Churchill Facility. The Needham Credit Facility expires March 2, 2026 subject to our right to extend the term for one year upon the consent of the Administrative Agent and the Lenders, which consent cannot be unreasonably withheld, and so long as we are not in default and satisfy certain other conditions. All outstanding revolving loans and accrued but unpaid interest are due and payable on the expiration date. We have the right to terminate the Needham Credit Facility at any time without premium or penalty by delivering written notice to the Administrative Agent at least ten (10) days prior to the proposed date of termination. The Needham Credit Facility is subject to other terms and conditions, including representations and warranties, covenants and agreements typically found in these types of financing arrangements, including a covenant that requires us to maintain: (A) a ratio of Adjusted EBITDA (as defined in the Credit Agreement) to Debt Service (as defined in the Credit Agreement) of less than 1.40 to 1.0, tested on a trailing-twelve-month basis at the end of each fiscal quarter, commencing with the quarter ending June 30, 2023; (B) a sum of cash, cash equivalents and availability under the facility equal to or greater than \$10 million; and (C) an asset coverage ratio of at least 150%. As of March 31, 2023, we have not yet drawn on the Needham Credit Facility.

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, 2023, under our at-the-market offering facility (see Note 16 to the consolidated financial statements), we sold

[Table of Contents](#)

an aggregate of 2,479,798 Common Shares, realizing gross proceeds of approximately \$9.4 million and we sold shares of Series A Preferred Stock having an aggregate liquidation preference of \$154,675, realizing gross proceeds of \$139,500 representing a discount of approximately 10% from the liquidation preference. As of the date of this Report, we have approximately \$61.4 million of availability remaining for sale through one of these offerings.

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.

Critical Accounting Policies and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The preparation of the consolidated financial statements in conformity with GAAP 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. Management will base the use of estimates on (a) various assumptions that consider prior reporting results, (b) projections regarding future operations and (c) general financial market and local and general economic conditions. Actual amounts could differ materially from those estimates.

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

Results of Operations

Three months ended March 31, 2023 compared to three months ended March 31, 2022

Total revenue

Total revenue for the three months ended March 31, 2023 was approximately \$14.7 million compared to approximately \$10.3 million for the three months ended March 31, 2022, an increase of approximately \$4.4 million, or 42.8%. The increase in revenue is primarily attributable to an increase in our lending operations. For the 2023 period, interest income was approximately \$11.0 million compared to approximately \$8.5 million for the 2022 period, an increase of approximately \$2.5 million or 29.0%. Income from partnership investments was approximately \$550,000 for the 2023 period compared to approximately \$272,000 for the 2022 period, an increase of approximately \$277,000 or 101.7%. Other income was approximately \$708,000 for the 2023 period compared to approximately \$609,000 for the 2022 period, an increase of approximately \$99,000 or 16.3%. In addition, unrealized gains on investment securities for the 2023 period were approximately \$716,000 compared to an unrealized loss of approximately \$1.1 million on investment securities in the 2022 period. The increases were partially offset by a decrease in origination and modification fees of approximately \$368,000, or 20% in the 2023 period, from approximately \$1.8 million in the 2022 period to approximately \$1.5 million in the 2023 period.

[Table of Contents](#)*Operating costs and expenses*

Total operating costs and expenses for three months ended March 31, 2023 were approximately \$9.6 million compared to approximately \$5.9 million for the three months ended March 31, 2022, an increase of approximately \$3.6 million or 61.1%. The increase in operating costs and expenses is primarily attributable to the increase in our unsecured bond debt while growing our lending operations. In the 2023 period, interest and amortization of deferred financing costs were approximately \$6.9 million compared to approximately \$3.9 million in the same 2022 period, an increase of approximately \$3.0 million or 76.3%. The remaining fluctuations in operating expenses were primarily attributable to (i) compensation, fees and taxes which increased approximately \$785,000, and (ii) general and administrative expenses which increased approximately \$266,000, partially offset by an increase in gain on sale of real estate of approximately \$214,000 and a decrease in impairment loss of approximately \$156,000.

Comprehensive income

For the quarter ended March 31, 2023, we reported an unrealized gain on investment securities of approximately \$92,000 reflecting the decrease in prior unrealized losses since December 31, 2022. 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.

Net income

Net income attributable to common shareholders for the three months ended March 31, 2023 was approximately \$4.2 million, or \$0.10 per share, compared to approximately \$3.4 million, or \$0.10 per share for the three months ended March 31, 2022.

Non-GAAP Metrics – Adjusted Earnings

We invest our excess cash in marketable securities. Under GAAP, those securities are required to be “marked to market” at the end of each reporting period. Accordingly, if the value of certain of those securities increases, the increase is reported as revenue, as has been the case in the first quarter of 2023 and the increase in the other securities is reported as a change in accumulated other comprehensive income. On the other hand, if the value decreases, the decrease in value of certain of the securities reduces our revenues. For income tax purposes, we do not report the gain or loss on those securities until they are sold. This creates a discrepancy between our GAAP net income and our taxable income. To maintain our status as a REIT, we are required to distribute, on an annual basis, at least 90% of our taxable income. Thus, to give our shareholders a better perspective of our taxable income, we use a metric called 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 GAAP), or to cash flows from operating activities (determined in accordance with GAAP), as a measure of our liquidity. Similarly, Adjusted Earnings is not 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. In addition, there may be other differences between GAAP and tax accounting that would impact Adjusted Earnings, which are not reflected in the table below.

	For the Period Ended March 31,	
	2023	2022
Adjusted earnings:		
Net income attributable to common shareholders	\$ 4,195,460	\$ 3,429,700
Add: Unrealized (gains) losses on investment securities	(716,389)	1,052,230
Adjusted earnings attributable to common shareholders	\$ 3,479,071	\$ 4,481,930

For the three months ended March 31, 2023 and 2022, Adjusted Earnings per share was \$0.08 and \$0.13, respectively.

Liquidity and Capital Resources

Total assets at March 31, 2023 were approximately \$597.0 million compared to approximately \$565.7 million at December 31, 2022, an increase of approximately \$31.3 million, or 5.5%. The increase was due primarily to the increase of our mortgage loan portfolio of approximately \$15.8 million, an increase in investments in partnerships of approximately \$4.5 million and an increase in investment securities of approximately \$11.3 million, offset in part by a decrease in cash and cash equivalents of approximately \$3.4 million.

Total liabilities at March 31, 2023 were approximately \$368.0 million compared to approximately \$348.0 million at December 31, 2022, an increase of approximately \$20.0 million, or 5.8%. This increase is principally due to increases in the repurchase facility of approximately \$11.5 million and the line of credit of approximately \$10.1 million, offset primarily by a decrease in accrued dividends payable of approximately \$5.3 million.

Total shareholders' equity at March 31, 2023 was approximately \$229.0 million compared to approximately \$217.7 million at December 31, 2022, an increase of approximately \$11.3 million, or 5.2%. This increase was due primarily to net proceeds of \$9.2 million from the sale of Common Shares and our net income of approximately \$5.1 million, offset by dividends paid on our Series A Preferred Stock of approximately \$0.9 million and a cumulative credit loss adjustment resulting from the adoption of ASU 2016-13 on January 1, 2023 of approximately \$2.5 million.

Net cash provided by operating activities for the three months ended March 31, 2023 was approximately \$5.0 million compared to approximately \$7.6 million for the comparable 2022 period. For the 2023 period net cash provided by operating activities consisted primarily of net income of approximately \$5.1 million, amortization of deferred financing costs and bond discount of approximately \$600,000 and increases in deferred revenue of approximately \$321,000 and advances from borrowers of approximately \$1.4 million, offset by gain on the sale of real estate of approximately \$148,000, unrealized gain on investment securities of approximately \$716,000, gain on the sale of investment securities of approximately \$276,000 and increases in due from borrowers of approximately \$783,000, other assets of approximately \$500,000, and interest and fees receivable of approximately \$366,000. 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 approximately \$469,000, an impairment loss of approximately \$261,000, a loss on the sale of marketable securities of approximately \$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 approximately \$396,000, other receivables of approximately \$211,000 and due from borrowers of approximately \$292,000.

Net cash used for investing activities for the three months ended March 31, 2023 was approximately \$34.0 million compared to approximately \$48.4 million for the comparable 2022 period. For the 2023 period, net cash used for investing activities consisted primarily of purchases of investment securities of approximately \$14.0 million, net purchases of interests in investment partnerships of approximately \$4.5 million, purchase of property and equipment of approximately \$711,000 and principal disbursements for mortgages receivable of approximately \$58.9 million, offset by principal collections on mortgages receivable of approximately \$39.9 million, proceeds from sale of real estate owned of approximately \$515,000 and by proceeds from the sale of investment securities of approximately \$3.8 million. 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 of approximately \$51.7 million and proceeds from the sale of real estate owned of \$623,000.

[Table of Contents](#)

Net cash provided by financing activities for the three months ended March 31, 2023 was approximately \$25.6 million compared to approximately \$56.8 million for the comparable 2022 period. Net cash provided by financing activities for the 2023 period consists principally of net proceeds from the issuance of Common Shares of approximately \$9.2 million, net proceeds from line of credit of approximately \$10.1 million, net proceeds from repurchase facility of approximately \$11.5 million and proceeds from mortgage of \$910,000, offset primarily by dividends paid on common stock of approximately \$5.3 million and preferred stock of approximately \$925,000. 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 approximately \$922,000.

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

Management has evaluated subsequent events through May 12, 2023 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, 2023, 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
Investment in partnerships	\$ 572,518	\$ 572,518	\$ —	\$ —	\$ —
Unfunded loan commitments	114,851,913	114,851,913	—	—	—
Total contractual obligations	\$ 115,424,431	\$ 115,424,431	\$ —	\$ —	\$ —

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, 2022.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 4. CONTROLS AND PROCEDURES

(a) Evaluation and Disclosure Controls and Procedures

Management, specifically our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2023 (the “Evaluation Date”). Based upon that evaluation, the chief executive officer and the chief financial officer concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) are recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (ii) are accumulated and communicated to management, specifically our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) identified in connection with the evaluation required by Rules 13a-15(d) or 15d-15(d) that occurred during the fiscal quarter ended March 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
2.1	Form of Amended and Restated Exchange Agreement (1)
3.1	Certificate of Incorporation (1)
3.1(a)	Certificate of Amendment to Certificate of Incorporation (1)
3.1(b)	Certificate of Amendment to Certificate of Incorporation filed on October 7, 2019 (2)
3.1(c)	Certificate of Amendment to Certificate of Incorporation filed on June 25, 2021 (9)
3.1(d)	Certificate of Amendment to Certificate of Incorporation filed on July 19, 2022 (19)
3.1(e)	Certificate of Amendment to Certificate of Incorporation filed on August 23, 2022 (20)
3.2	Amended and Restated Bylaws, effective as of November 25, 2019 (3)
4.1	Indenture, dated as of June 21, 2019, between the Company and U.S. Bank National Association, as Trustee (4)
4.2	First Supplemental Indenture, dated as of June 25, 2019, between the Company and U.S. Bank National Association, as Trustee (4)
4.3	Form of 7.125% Notes due 2024 (4)
4.4	Second Supplemental Indenture between the Company and U.S. Bank National Association, as Trustee (2)
4.5	Form of 6.875% Notes due 2024 (6)
4.6	Third Supplemental Indenture between the Company and U.S. Bank National Association, as Trustee (7)
4.7	Form of 7.75% Notes due 2025 (included as Exhibit A to Exhibit 4.6 above)
4.8	Specimen 7.75% Series A Cumulative Redeemable Preferred Stock Certificate (9)
4.9	Fourth Supplemental Indenture between the Company and U.S. Bank National Association, as Trustee (10)
4.10	Form of 6.00% Note due 2026 (attached as Exhibit A to Exhibit 4.9 above)
4.11	Fifth Supplemental Indenture between the Company and U.S. Bank Trust Company, National Association, as Trustee (14)
4.12	Form of 6.00% Note due 2027 (attached as Exhibit A to Exhibit 4.11 above)
4.13	Sixth Supplemental Indenture between the Company and U.S. Bank Trust Company, National Association, as Trustee (16)
4.14	Form of 7.125% Note due 2027 (attached as Exhibit A to Exhibit 4.13 above)
4.15	Seventh Supplemental Indenture between the Company and U.S. Bank Trust Company, National Association, as Trustee (21)
4.16	Form of 8.00% Note due 2027 (attached as Exhibit A to Exhibit 4.15 above)
4.17	Revolving Credit Note, dated March 2, 2023, in the principal amount of \$45 million in favor of Needham Bank, as lender (22)
10.1**	Employment Agreement by and between John L. Villano and Sachem Capital Corp. (1)
10.2	Sachem Capital Corp. 2016 Equity Compensation Plan (1)
10.3**	Final Form of the Restrictive Stock Grant Agreement dated July 17, 2018 under the Sachem Capital Corp. 2016 Equity Compensation Plan between the Company and each of Leslie Bernhard, Arthur Goldberg and Brian Prinz (5)
10.4**	Final Form of the Restrictive Stock Grant Agreement dated October 4, 2019 under the Sachem Capital Corp. 2016 Equity Compensation Plan between the Company and each of Leslie Bernhard, Arthur Goldberg and Brian Prinz (2)
10.5**	Final Form of the Restrictive Stock Grant Agreement dated April 2021 under the Sachem Capital Corp. 2016 Equity Compensation Plan between the Company and John L. Villano (11)
10.6	Master Repurchase Agreement and Securities Contract, dated as of July 21, 2021, between Sachem Capital Corp. and Churchill MRA Funding I LLC (12)
10.7	Custodial Agreement, dated as of July 21, 2021, among Sachem Capital Corp., Churchill MRA Funding I LLC, and U.S. Bank National Association (12)

Table of Contents

10.8**	<u>Agreement and General Release, dated as of January 14, 2022, between Sachem Capital Corp. and Peter J. Cuozzo (15)</u>
10.9**	<u>Final Form of the Restrictive Stock Grant Agreement dated April 2022 under the Sachem Capital Corp. 2016 Equity Compensation Plan between the Company and John L. Villano (17)</u>
10.10**	<u>Final Form of the Restrictive Stock Grant Agreement dated October 15, 2020 under the Sachem Capital Corp. 2016 Equity Compensation Plan between the Company and each of Leslie Bernhard, Arthur Goldberg and Brian Prinz (19)</u>
10.11**	<u>Final Form of the Restrictive Stock Grant Agreement dated October 13, 2021 under the Sachem Capital Corp. 2016 Equity Compensation Plan between the Company and each of Leslie Bernhard, Arthur Goldberg and Brian Prinz (19)</u>
10.12**	<u>Final Form of the Restrictive Stock Grant Agreement dated July 19, 2022 under the Sachem Capital Corp. 2016 Equity Compensation Plan between the Company and each of Leslie Bernhard, Arthur Goldberg and Brian Prinz (19)</u>
10.13**	<u>Employment Agreement, dated July 26, 2022, by and between John E. Warch and Sachem Capital Corp. (18)</u>
10.14	<u>Credit and Security Agreement, dated as of March 2, 2023, among Sachem Capital Corp., the lenders party thereto and Needham Bank, as administrative agent (22)</u>
10.15**	<u>Final Form of the Restrictive Stock Grant Agreement dated February 17, 2023 under the Sachem Capital Corp. 2016 Equity Compensation Plan between the Company and John L. Villano *</u>
10.16**	<u>Final Form of the Restrictive Stock Grant Agreement dated February 9, 2023 under the Sachem Capital Corp. 2016 Equity Compensation Plan between the Company and John E. Warch *</u>
10.17**	<u>Separation Agreement and General Release, dated as of May 5, 2023, between Sachem Capital Corp. and John E. Warch*</u>
31.1	<u>Chief Executive Officer Certification as required under section 302 of the Sarbanes Oxley Act *</u>
31.2	<u>Chief Financial Officer Certification as required under section 302 of the Sarbanes Oxley Act *</u>
32.1	<u>Chief Executive and Financial Officer Certification pursuant to 18 U.S.C. section 1350 as adopted pursuant to section 906 of the Sarbanes Oxley Act ***</u>
99.1	<u>Open-End Construction Mortgage, Security Agreement and Assignment of Leases and Rents, dated February 28, 2023, by Sachem Capital Corp., in connection with the New Haven Bank Mortgage refinancing (22)</u>
99.2	<u>Commercial Term Note made by Sachem Capital Corp to New Haven Bank, dated February 28, 2023, in the principal amount of \$1,660,000 (attached as Exhibit B to Exhibit 99.1 above)</u>
99.3	<u>Loan Agreement between Sachem Capital Corp. and New Haven Bank, dated as of February 28, 2023 (22)</u>
99.4	<u>Mortgage Release releasing Sachem Capital Corp. from the \$1.4 million mortgage loan (22)</u>
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 (formatted as Inline XBRL and contained in Exhibit 101)*

* Filed herewith.

** Compensation plan or arrangement for current or former executive officers and directors.

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

- (1) Previously filed as an exhibit to the Registration Statement on Form S-11, as amended (SEC File No.: 333-214323) and incorporated herein by reference.
- (2) Previously filed as an exhibit to the Quarterly Report on Form 10-Q for the period ended September 30, 2019 and incorporated herein by reference.
- (3) Previously filed as an exhibit to the Current Report on Form 8-K on November 27, 2019 and incorporated herein by reference.
- (4) Previously filed as an exhibit to the Current Report on Form 8-K on June 25, 2019 and incorporated herein by reference.

[Table of Contents](#)

- (5) Previously filed as an exhibit to the Quarterly Report on Form 10-Q for the period ended June 30, 2018 and incorporated herein by reference.
- (6) Previously filed as an exhibit to the Current Report on Form 8-K on November 6, 2019 and incorporated herein by reference.
- (7) Previously filed as an exhibit to the Current Report on Form 8-K on September 9, 2020 and incorporated herein by reference.
- (8) Intentionally omitted.
- (9) Previously filed as an exhibit to the Current Report on Form 8-K on June 29, 2021 and incorporated herein by reference.
- (10) Previously filed as an exhibit to the Current Report on Form 8-K on December 20, 2021 and incorporated herein by reference.
- (11) Previously filed as an exhibit to the Current Report on Form 8-K on April 13, 2021 and incorporated herein by reference.
- (12) Previously filed as an exhibit to the Current Report on Form 8-K on July 27, 2021 and incorporated herein by reference.
- (13) Intentionally omitted.
- (14) Previously filed as an exhibit to the Current Report on Form 8-K on March 9, 2022 and incorporated herein by reference.
- (15) Previously filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2021 and incorporated herein by reference.
- (16) Previously filed as an exhibit to the Current Report on Form 8-K on May 12, 2022 and incorporated herein by reference.
- (17) Previously filed as an exhibit to the Quarterly Report on Form 10-Q for the period ended March 31, 2022 and incorporated herein by reference.
- (18) (Previously filed as an exhibit to the Current Report on Form 8-K on July 27, 2022 and incorporated herein by reference.
- (19) Previously filed as an exhibit to the Quarterly Report on Form 10-Q for the period ended June 30, 2022 and incorporated herein by reference.
- (20) Previously filed as an exhibit to the Current Report on Form 8-K on August 24, 2022 and incorporated herein by reference.
- (21) Previously filed as an exhibit to the Current Report on Form 8-K on August 23, 2022 and incorporated herein by reference.
- (22) Previously filed as an exhibit to the Current Report on Form 8-K on March 3, 2023 and incorporated herein by reference.

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 15, 2023

SACHEM CAPITAL CORP.

By: /s/ John L. Villano

John L. Villano, CPA

President, Chief Executive Officer and Interim Chief Financial Officer
(Principal Executive, Accounting and Financial Officer)

**FINAL FORM
OF
SACHEM CAPITAL CORP.
2016 EQUITY COMPENSATION PLAN
RESTRICTED STOCK - NOTICE OF GRANT**

Sachem Capital Corp. (the “Company”), a New York corporation and internally managed real estate investment trust, hereby grants to the Grantee set forth below (the “Grantee”) Restricted Stock (the “Restricted Stock”), pursuant to the terms and conditions of this Notice of Grant (the “Notice”), the Restricted Stock Award Agreement attached hereto as Exhibit A (the “Award Agreement”), and the Sachem Capital Corp. 2016 Equity Compensation Plan (the “Plan”). Capitalized terms used but not defined herein shall have the meaning attributed to such terms in the Award Agreement or, if not defined therein, in the Plan, unless the context requires otherwise. Each share of Restricted Stock represents one Share, subject to the terms and conditions set forth in the Award Agreement.

Date of Grant: February 17, 2023

Name of Grantee: JOHN L. VILLANO

Number of Shares of Restricted Stock: 130,890

Lapse of Restrictions/Vesting: The Restricted Stock shall vest pursuant to the terms and conditions set forth in Section 3 of the Award Agreement.

Vesting Start Date January 1, 2024

The grant of Restricted Stock shall be subject to the execution and return of this Notice by the Grantee to the Company within 10 days of the date hereof (including by utilizing an electronic signature and/or web-based approval and notice process or any other process as may be authorized by the Company). By executing this Notice, the Grantee acknowledges that his or her agreement to the covenants set forth in Section 6 of the Award Agreement is a material inducement to the Company in granting this Award to the Grantee.

This Notice may be executed by facsimile or electronic means (including, without limitation, PDF) and in one or more counterparts, each of which shall be considered an original instrument, but all of which together shall constitute one and the same agreement and shall become binding when one or more counterparts have been signed by each of the parties hereto and delivered to the other party hereto.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Notice of Grant as of the Date of Grant set forth above.

SACHEM CAPITAL CORP.

By: _____

Name: Peter Giannotti

Title: Secretary

JOHN L. VILLANO

Exhibit A

**SACHEM CAPITAL CORP.
2016 EQUITY COMPENSATION PLAN
RESTRICTED STOCK
AWARD AGREEMENT**

THIS RESTRICTED STOCK AWARD AGREEMENT (the "Award Agreement") is entered into by and among Sachem Capital Corp (the "Company") and the individual set forth on the signature page to that certain Notice of Grant (the "Notice") to which this Award Agreement is attached. The terms and conditions of the Restricted Stock granted hereby, to the extent not controlled by the terms and conditions contained in the Plan, shall be as set forth in the Notice and this Award Agreement. Capitalized terms used but not defined herein shall have the meaning attributed to such terms in the Notice or, if not defined therein, in the Plan, unless the context requires otherwise.

1. No Right to Continued Employee Status or Consultant Service

Nothing contained in this Award Agreement shall confer upon the Grantee the right to the continuation of his or her Employee status or to interfere with the right of the Company or any of its Subsidiaries or other Affiliates to Terminate the Grantee.

2. Term of Restricted Stock Award

This Award Agreement shall remain in effect until all the transfer restrictions on the Shares of Restricted Stock have fully lapsed and the underlying Shares of Restricted Stock have vested or been forfeited by the Grantee as provided in this Award Agreement.

3. Lapse of Restrictions and Vesting of Restricted Stock.

(a) Subject to the remainder of this Section 3, the Transfer Restrictions on the Shares of Restricted Stock will lapse and the Shares of Restricted Stock granted hereunder will vest in accordance with the following schedule, subject to the Grantee's not having Terminated prior to such applicable anniversary, such that the shares of Restricted Stock shall be fully (100%) vested upon January 1, 2026:

Vesting Percentage	Vesting Date
33.33%	January 1, 2024
66.66%	January 1, 2025
100%	January 1, 2026

If the Grantee Terminates for any reason, the portion of the Restricted Stock for which the Transfer Restrictions have not lapsed and has not vested as of such date shall be forfeited by the Grantee upon such Termination without consideration.

(b) Notwithstanding the foregoing, the Transfer Restrictions shall lapse and the Shares of Restricted Stock shall vest in respect of one-hundred percent (100%) upon the Grantee's Termination by the Company without Cause or by the Grantee's resignation for Good Reason, in accordance with the Employment Agreement, dated as of August 8, 2016, as amended (the "Employment Agreement"), between the Company and the Grantee.

4. Issuance of Shares; Rights as a Stockholder;

The Grantee shall have all rights of a stockholder with respect to the Shares of Restricted Stock as of the issuance of the Shares on the Grant Date and the entry of the Grantee's name as a shareholder of record on the books of the Company, including the right to vote in respect of such Shares and the right to dividends issued to holders of such Shares (in each case, irrespective of whether the Shares are considered vested or unvested at the time of such dividend). Notwithstanding the foregoing, prior to the vesting of the Shares of Restricted Stock pursuant to Section 3, the Grantee shall not be entitled to transfer, sell, pledge, hypothecate or assign the Shares of Restricted Stock (collectively, the "Transfer Restrictions") and the Shares of Restricted Stock will be subject to forfeiture as provided in Section 5.

5. Termination of Service

If the Grantee incurs a Termination for any reason, whether voluntarily or involuntarily, then the portion of the Shares of Restricted Stock for which the transfer restrictions have not previously lapsed (except as set forth in Section 3(b)) shall terminate and be forfeited as of the date of the Grantee's Termination. If the Grantee incurs a Termination for Cause, then all outstanding Shares of Restricted Stock (whether or not vested) shall be forfeited and terminate immediately without consideration upon the effective date of such Termination for Cause.

6. Prohibited Activities

(a) **Right to Terminate Restricted Stock and Recovery.** The Grantee understands and agrees that the Company has granted the Restricted Stock to the Grantee to reward the Grantee for the Grantee's future efforts and loyalty to the Company and its Affiliates by giving the Grantee the opportunity to participate in the potential future appreciation of the Company. Accordingly, if (a) the Grantee materially violates the Grantee's obligations relating to the non-disclosure or non-use of confidential or proprietary information under any Restrictive Agreement to which the Grantee is a party, or (b) the Grantee materially breaches or violates the Grantee's obligations relating to non-disparagement under any Restrictive Agreement to which the Grantee is a party, or (c) the Grantee engages in any activity prohibited by Section 6 of this Award Agreement, or (d) the Grantee materially breaches or violates any non-solicitation obligations under any Restrictive Agreement to which the Grantee is a party, or (e) the Grantee breaches or violates any non-competition obligations under any Restrictive Agreement to which the Grantee is a party, or (f) the Grantee is convicted of a felony against the Company or any of its Affiliates, then, in addition to any other rights and remedies available to the Company, the

Company shall be entitled, at its option, exercisable by written notice, to terminate the Restricted Stock (including the vested portion of the Shares of Restricted Stock) without consideration, and such Shares will be terminated and of no further force and effect. “Restrictive Agreement” shall mean any agreement between the Company or any Subsidiary and the Grantee that contains non-competition, non-solicitation, non-hire, non-disparagement, or confidentiality restrictions applicable to the Grantee, including, but not limited to, the Employment Agreement.

(b) **Other Remedies.** The Grantee specifically acknowledges and agrees that its remedies under this Section 6 shall not prevent the Company or any Subsidiary from seeking injunctive or other equitable relief in connection with the Grantee’s breach of any Restrictive Agreement. In the event that the provisions of this Section 6 should ever be deemed to exceed the limitation provided by applicable law, then the Grantee and the Company agree that such provisions shall be reformed to set forth the maximum limitations permitted.

7. Taxation Upon Vesting of the Restricted Stock; Tax Withholding; Parachute Tax Provisions

The Grantee understands that the Grantee will recognize income, for Federal, state and local income tax purposes, as applicable, in respect of the vesting of those Shares of Restricted Stock vesting on each applicable vesting date. By acceptance of this grant of Restricted Stock, the Grantee agrees to report the relevant income in accordance with then applicable law and to cooperate with Company and its subsidiaries in establishing the amount of such income and corresponding deduction to the Company and/or its subsidiaries for its income tax purposes.

The Grantee is responsible for all tax obligations that arise as a result of the vesting of the Restricted Stock. The Company may withhold from any amount payable to the Grantee an amount sufficient to cover any Federal, state or local withholding taxes which may become required with respect to such vesting or take any other action it deems necessary to satisfy any income or other tax withholding requirements as a result of the vesting of the Restricted Stock. The Company shall have the right to require the payment of any such taxes and require that the Grantee, or the Grantee’s beneficiary, to furnish information deemed necessary by the Company to meet any tax reporting obligation pursuant to vesting of Shares of Restricted Stock. The Grantee may pay his or her withholding tax obligation in connection with the vesting of Shares of Restricted Stock, by making a cash payment to the Company. In addition, the Committee, in its sole discretion, may allow the Grantee, to pay his or her withholding tax obligation in connection with the vesting of the Restricted Stock, by (x) surrendering Shares pursuant to the grant of Restricted Stock or (z) surrendering other Shares that have been held by the Grantee for at least six (6) months (or such lesser period as may be permitted by the Committee) prior to the vesting of the Restricted Stock, in each case having an aggregate Fair Market Value equal to the withholding taxes.

In connection with the grant of the Restricted Stock, the parties wish to memorialize their agreement regarding the treatment of any potential golden parachute payments as set forth in Exhibit A attached hereto.

8. Securities Laws

(a) Upon the acquisition of the Shares pursuant to this Restricted Stock Award Agreement, the Grantee will make such written representations, warranties, and agreements as the Committee may reasonably request to comply with securities laws or with this Award Agreement. Grantee hereby agrees not to offer, sell or otherwise attempt to dispose of any Shares issued to the Grantee pursuant to this Restricted Stock award in any way which would: (x) require the Company to file any registration statement with the Securities and Exchange Commission (or any similar filing under state law or the laws of any other county) or to amend or supplement any such filing or (y) violate or cause the Company to violate the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, or any other Federal, state or local law, or the laws of any other country. The Company reserves the right to place restrictions on any Shares the Grantee receives as pursuant to this grant of Restricted Stock.

(b) Notwithstanding anything to the contrary herein, in the event that (i) the Grantee is subject to the Company's insider trading policy, including any policy permitting officers and directors to sell Shares only during certain "window" periods, in effect from time to time (collectively, the "Policy") or the Grantee is otherwise prohibited from selling Shares in the public market and any Shares of Restricted Stock for which the Transfer Restrictions are scheduled to lapse and Shares scheduled to vest (the "Original Vesting Date") that (A) does not occur during an open "window period" applicable to the Grantee or on a day on which the Grantee is permitted to sell Shares underlying any portion of the Restricted Stock that has vested pursuant to a written plan that meets the requirements of Rule 10b5-1 under the Exchange Act, as determined by the Company in accordance with the Policy, as applicable, or (B) does not occur on a date when the Grantee is otherwise permitted to sell Shares on the open market, and (ii) the Company elects not to satisfy the Grantee's tax withholding obligations by the Grantee surrendering Shares to the Company, then such restrictions shall not lapse and such Shares shall not vest on such Original Vesting Date and shall instead be deemed to be vested, as applicable, on (x) the first business day of the next occurring open "window period" applicable to the Grantee pursuant to the Policy, or (y) the next business day on which the Grantee is not otherwise prohibited from selling Shares in the open market, but in no event later than March 31st of year following the year in which applicable portion of the Shares of Restricted Stock vests.

9. Modification, Amendment, and Termination of Restricted Stock

This Award Agreement may not be modified, amended, terminated and no provision hereof may be waived in whole or in part except by a written agreement signed by the Company and the Grantee and no modification shall, without the consent of the Grantee, alter to the Grantee's material detriment or materially impair any rights of the Grantee under this Award Agreement except to the extent permitted under the Plan.

10. Notices

Unless otherwise provided herein, any notices or other communication given or made pursuant to the Notice, this Award Agreement or the Plan shall be in writing and shall be deemed to have been duly given (i) as of the date delivered, if personally delivered (including receipted courier service) or overnight delivery service, with confirmation of receipt; (ii) on the date the delivering party receives confirmation, if delivered by facsimile to the number indicated or by email to the address indicated or through an electronic administrative system designated by the Company; (iii) one (1) business day after being sent by reputable commercial overnight delivery service courier, with confirmation of receipt; or (iv) three (3) business days after being mailed by registered or certified mail, return receipt requested, postage prepaid and addressed to the intended recipient as set forth below:

(a) If to the Company at the address below:

Sachem Capital Corp.
698 Main Street
Branford, CT 06405
Attn: Peter Giannotti, Esq
Phone: 203-433-4736
Email: pgg@sachemcapitalcortp.com

With a copy to:

Kurzman Eisenberg Corbin & Lever, LLP
One N. Broadway, 12th Floor
White Plains, NY 10601
Attention: Joel J. Goldschmidt, Esq.
Phone: 914-286-6362
Email: jgoldschmidt@kelaw.com

(b) If to the Grantee, at the most recent address, facsimile number or email contained in the Company's records.

11. Award Agreement Subject to Plan and Applicable Law

This Award Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. A copy of the Plan is attached hereto. Any provision of this Award Agreement inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. The Plan shall control in the event there shall be any conflict between the Plan, the Notice, and this Award Agreement, and it shall control as to any matters not contained in this Award Agreement. The Committee shall have authority to make constructions of this Award Agreement, and to correct any defect or supply any omission or reconcile any inconsistency in this Award Agreement, and to prescribe rules and regulations relating to the administration of this Award and other Awards granted under the Plan.

This Award Agreement shall be governed by the laws of the State of New York without regard to the conflicts of law principles thereof, and subject to the exclusive jurisdiction of the courts therein. The Grantee hereby consents to personal jurisdiction in any action brought in any court, federal or state, within the State of New York having subject matter jurisdiction in the matter.

12. Section 409A

The Restricted Stock is intended to be exempt from Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and, accordingly, to the maximum extent permitted, this Award Agreement shall be interpreted to be exempt from Section 409A of the Code or, if not exempt, in compliance therewith. Nothing contained herein shall constitute any representation or warranty by the Company regarding compliance with Section 409A of the Code. The Company shall have no obligation to take any action to prevent the assessment of any additional income tax, interest or penalties under Section 409A of the Code on any Person and the Company, its Subsidiaries and Affiliates, and each of their respective employees and representatives, shall have no liability to the Grantee with respect thereto.

13. Headings and Capitalized Terms

Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings set forth in the Plan. Headings are for convenience only and are not deemed to be part of this Award Agreement. Unless otherwise indicated, any reference to a Section herein is a reference to a Section of this Award Agreement.

14. Severability and Reformation

If any provision of this Award Agreement shall be determined by a court of law of competent jurisdiction to be unenforceable for any reason, such unenforceability shall not affect the enforceability of any of the remaining provisions hereof; and this Award Agreement, to the fullest extent lawful, shall be reformed and construed as if such unenforceable provision, or part thereof, had never been contained herein, and such provision or part thereof shall be reformed or construed so that it would be enforceable to the maximum extent legally possible.

15. Binding Effect

This Award Agreement shall be binding upon the parties hereto, together with their personal executors, administrator, successors, personal representatives, heirs and permitted assigns.

16. Entire Agreement

This Award Agreement, together with the Plan, supersedes all prior written and oral agreements and understandings among the parties as to its subject matter and constitutes the entire agreement of the parties with respect to the subject matter hereof. If there is any conflict between the Notice, this Award Agreement and the Plan, then the applicable terms of the Plan shall govern.

17. Waiver

Waiver by any party of any breach of this Award Agreement or failure to exercise any right hereunder shall not be deemed to be a waiver of any other breach or right whether or not of the same or a similar nature. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such rights continues.

Exhibit A

PARACHUTE TAX PROVISIONS

This Exhibit A sets forth the terms and provisions applicable to the Grantee pursuant to the provisions of Section 7 of the Award Agreement. This Exhibit A shall be subject in all respects to the terms and conditions of the Award Agreement.

(a) To the extent that the Grantee, would otherwise be eligible to receive a payment or benefit pursuant to the terms of this Award Agreement, any employment or other agreement with the Company or any Subsidiary or otherwise in connection with, or arising out of, the Grantee's employment with the Company or a change in ownership or effective control of the Company or of a substantial portion of its assets (any such payment or benefit, a "Parachute Payment"), that a nationally recognized United States public accounting firm selected by the Company (the "Accountants") determines, but for this sentence would be subject to excise tax imposed by Section 4999 of the Code (the "Excise Tax"), subject to clause (c) below, then the Company shall pay to the Grantee whichever of the following two alternative forms of payment would result in the Grantee's receipt, on an after-tax basis, of the greater amount of the Parachute Payment notwithstanding that all or some portion of the Parachute Payment may be subject to the Excise Tax: (1) payment in full of the entire amount of the Parachute Payment (a "Full Payment"), or (2) payment of only a part of the Parachute Payment so that the Grantee receives the largest payment possible without the imposition of the Excise Tax (a "Reduced Payment").

(b) If a reduction in the Parachute Payment is necessary pursuant to clause (a), then the reduction shall occur in the following order: (1) cancellation of acceleration of vesting on any equity awards for which the exercise price exceeds the then fair market value of the underlying equity; (2) reduction of cash payments (with such reduction being applied to the payments in the reverse order in which they would otherwise be made, that is, later payments shall be reduced before earlier payments); and (3) cancellation of acceleration of vesting of equity awards not covered under (1) above; provided, however, that in the event that acceleration of vesting of equity awards is to be cancelled, acceleration of vesting of full value awards shall be cancelled before acceleration of options and stock appreciation rights and within each class such acceleration of vesting shall be cancelled in the reverse order of the date of grant of such equity awards, that is, later equity awards shall be canceled before earlier equity awards; and provided, further, that to the extent permitted by Code Section 409A and Sections 280G and 4999 of the Code, if a different reduction procedure would be permitted without violating Code Section 409A or losing the benefit of the reduction under Sections 280G and 4999 of the Code, the Grantee may designate a different order of reduction.

(c) For purposes of determining whether any of the Parachute Payments (collectively the "Total Payments") will be subject to the Excise Tax and the amount of such Excise Tax, (i) the Total Payments shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless and except to the extent that, in the opinion of the Accountants, such Total Payments (in whole or in part): (1) do not constitute "parachute payments," including giving effect to the

recalculation of stock options in accordance with Treasury Regulation Section 1.280G-1, Q&A 33, (2) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the “base amount” or (3) are otherwise not subject to the Excise Tax, and (ii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

(d) All determinations hereunder shall be made by the Accountants, which determinations shall be final and binding upon the Company and the Grantee.

(e) The federal tax returns filed by the Grantee (and any filing made by a consolidated tax group which includes the Company) shall be prepared and filed on a basis consistent with the determination of the Accountants with respect to the Excise Tax payable by the Grantee. The Grantee shall make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his or her federal income tax return as filed with the Internal Revenue Service, and such other documents reasonably requested by the Company, evidencing such payment (provided that the Grantee may delete information unrelated to the Parachute Payment or Excise Tax and provided, further that the Company at all times shall treat such returns as confidential and use such return only for purpose contemplated by this paragraph).

(f) In the event of any controversy with the Internal Revenue Service (or other taxing authority) with regard to the Excise Tax, the Grantee shall permit the Company to control issues related to the Excise Tax (at its expense), provided that such issues do not potentially materially adversely affect the Grantee but the Grantee shall control any other issues. In the event that the issues are interrelated, the Grantee and the Company shall in good faith cooperate so as not to jeopardize resolution of either issue. In the event of any conference with any taxing authority as to the Excise Tax or associated income taxes, the Grantee shall permit the representative of the Company to accompany the Grantee, and the Grantee and his representative shall cooperate with the Company and its representative.

(g) The Company shall be responsible for all charges of the Accountants.

(h) The Company and the Grantee shall promptly deliver to each other copies of any written communications, and summaries of any verbal communications, with any taxing authority regarding the Excise Tax covered by this Exhibit A.

(i) Nothing in this Exhibit A is intended to violate the Sarbanes-Oxley Act of 2002 and to the extent that any advance or repayment obligation hereunder would do so, such obligation shall be modified so as to make the advance a nonrefundable payment to the Grantee and the repayment obligation null and void.

(j) Notwithstanding the foregoing, any payment or reimbursement made pursuant to this Exhibit A shall be paid to the Grantee promptly and in no event later than the end of the calendar year next following the calendar year in which the related tax is paid by the Grantee or where no taxes are required to be remitted, the end of the Grantee’s calendar year following the

Grantee's calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation.

(k) The provisions of this Exhibit A shall survive the termination of the Grantee's employment with the Company for any reason and the termination of the Award Agreement.

**FINAL FORM
OF
SACHEM CAPITAL CORP.
2016 EQUITY COMPENSATION PLAN
NOTICE OF GRANT**

Sachem Capital Corp., a New York corporation (the "Company"), hereby grants to the Grantee set forth below (the "Grantee") restricted common shares of the Company (the "Restricted Stock"), pursuant to the terms and conditions of this Notice of Grant (the "Notice"), the Restricted Stock Award Agreement attached hereto as Exhibit A (the "Award Agreement") and the Sachem Capital Corp. 2016 Equity Compensation Plan (the "Plan"). Capitalized terms used but not defined herein shall have the meaning attributed to such terms in the Award Agreement or, if not defined therein, in the Plan, unless the context requires otherwise. Each share of Restricted Stock represents one common share of the Company (each a "Share" and, collectively, the "Shares"), subject to the terms and conditions set forth in the Award Agreement.

Date of Grant:	February 9, 2023
Name of Grantee:	John E. Warch
Number of Shares of Restricted Stock:	8,000
Lapse of Restrictions/Vesting:	The Restricted Stock shall vest pursuant to the terms and conditions set forth in Section 3 of the Award Agreement.
Vesting Start Date	February 9, 2023

The grant of Restricted Stock shall be subject to the execution and return of this Notice by the Grantee to the Company no later than 5:00 p.m. Eastern Daylight Time, February 15, 2023 (including by utilizing an electronic signature and/or web-based approval and notice process or any other process as may be authorized by the Company). By executing this Notice, the Grantee acknowledges that his or her agreement to the covenants set forth in Section 5 of the Award Agreement is a material inducement to the Company in granting this Award to the Grantee.

This Notice may be executed by facsimile or electronic means (including, without limitation, PDF) and in one or more counterparts, each of which shall be considered an original instrument, but all of which together shall constitute one and the same agreement and shall become binding when one or more counterparts have been signed by each of the parties hereto and delivered to the other party hereto.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Notice of Grant as of the Date of Grant set forth above.

SACHEM CAPITAL CORP.

By: _____

Name: John L. Villano

Title: Chief Executive Officer

JOHN E. WARCH

Exhibit A

**SACHEM CAPITAL CORP.
2016 EQUITY COMPENSATION PLAN
RESTRICTED STOCK
AWARD AGREEMENT**

THIS RESTRICTED STOCK AWARD AGREEMENT (the “Award Agreement”) is entered into by and among Sachem Capital Corp., a New York corporation (the “Company”), and the individual set forth on the signature page to that certain Notice of Grant (the “Notice”) to which this Award Agreement is attached. The terms and conditions of the Restricted Stock granted hereby, to the extent not controlled by the terms and conditions contained in the Plan, shall be as set forth in the Notice and this Award Agreement. Capitalized terms used but not defined herein shall have the meaning attributed to such terms in the Notice or, if not defined therein, in the Plan, unless the context requires otherwise.

1. No Right to Continued Employee Status or Consultant Service

Nothing contained in this Award Agreement shall confer upon the Grantee the right to the continuation of his or her employee status or to interfere with the right of the Company or any of its Subsidiaries or other affiliates to terminate the Grantee’s employment.

2. Term of Restricted Stock Award

This Award Agreement shall remain in effect until all the transfer restrictions on the Restricted Stock have fully lapsed and the underlying Shares have vested or been forfeited by the Grantee as provided in this Award Agreement.

3. Lapse of Restrictions and Vesting of Restricted Stock

Subject to the remainder of this Section 3, the Transfer Restrictions on the Restricted Stock will lapse and the Restricted Stock granted hereunder will vest in accordance with the following schedule, subject to the Grantee’s employment not having terminated prior to such applicable anniversary, such that all the Shares (100%) shall be fully vested upon February 9, 2025:

Vesting Percentage	Vesting Date
33.33%	February 9, 2023
33.33%	February 9, 2024
33.34%	February 9, 2025

If the Grantee’s employment terminates for any reason, any Shares for which the Transfer Restrictions have not lapsed and which have not vested as of such date shall be forfeited by the Grantee upon such termination without consideration.

4. Issuance of Shares; Rights as a Stockholder

(a) The Grantee shall have all rights of a stockholder with respect to the Restricted Stock as of the issuance of the Date of Grant and the entry of the Grantee's name as a shareholder of record on the books of the Company (which shall be recorded as soon as reasonably practicable after the Date of Grant), including the right to vote in respect of the Restricted Stock and the right to dividends payable with respect to the Restricted Stock (in each case, irrespective of whether such Restricted Stock is considered vested or unvested at the time of such dividend). Notwithstanding the foregoing, prior to the vesting of the Restricted Stock pursuant to Section 3, the Grantee shall not be entitled to transfer, sell, pledge, hypothecate or assign the Restricted Stock (collectively, the "Transfer Restrictions") and the Restricted Stock will be subject to forfeiture as provided in Section 5.

(b) The Plan provides for each certificate representing Restricted Stock to bear a legend. The Company need not register a transfer of the Restricted Stock and may also instruct its transfer agent not to register the transfer of the Restricted Stock unless the conditions specified in any legends are satisfied.

5. Prohibited Activities

(a) **Right to Terminate Restricted Stock and Recovery.** The Grantee understands and agrees that the Company has granted the Restricted Stock to the Grantee to reward the Grantee for the Grantee's future efforts and loyalty to the Company and its affiliates by giving the Grantee the opportunity to participate in the potential future appreciation of the Company. Accordingly, if (a) the Grantee materially violates any Company policy relating to the non-disclosure or non-use of confidential or proprietary information, (b) the Grantee materially breaches or violates any Company policy relating to non-disparagement, (c) the Grantee engages in any activity prohibited by Section 7 of this Award Agreement, (d) the Grantee materially breaches or violates any Company policy regarding non-solicitation of customers or clients, employees, vendors or other persons with whom the Company transacts business, (e) the Grantee breaches or violates any non-competition obligations pursuant to any Company policy, or (f) the Grantee is convicted of a felony against the Company or any of its affiliates, then, in addition to any other rights and remedies available to the Company, the Company shall be entitled, at its option, exercisable by written notice, to terminate the Restricted Stock (including the vested portion of the Restricted Stock) without consideration, and such Restricted Stock will be terminated and of no further force and effect (collectively, the "Restrictive Covenants").

(b) **Other Remedies.** The Grantee specifically acknowledges and agrees that its remedies under this Section 5 shall not prevent the Company or any Subsidiary from seeking injunctive or other equitable relief in connection with the Grantee's breach of any Restrictive Covenant. In the event that the provisions of this Section 5 should ever be deemed to exceed the limitation provided by applicable law, then the Grantee and the Company agree that such provisions shall be reformed to set forth the maximum limitations permitted.

6. Taxation Upon Vesting of the Restricted Stock; Tax Withholding

(a) The Grantee understands that the Grantee will recognize income, for Federal, state and local income tax purposes, as applicable, in respect of the vesting of the Restricted Stock vesting on each applicable vesting date. By acceptance of this grant of Restricted Stock, the Grantee agrees to report the relevant amount of income attributable to the grant of the Restricted Stock in accordance with then applicable law and to cooperate with the Company in establishing the amount of such income and corresponding deduction to the Company for its income tax purposes.

(b) Grantee understands that the Restricted Stock are subject to Section 83 of the Internal Revenue Code of 1986, as amended ("Section 83"), and that the Grantee will be taxed on the value of the Restricted Stock at ordinary income tax rates on the date that such Restricted Stock are transferable and no longer subject to a "substantial risk of forfeiture" (as defined in Section 83). The Grantee further understands that he or she may make an election under Section 83(b) to have all the Restricted Stock taxed as ordinary income on the Date of Grant based on the fair market value of the Shares on such date without regard to the fact that the Restricted Stock are nontransferable and subject to forfeiture and that if he or she chooses to make such an election, it must be made within thirty (30) days of the Date of Grant. Grantee acknowledges that the Company is not rendering any tax advice to the Grantee and that he or she has been advised by the Company to consult with his or her personal tax advisor regarding the income tax consequences associated with the grant of the Restricted Stock.

(c) The Grantee is responsible for all tax obligations that arise as a result of the vesting of the Restricted Stock. The Company may withhold from any amount payable to the Grantee an amount sufficient to cover any Federal, state or local withholding taxes which may become required with respect to such vesting or take any other action it deems necessary to satisfy any income or other tax withholding requirements as a result of the vesting of the Restricted Stock. The Company shall have the right to require the payment of any such taxes and require that the Grantee, or the Grantee's beneficiary, to furnish information deemed necessary by the Company to meet any tax reporting obligation pursuant to vesting of Restricted Stock. The Grantee may pay his or her withholding tax obligation in connection with the vesting of Restricted Stock, by making a cash payment to the Company. In addition, the Committee, in its sole discretion, may allow the Grantee, to pay his or her withholding tax obligation in connection with the vesting of the Restricted Stock, by (x) surrendering Shares pursuant to the grant of Restricted Stock or (z) surrendering other Shares that have been held by the Grantee for at least six (6) months (or such lesser period as may be permitted by the Committee) prior to the vesting of the Restricted Stock, in each case having an aggregate Fair Market Value equal to the withholding taxes.

(d) In connection with the grant of the Restricted Stock, the parties wish to memorialize their agreement regarding the treatment of any potential golden parachute payments as set forth in Exhibit A attached hereto.

7. Securities Laws

(a) Upon the acquisition of the Restricted Stock pursuant to this Award Agreement, the Grantee will make such written representations, warranties, and agreements as the Committee may reasonably request to comply with securities laws or with this Award Agreement. Grantee hereby agrees not to offer, sell or otherwise attempt to dispose of the Restricted Stock in any way which would: (x) require the Company to file any registration statement with the Securities and Exchange Commission (or any similar filing under state law or the laws of any other county) or to amend or supplement any such filing or (y) violate or cause the Company to violate the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, or any other Federal, state or local law, or the laws of any other country. The Company reserves the right to place restrictions on any Restricted Stock the Grantee receives pursuant to this Award Agreement.

(b) Notwithstanding anything to the contrary herein, in the event that (i) the Grantee is subject to the Company's insider trading policy, including any policy permitting officers and directors to sell Shares only during certain "window" periods, in effect from time to time (collectively, the "Policy") or the Grantee is otherwise prohibited from selling Shares in the public market and any Restricted Stock for which the Transfer Restrictions are scheduled to lapse and Restricted Stock scheduled to vest (the "Original Vesting Date") that (A) does not occur during an open "window period" applicable to the Grantee or on a day on which the Grantee is permitted to sell Shares underlying any portion of the Restricted Stock that has vested pursuant to a written plan that meets the requirements of Rule 10b5-1 under the Exchange Act, as determined by the Company in accordance with the Policy, as applicable, or (B) does not occur on a date when the Grantee is otherwise permitted to sell Shares on the open market, and (ii) the Company elects not to satisfy the Grantee's tax withholding obligations by the Grantee surrendering Shares to the Company, then such restrictions shall not lapse and such Restricted Stock shall not vest on such Original Vesting Date and shall instead be deemed to be vested, as applicable, on (x) the first business day of the next occurring open "window period" applicable to the Grantee pursuant to the Policy, or (y) the next business day on which the Grantee is not otherwise prohibited from selling Shares in the open market, but in no event later than March 31st of year following the year in which applicable portion of the Restricted Stock vests.

8. Modification, Amendment, and Termination of Restricted Stock

This Award Agreement may not be modified, amended, terminated and no provision hereof may be waived in whole or in part except by a written agreement signed by the Company and the Grantee and no modification shall, without the consent of the Grantee, alter to the Grantee's material detriment or materially impair any rights of the Grantee under this Award Agreement except to the extent permitted under the Plan.

9. Notices

Unless otherwise provided herein, any notices or other communication given or made pursuant to the Notice, this Award Agreement or the Plan shall be in writing and shall be deemed to have been duly given (i) as of the date delivered, if personally delivered (including receipted courier

service) or overnight delivery service, with confirmation of receipt; (ii) on the date the delivering party receives confirmation, if delivered by facsimile to the number indicated or by email to the address indicated or through an electronic administrative system designated by the Company; (iii) one (1) business day after being sent by reputable commercial overnight delivery service courier, with confirmation of receipt; or (iv) three (3) business days after being mailed by registered or certified mail, return receipt requested, postage prepaid and addressed to the intended recipient as set forth below:

- (a) If to the Company at the address below:

Sachem Capital Corp.
698 Main Street
Branford, CT 06405
Attn: John L. Villano
Phone: 203-433-4736
Email: jlv@sachemcapitalcorp.com

With a copy to:

Kurzman Eisenberg Corbin & Lever, LLP
One N. Broadway, 12th Floor
White Plains, NY 10601
Attention: Joel J. Goldschmidt, Esq.
Phone: 914-286-6362
Email: jgoldschmidt@kelaw.com

- (b) If to the Grantee, at the most recent address, facsimile number or email contained in the Company's records.

10. Award Agreement Subject to Plan and Applicable Law

This Award Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. The Plan shall control in the event there shall be any conflict between the Plan, the Notice, and this Award Agreement, and it shall control as to any matters not contained in this Award Agreement. The Committee shall have authority to make constructions of this Award Agreement, and to correct any defect or supply any omission or reconcile any inconsistency in this Award Agreement, and to prescribe rules and regulations relating to the administration of this Award Agreement and other Awards granted under the Plan.

This Award Agreement shall be governed by the laws of the State of New York without regard to the conflicts of law principles thereof, and subject to the exclusive jurisdiction of the courts therein. The Grantee hereby consents to personal jurisdiction in any action brought in any court, federal or state, within the State of New York having subject matter jurisdiction in the matter.

11. Section 409A

The Restricted Stock is intended to be exempt from Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and, accordingly, to the maximum extent permitted, this Award Agreement shall be interpreted to be exempt from Section 409A of the Code or, if not exempt, in compliance therewith. Nothing contained herein shall constitute any representation or warranty by the Company regarding compliance with Section 409A of the Code. The Company shall have no obligation to take any action to prevent the assessment of any additional income tax, interest or penalties under Section 409A of the Code on any Person and the Company, its Subsidiaries and affiliates, and each of their respective employees and representatives, shall have no liability to the Grantee with respect thereto.

12. Headings and Capitalized Terms

Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings set forth in the Plan. Headings are for convenience only and are not deemed to be part of this Award Agreement. Unless otherwise indicated, any reference to a Section herein is a reference to a Section of this Award Agreement.

13. Severability and Reformation

If any provision of this Award Agreement shall be determined by a court of law of competent jurisdiction to be unenforceable for any reason, such unenforceability shall not affect the enforceability of any of the remaining provisions hereof; and this Award Agreement, to the fullest extent lawful, shall be reformed and construed as if such unenforceable provision, or part thereof, had never been contained herein, and such provision or part thereof shall be reformed or construed so that it would be enforceable to the maximum extent legally possible.

14. Binding Effect

This Award Agreement shall be binding upon the parties hereto, together with their personal executors, administrator, successors, personal representatives, heirs and permitted assigns.

15. Entire Agreement

This Award Agreement, together with the Plan, supersedes all prior written and oral agreements and understandings among the parties as to its subject matter and constitutes the entire agreement of the parties with respect to the subject matter hereof. If there is any conflict between the Notice, this Award Agreement and the Plan, then the applicable terms of the Plan shall govern.

16. Waiver

Waiver by any party of any breach of this Award Agreement or failure to exercise any right hereunder shall not be deemed to be a waiver of any other breach or right whether or not of the same or a similar nature. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such rights continues.

SEPARATION AGREEMENT AND GENERAL RELEASE

SACHEM CAPITAL CORP., a New York corporation (“**Company**”) and JOHN E. WARCH (“**Employee**”) agree to enter into this SEPARATION AGREEMENT AND GENERAL RELEASE dated as of May 5, 2023 as follows:

WHEREAS, Company and Employee have entered into an Employment Agreement, dated as of July 26, 2022, pursuant to which Company hired Employee as its Chief Financial Officer (the “**Employment Agreement**”); and

WHEREAS, Company has decided to terminate Employee’s employment with Company.

NOW, THEREFORE, subject to the terms and conditions set forth in this Separation Agreement and General Release (“**Agreement**”), Company and Employee hereby mutually agree as follows:

1. Last Day of Employment.

Employee’s last day of employment with Company is May 4, 2023 (the “**Termination Date**”).

2. Consideration.

In consideration for the execution by Employee of this Agreement and Employee’s fulfillment of the promises contained herein Company agrees:

- (a) To pay Employee ten (10) days base salary in consideration of Employee’s Agreement to waive his right to notice as required by Paragraph 6(e) of the Employment Agreement, which amount shall be payable on Company’s next usual payroll date following the expiration of seven (7) days after receipt by Company of this Agreement executed by Employee;
- (b) To pay the Employee his accrued but unpaid base salary up to the Termination Date;
- (c) To pay Employee six (6) months of base salary in the aggregate amount of One Hundred Sixty Two Thousand Five Hundred Dollars (\$162,500.00), less lawful deductions (the “**Severance**”), which Severance shall be payable over six (6) months in equal increments commencing with Company’s next usual payroll date following the expiration of seven (7) days after receipt by Company of this Agreement executed by Employee;
- (d) To pay COBRA on Employee’s behalf for six (6) months following the Termination Date; and

- (e) Not to bring any action against Employee for any action committed by Employee up to the date of Employee's execution of this Agreement, except to the extent such action constitutes gross negligence, willful misconduct, fraud or a felony crime.

3. No Other Severance Benefits or Consideration.

Employee acknowledges and agrees that Employee is not entitled to any severance benefits or other payments to which he may otherwise be entitled under the Employment Agreement or under any agreement (including this Agreement), plan, program or arrangement maintained by Company, or consideration of any other kind except for Employee's execution of this Agreement and the fulfillment of the promises set forth herein. Employee further agrees and acknowledges that any and all unvested restricted common shares of Company previously awarded to Employee are hereby forfeited forever.

4. General Release of Claim.

By entering into this Agreement, Employee and Employee's heirs, executors, administrators, successors and assigns hereby knowingly, voluntarily and completely release and forever discharges Company and any and all of Company's subsidiaries, parents, branches, divisions, affiliates, related entities, predecessor entities, present and former officers, directors, employees, fiduciaries and agents (collectively the "**Released Parties**"), individually and in their official capacities, of and from all causes of action, claims, damages, judgments or agreements of any kind, known or unknown, including, but not limited to, all matters arising out of Employee's employment or business dealings with any of the Released Parties and the cessation thereof, including, but not limited to, any alleged violation of:

- The National Labor Relations Act;
- Title VII of the Civil Rights Act of 1964;
- The Civil Rights Act of 1991, as amended;
- Sections 1981 through 1988 of Title 42 of the United States Code;
- The Employee Retirement Income Security Act of 1974;
- The Age Discrimination in Employment Act of 1967;
- The Immigration Reform Control Act;
- The Americans with Disabilities Act of 1990;
- The Federal Rehabilitation Act of 1973, as amended;
- The Older Worker Benefit Protection Act, as amended;
- The Occupational Safety and Health Act;
- The Family and Medical Leave Act of 1993;
- The Equal Pay Act, as amended;
- All Connecticut State Laws, including but not limited to:
- The Connecticut Human Rights and Opportunities Act;
- The Connecticut Statutory Provision Regarding Retaliation/Discrimination for Filing a Workers Compensation Claim;

- The Connecticut Equal Pay Law;
- The Connecticut Family and Medical Leave Law;
- The Connecticut Drug Testing Law;
- The Connecticut Whistleblower Law;
- The Connecticut AIDS Testing and Confidentiality Law;
- The Connecticut Age Discrimination and Employee Benefits Law;
- The Connecticut Reproductive Hazards Law;
- The Connecticut Smoking Outside the Workplace Law;
- The Connecticut Electronic Monitoring of Employees;
- The Connecticut Wage Hour and Wage Payment Laws, as amended;
- Connecticut Paid Sick Leave Law; and
- Connecticut OSHA, as amended;
- any other federal, state or local civil or human rights, tort or defamation laws, or any other local, state or federal law, regulation or ordinance;
- any public policy, contract, tort, or common law; or
- any allegation for costs, fees, or other expenses including attorneys' fees incurred in these matters.

5. No Claims Exist.

Employee confirms that no claim, charge, complaint, or action instituted by Employee exists in any forum or form against Company. Employee will not in the future file any claim, charge, complaint or action against Company before any federal, state or local court or agency. In the event that any such claim, charge, complaint or action is filed by another entity or person(s) against Company on your behalf, (i) Employee shall not be entitled to recover any relief or recovery there from including costs and attorney's fees and (ii) Employee shall pay all costs and expenses of defending such action incurred by Company including reasonable attorney's fees to the extent permitted by applicable federal law.

Employee affirms Employee has no known workplace injuries or occupational diseases and has been provided and/or has not been denied any leave requested under the Family Medical Leave Act.

6. No Participation In Claims.

Employee understands that if this Agreement were not signed, Employee would have the right to voluntarily assist other individuals or entities in bringing claims against Company. Employee hereby waives that right and Employee will not provide any such assistance other than assistance in an investigation or proceeding conducted by the Equal Employment Opportunity Commission or other agency of the United States government.

7. No Future Application for Employment.

Employee acknowledges that because of circumstances unique to Employee, including, but not limited to irreconcilable differences with Company, Employee is not qualified to hold any position with Company now or in the future and Employee shall not apply in the future for employment with Company.

8. Return of Property.

Contemporaneously with the delivery of this executed Separation Agreement, Employee shall return to Company all documents and materials that relate to Company, and any property of Company in Employee's possession or control.

9. Nonadmission of Wrongdoing.

The parties understand and agree that neither the making of this Agreement nor anything contained herein shall in any way be construed or considered as an admission on the part of Company regarding any liability, wrongdoing, or unlawful conduct of any kind.

10. Non-Disclosure.

Employee agrees that Employee will not disclose the terms of this Agreement to any third party other than Employee's immediate family, attorney, accountants, or other consultants or advisors, except as may be required by any governmental authority; provided that any such persons agree that they will be bound by the non-disclosure requirements of this provision and that any breach by a third party will be considered to be a breach by Employee.

11. Breach of this Agreement.

Employee agrees that if Employee breaches any of the promises set forth in this Agreement or if Employee challenges this Agreement and General Release, Company will have the right to terminate the payments described in Paragraph 2 and/or seek restitution in connection therewith without otherwise affecting the terms of the General Release.

12. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut applicable to agreements made and to be performed in that State, without regard to its conflict of laws provisions. If any provision of the Agreement is deemed legally or factually invalid or unenforceable to any extent or in any application, then the remainder of the provision and the Agreement, except to such extent or in such application, shall not be affected, and each and every provision of the Agreement shall be valid and enforceable to the fullest extent and in the broadest application permitted by law.

13. Entire Agreement.

This Agreement shall supersede any and all existing oral or written agreements between Employee and Company and any representations, or warranties of Company or its present or former affiliates or subsidiaries. Employee acknowledges that he has not relied on any representations, promises, or agreements of any kind made to Employee in connection with Employee's decision to sign this Agreement, except for those set forth in this Agreement. Notwithstanding the foregoing, Employee

shall remain bound by the terms of the Restrictive Covenants and Confidentiality provisions set forth in Exhibit 2 to the Employment Agreement.

14. Right to Revoke.

Employee acknowledges that Employee has been advised to consult with an independent attorney of Employee's own choosing prior to signing and accepting this Agreement. Employee also understands Employee has twenty-one (21) days to consider this Agreement before signing it.

In addition, Employee has the right to revoke this Agreement at any time during the seven (7) day period following the date on which Employee first signs the Agreement. If Employee wants to revoke, Employee must make a revocation in writing which states: "I hereby revoke my acceptance of the Separation Agreement and General Release". This written revocation must be delivered by hand or sent by certified mail with a postmark dated before the end of the seven-day revocation period to Sachem Capital Corp., 568 East Main Street, Branford, Connecticut 06405, Attention: John L. Villano, CEO, otherwise the revocation will not be effective.

15. Effective Date.

This Agreement shall not become effective or enforceable until the expiration of the 7-day revocation period described in Section 14 above.

16. Non-Disparagement.

- (a) Employee agrees that Employee will not, without the prior written consent of Company, make or cause to be made any oral or written statements to any person, firm, corporation or governmental or other entity which reflect negatively on Company or any of its direct or indirect parents, subsidiaries, affiliates, related companies, successors and assigns, or on its and their directors, officers, members and employees, or which could reasonably be understood to be detrimental to the business interests of Company or any of its direct and indirect parents, subsidiaries, affiliates, related companies, successors and assigns, or to its and their directors, officers, member and employees, provided that nothing herein shall restrict Employee from making any statement in response to an inquiry from any governmental entity, pursuant to subpoena, or as may otherwise be required by law, provided Employee immediately gives notice to Company of such inquiry and shall give Company the opportunity to challenge such disclosure.
- (b) Company agrees that Company will not make or cause to be made any oral or written statements that reflect negatively on Employee, provided that nothing herein shall restrict Company from making any statement, written or oral, in response to an inquiry from any governmental entity, pursuant to subpoena, or as may otherwise be required by any law, rule, regulation to which Company may be subject, or which the Company, upon the advice of counsel is reasonable, necessary or advisable to protect the reputation or business of Company.

17. **Miscellaneous.**

- (a) **Amendment.** This Agreement may not be amended except by a written agreement signed by the parties.
- (b) **Waiver.** The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.
- (c) **Headings.** Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Separation Agreement.
- (d) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

EMPLOYEE UNDERSTANDS THAT EMPLOYEE'S RIGHT TO RECEIVE BENEFITS SET FORTH IN THIS SEPARATION AGREEMENT IS SUBJECT TO EMPLOYEE'S COMPLIANCE WITH THE TERMS AND CONDITIONS SET FORTH IN THIS SEPARATION AGREEMENT AND THAT EMPLOYEE WOULD NOT RECEIVE SUCH BENEFITS BUT FOR EMPLOYEE'S EXECUTION OF THIS SEPARATION AGREEMENT.

EMPLOYEE ALSO UNDERSTANDS THAT BY SIGNING THIS SEPARATION AGREEMENT, EMPLOYEE WILL BE WAIVING EMPLOYEE'S RIGHTS UNDER FEDERAL, STATE AND LOCAL LAW TO BRING ANY CLAIMS THAT EMPLOYEE HAS OR MIGHT HAVE AGAINST THE RELEASED PARTIES. ***EMPLOYEE UNDERSTANDS THAT EMPLOYEE HAS 21 DAYS TO CONSIDER THIS SEPARATION AGREEMENT AND HAS BEEN ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO SIGNING THIS SEPARATION AGREEMENT.***

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

COMPANY:

SACHEM CAPITAL CORP.

By: /s/ John L. Villano

John L. Villano, Chief Executive Officer

Date: 05/05/2023

EMPLOYEE:

/s/ John E. Warch

John E. Warch

Date: 05/05/2023

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

I, John L. Villano, certify that:

1. I have reviewed this 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 15, 2023

/s/ John L. Villano

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

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

I, John L. Villano, certify that:

1. I have reviewed this 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 15, 2023

/s/John L. Villano

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

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 the quarterly report of Sachem Capital Corp. (the "Company") on Form 10-Q for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John L. Villano, President, Chief Executive Officer and Interim 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 15, 2023

/s/John L. Villano

John L. Villano, CPA

President, Chief Executive Officer and Interim Chief Financial Officer
(Principal Executive, Accounting and Financial 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.
