**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, 2022**

or

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

For the transition period from to

Commission File Number: **001-37997**

# SACHEM CAPITAL CORP.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☒ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

| Title of each class | Ticker symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Shares, par value $.001 per share | SACH | NYSE American LLC |
| 7.125% Notes due 2024 | SCCB | NYSE American LLC |
| 6.875% Notes due 2024 | SACC | NYSE American LLC |
| 7.75% Notes due 2025 | SCCC | NYSE American LLC |
| 6.00% Notes due 2026 | SCCD | NYSE American LLC |
| 6.00% Notes due 2026 | SCCE | NYSE American LLC |
| 7.75% Series A Cumulative Redeemable Preferred Stock, Liquidation Preference $25.00 per share | SACHPRA | NYSE American LLC |

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

**SACHEM CAPITAL CORP.**
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**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 a number of risks, uncertainties and assumptions. 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.**
**BALANCE SHEETS**

| | March 31, 2022 (unaudited) | December 31, 2021 (audited) |
|---|---|---|
| **Assets** | | |
| Assets: | | |
| Cash and cash equivalents | $ 57,863,469 | $ 41,938,897 |
| Investment securities | 35,510,232 | 60,633,661 |
| Mortgages receivable | 353,627,221 | 292,301,209 |
| Interest and fees receivable | 3,988,127 | 3,693,645 |
| Other receivables | 304,796 | 94,108 |
| Due from borrowers | 3,841,663 | 3,671,016 |
| Prepaid expenses | 229,071 | 271,291 |
| Property and equipment, net | 2,153,604 | 2,172,185 |
| Real estate owned | 6,312,818 | 6,559,010 |
| Investments in partnerships | 17,413,855 | 6,055,838 |
| Other assets | 364,208 | 306,440 |
| Deferred financing costs, net | 155,542 | 264,451 |
| Total assets | $ 481,764,606 | $ 417,961,751 |
| | | |
| **Liabilities and Shareholders' Equity** | | |
| Liabilities: | | |
| Notes payable (net of deferred financing costs of $7,226,079 and $5,747,387) | $ 209,050,671 | $ 160,529,363 |
| Repurchase facility | 26,945,149 | 19,087,189 |
| Mortgage payable | 750,000 | 750,000 |
| Line of credit | 23,279,364 | 33,178,031 |
| Accrued dividends payable | — | 3,927,600 |
| Accounts payable and accrued expenses | 512,473 | 501,753 |
| Advances from borrowers | 16,629,966 | 15,066,114 |
| Deferred revenue | 4,876,284 | 4,643,490 |
| Other notes | 24,294 | 30,921 |
| Accrued interest | 286,642 | 164,729 |
| Total liabilities | 282,354,843 | 237,879,190 |
| | | |
| Commitments and Contingencies | | |
| | | |
| Shareholders' equity: | | |
| Preferred shares - $.001 par value; 5,000,000 shares authorized; 1,903,000 shares of Series A Preferred Stock issued and outstanding | 1,903 | 1,903 |
| Common stock - $.001 par value; 100,000,000 shares authorized; 35,513,887 and 32,730,004 issued and outstanding | 35,514 | 32,730 |
| Paid-in capital | 201,168,304 | 185,516,394 |
| Accumulated other comprehensive loss | (233,208) | (476,016) |
| Accumulated deficit | (1,562,750) | (4,992,450) |
| Total shareholders' equity | 199,409,763 | 180,082,561 |
| Total liabilities and shareholders' equity | $ 481,764,606 | $ 417,961,751 |

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

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

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| **Revenue:** | | |
| Interest income from loans | $ 8,511,375 | $ 4,531,232 |
| Investment income | 271,472 | 242,691 |
| Income from partnership investments | 272,488 | 17,373 |
| Loss on sale of investment securities | (154,135) | (129,440) |
| Origination fees, net | 1,637,627 | 517,428 |
| Late and other fees | 128,864 | 35,929 |
| Processing fees | 65,855 | 35,975 |
| Rental income, net | 10,042 | 4,184 |
| Unrealized losses on investment securities | (1,052,230) | — |
| Other income | 610,017 | 456,809 |
| Total revenue | 10,301,375 | 5,712,181 |
| | | |
| **Operating costs and expenses:** | | |
| Interest and amortization of deferred financing costs | 3,898,389 | 2,464,755 |
| Professional fees | 230,715 | 231,756 |
| Compensation, fees and payroll taxes | 993,962 | 592,087 |
| Exchange fees | 12,329 | 12,329 |
| Other expenses and other taxes | 64,704 | 21,809 |
| Depreciation | 22,239 | 19,602 |
| General and administrative expenses | 401,233 | 159,608 |
| Loss on sale of real estate | 65,838 | 2,134 |
| Impairment loss | 260,500 | 25,000 |
| Total operating costs and expenses | 5,949,909 | 3,529,080 |
| Net income | 4,351,466 | 2,183,101 |
| Preferred stock dividend | (921,766) | — |
| Net income attributable to common shareholders | 3,429,700 | 2,183,101 |
| | | |
| **Other comprehensive loss** | | |
| Unrealized gain (loss) on investment securities | 242,808 | (7,494) |
| Comprehensive income | $ 3,672,508 | $ 2,175,607 |
| Basic and diluted net income per common share outstanding: | | |
| Basic | $ 0.10 | $ 0.10 |
| Diluted | $ 0.10 | $ 0.10 |
| | | |
| Weighted average number of common shares outstanding: | | |
| Basic | 34,892,883 | 22,138,006 |
| Diluted | 34,898,666 | 22,138,006 |

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

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

**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 Stock, 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 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 | 1,903,000 | $ 1,903 | 35,513,887 | $ 35,514 | $ 201,168,304 | $ (233,208) | $ (1,562,750) | $ 199,409,763 |

**FOR THE THREE MONTHS ENDED MARCH 31, 2021**

| | Preferred Stock | | Common Stock | | Additional Paid in Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit | Totals |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| Beginning balance, January 1, 2021 | — | — | 22,124,801 | $ 22,125 | $ 83,814,376 | $ (25,992) | $ (2,890,969) | $ 80,919,540 |
| Issuance of Common Stock, net of expenses | — | — | 303,407 | 303 | 1,542,162 | — | — | 1,542,465 |
| Stock based compensation | — | — | — | — | 4,107 | — | — | 4,107 |
| Unrealized loss on marketable securities | — | — | — | — | — | (7,494) | — | (7,494) |
| Net income for the period ended March 31, 2021 | — | — | — | — | — | — | 2,183,101 | 2,183,101 |
| Balance, March 31, 2021 | — | — | 22,428,208 | $ 22,428 | $ 85,360,645 | $ (33,486) | $ (707,868) | $ 84,641,719 |

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

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

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 4,351,466 | $ 2,183,101 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Amortization of deferred financing costs and bond discount | 469,251 | 244,105 |
| Write-off of deferred financing costs | — | 72,806 |
| Depreciation expense | 22,239 | 19,602 |
| Stock based compensation | 106,879 | 4,107 |
| Impairment loss | 260,500 | 25,000 |
| Loss on sale of real estate | 65,838 | 2,134 |
| Unrealized loss on investment securities | 1,052,230 | — |
| Loss on sale of investment securities | 154,135 | 129,440 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Interest and fees receivable | (395,924) | (62,544) |
| Other receivables | (210,688) | (345,905) |
| Due from borrowers | (292,302) | (499,376) |
| Prepaid expenses | 42,220 | (102,175) |
| (Decrease) increase in: | | |
| Accrued interest | 121,913 | (3,344) |
| Accounts payable and accrued expenses | 10,720 | 163,661 |
| Deferred revenue | 232,794 | 84,984 |
| Advances from borrowers | 1,563,852 | 873,460 |
| Total adjustments | 3,203,657 | 605,955 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 7,555,123 | 2,789,056 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investment securities | (27,545,183) | (22,755,450) |
| Proceeds from the sale of investment securities | 51,705,055 | 23,606,780 |
| Purchase of interests in investment partnerships, net | (11,358,017) | (1,843,398) |
| Proceeds from sale of real estate owned | 622,737 | 370,792 |
| Acquisitions of and improvements to real estate owned | (177,336) | (160,361) |
| Purchase of property and equipment | (3,658) | (35,867) |
| Principal disbursements for mortgages receivable | (88,735,230) | (31,661,577) |
| Principal collections on mortgages receivable | 27,106,768 | 30,506,173 |
| Costs in connection with investment activities | (57,768) | (98,210) |
| NET CASH USED FOR INVESTING ACTIVITIES | (48,442,632) | (2,071,118) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds from line of credit | — | 105,340 |
| Net proceeds from repurchase facility | 7,857,960 | — |
| Repayment of mortgage payable | — | (767,508) |
| Repayment of line of credit | (9,898,667) | — |
| Principal payments on notes payable | (6,627) | (5,632) |
| Dividends paid on Common Stock | (3,927,600) | (2,654,977) |
| Dividends paid on Preferred Stock | (921,766) | — |
| Proceeds from issuance of common shares, net of expenses | 15,547,815 | 1,542,465 |
| 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 (USED FOR) FINANCING ACTIVITIES | 56,812,081 | (1,780,312) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 15,924,572 | (1,062,374) |
| CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR | 41,938,897 | 19,408,028 |
| CASH AND CASH EQUIVALENTS - END OF PERIOD | $ 57,863,469 | $ 18,345,654 |

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

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION | | |
| Interest paid | $ 3,307,225 | $ 2,445,468 |

SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Real estate acquired in connection with the foreclosure of certain mortgages, inclusive of interest and other fees receivable, during the period ended March 31, 2022 amounted to $420,547.

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

**SACHEM CAPITAL CORP.**
**NOTES TO FINANCIAL STATEMENTS**
**MARCH 31, 2022**

**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 evaluated on each transaction. 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 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 financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021 and the notes thereto included in the Company's Annual Report on Form 10-K. Results of operations for the interim periods are not necessarily indicative of the operating results to be attained in the entire fiscal year.

*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 consider its experience, (b) the Company's 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.

*Allowance for Loan Loss*

The Company reviews each loan on a quarterly basis and evaluates the borrower's ability to pay the monthly interest, the borrower's likelihood of executing the original exit strategy, as well as the loan-to-value (LTV) ratio. Based on the analysis, management determines if any provisions for impairment of loans should be made and whether any loan loss reserves are required.

**SACHEM CAPITAL CORP.**
**NOTES TO FINANCIAL STATEMENTS**
**MARCH 31, 2022**

*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. The building is not currently being depreciated as it is undergoing renovations.

*Real Estate Owned*

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

*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 is 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.

**SACHEM CAPITAL CORP.**
**NOTES TO FINANCIAL STATEMENTS**
**MARCH 31, 2022**

*Deferred Financing Costs*

Costs incurred in connection with the Company's revolving credit facilities, described in Note 7-Line of Credit, Mortgage Payable and Churchill 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. Interest income not accrued at March 31, 2022 and collected prior to the issuance of this report is included in income for the period ended March 31, 2022.

Origination fee revenue, generally 1% – 3% of the original loan principal amount, 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 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.

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 financial statements as of March 31, 2022 and 2021.

*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.

**SACHEM CAPITAL CORP.**
**NOTES TO FINANCIAL STATEMENTS**
**MARCH 31, 2022**

*Investment Transactions and Related Income.*

Investment transactions are accounted for on a trade-date basis. Dividends are recorded on the ex-dividend date and interest is recognized on the accrual basis. Investment securities are marked-to-market. Unrealized gains and losses on investment securities with a stated maturity date are included in other comprehensive income (loss). All other unrealized gains and losses on investment securities are included in net income (loss).

*Recent Accounting Pronouncements*

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

### 3. Fair Value Measurement

The asset or liability's fair value measurement level within the fair value hierarchy 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, 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Stocks and ETFs | $ 20,137,864 | — | — | $ 20,137,864 |
| Mutual funds | 15,372,368 | — | — | 15,372,368 |
| Total liquid investments | $ 35,510,232 | — | — | $ 35,510,232 |
| Real estate owned | — | — | $ 6,207,818 | $ 6,207,818 |

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

*Stocks and ETFs:* Valued at the closing price reported in the active market in which the individual securities are traded.

*Mutual funds:* 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.

*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.

### 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 loans are secured by first mortgage liens on one or more properties owned by the borrower or related parties. 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.

For the three months ended March 31, 2022 and 2021, the aggregate amounts of loans funded by the Company were $88,735,230 and $31,661,577, respectively, offset by principal repayments of $27,304,218 and $30,506,173, respectively.

As of March 31, 2022, the Company's mortgage loan portfolio includes loans ranging in size up to $20,753,028 with stated interest rates ranging from 5.0% to 14.2%, and a default interest rate for non-payment of 18%.

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As of March 31, 2022 and 2021, the Company's mortgage loan portfolio had an impairment loss of $105,000 and $0, respectively.

At March 31, 2022 and 2021, 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.

*Credit Risk*

Credit risk profile based on loan activity as of March 31, 2022 and December 31, 2021:

| | Residential | Commercial | Land | Mixed Use | Total Outstanding Mortgages |
|---|---|---|---|---|---|
| December 31, 2021 | $ 157,841,896 | $ 95,319,795 | $ 20,755,891 | $ 18,383,627 | $ 292,301,209 |
| March 31, 2022 | $ 192,305,801 | $ 113,902,025 | $ 23,184,331 | $ 24,235,064 | $ 353,627,221 |

As of March 31, 2022, the following is the maturities of mortgages receivable as of March 31:

| | |
|---|---|
| 2022 | $ 205,001,324 |
| 2023 | 118,276,090 |
| 2024 | 29,266,818 |
| 2025 | 1,082,989 |
| Total | $ 353,627,221 |

At March 31, 2022, of the 520 mortgage loans in the Company's portfolio, 20 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, 2022 was approximately $6.3 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 March 31, 2022 approximately $27.2 million of mortgages receivable is past maturity and in the process of being extended.

**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, 2022 and March 31, 2021, real estate owned totaled $6,312,818 and $8,624,044, respectively , with no valuation allowance. For the three months ended March 31, 2022, the Company recorded an impairment loss of $155,500 compared to an impairment loss of $25,000 in 2021.

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.As of March 31, 2021, real estate owned included $1,381,687 of real estate held for rental and $7,242,357 of real estate held for sale.

*Properties Held for Sale*

During the three months ended March 31, 2022, the Company sold a property held for sale and recognized an aggregate loss of $65,838. During the three months ended March 31, 2021, the Company sold a property classified as real estate held for sale, receiving approximately $371,000 in gross proceeds. The Company recognized a loss of $2,134 on the sale.

*Properties Held for Rental*

As of March 31, 2022, one property, a commercial building, was held for rental. The tenant signed a5 year lease that commenced on August 1, 2021.

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

| | | |
|---|---|---|
| Year ending December 31, 2022 | $ | 53,200 |
| Year ending December 31, 2023 | | 53,200 |
| Year ending December 31, 2024 | | 53,200 |
| Year ending December 31, 2025 | | 53,200 |
| Total | $ | 212,800 |

## 6. Profit Sharing Plan

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 month ended March 31, 2022 and 2021, the 401(k) Plan expense was $19,993 and $12,744, respectively.

## 7. Line of Credit, Mortgage Payable, and Churchill 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 (1.75% at March 31, 2022). As of March 31, 2022 the total outstanding balance was $23,279,364.

*Mortgage Payable*

In 2021, the Company obtained a new adjustable-rate mortgage loan from New Haven Bank ("NHB") for up to a maximum principal amount of $1.4 million (the "NHB Mortgage") of which $750,000 is outstanding as of March 31, 2022. The NHB Mortgage accrues interest at an initial rate of 3.75% per annum for the first 72 months and is due and payable in full on December 1, 2037. During the first 12 months, from December 1, 2021 to November 30, 2022, only interest is due and payable. Beginning on December 1, 2022 and through December 1, 2037, principal and interest on the NHB Mortgage will be due and payable on a monthly basis. All payments under the NHB Mortgage are amortized based on a 20-year amortization schedule. The interest rate will be adjusted on each 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 is a non-recourse loan, secured by a first mortgage lien on the Company's current corporate headquarters, located at 698 Main Street, Branford, Connecticut, and future corporate headquarters, located at 568 East Main Street, Branford, Connecticut. The first $750,000 of proceeds from the NHB Mortgage were used to reimburse the Company for out-of-pocket costs relating to the acquisition of the East Main Street property. The balance of the loan will be used to reimburse the Company for the out-of-pocket costs incurred to renovate the East Main Street property. Upon completion of the renovation, and assuming the Company can provide NHB with an appraisal that the East Main Street property has a value of not less than $1.4 million, the first mortgage lien on the current corporate headquarters will be released.

*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 30-day LIBOR plus (b) 3%-4%, depending on the aggregate principal amount of the mortgage loans held by Churchill at that time. As of March 31, 2022 the effective rate charged under the Facility was 4.70%.

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.

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, 2022, the total amount outstanding under the Facility was $26,945,149 and the Company estimates that it had approximately $6.3 million of additional availability under the Facility. The collateral pledged to Churchill at March 31, 2022, was 25 mortgage loans that in the aggregate had unpaid principal balance of approximately $57.3 million.

The NHB Mortgage and the Churchill Facility contain cross-default provisions.

**8. Financing Transactions**

During the three month period ended March 31, 2022, the Company generated approximately $66.0 million of gross proceeds from the sale of its securities as follows:

(i) $50,000,000 from the sale of its 6.0% unsecured, unsubordinated notes due March 30, 2027 (the “March 2027 Note Offering”); and

(ii) $15,958,899 from the sale of 2,730,725 common shares in an “at-the-market” offering.

The net proceeds from the sale of these securities were used primarily to fund new mortgage loans, for working capital and general corporate purposes.

During the three month period ended March 31, 2021, the Company sold 303,407 common shares in an at-the-market offering. Net proceeds to the Company from the sale of these shares were $1,542,465.

**9. Notes Payable**

At March 31, 2022, the Company had an aggregate of $209,050,671 of unsecured, unsubordinated notes payable outstanding, net of $7,226,079 of deferred financing costs (collectively, the “Notes”). The Notes were issued in five series:

(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 December 30, 2024 (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”); and

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(v) Notes having an aggregate principal amount of $50,000,000 bearing interest at 6.0% per annum and maturing March 30, 2027 (the "March 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" and "SCCE", 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. The June 2024 Notes and the December 2024 Notes are callable at any time. The September 2025 Notes will be callable at any time after September 4, 2022, the December 2026 Notes will be callable at any time after December 30, 2023 and the March 2027 Notes will be callable at any time after March 9, 2024.

## 10. Other income

For the three months ended March 31, 2022 and 2021, other income consists of the following:

| | 2022 | 2021 |
|---|---|---|
| Income on borrower charges | $ 234,467 | $ 108,740 |
| Lender, modification and extension fees | 308,048 | 281,894 |
| In-house legal fees | 62,100 | 57,300 |
| Other income | 5,402 | 8,875 |
| Total | $ 610,017 | $ 456,809 |

## 11. Commitments and Contingencies

*Origination Fees*

Loan origination fees generally range from 1%-3% of the original loan principal and, generally, are payable at the time the loan is funded. These payments are amortized for financial statement purposes over the life of the loan and will be recorded as income as follows:

| | |
|---|---|
| Year ending December 31, 2022 | $ 3,783,645 |
| Year ending December 31, 2023 | 832,565 |
| Year ending December 31, 2024 | 260,074 |
| Total | $ 4,876,284 |

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.

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*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 to $360,000, and increased again in April 2021 to $500,000; (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; (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 2022, the Compenstion Committee increased Mr. Villano's base salary to $750,000.

In July 2020, the Company entered into an employment agreement with Peter Cuozzo, the material terms of which are as follows: (i) the agreement can be terminated by either party at any time upon delivery of written notice to the other party; (ii) a base salary of $250,000 per year; (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) subject to a covenant not to compete that continues for 18 months after termination unless he is terminated without "cause" prior to July 1, 2022; and (vii) severance pay equal to 18 months of his base compensation if he is terminated without cause, or if he terminates for good reason, prior to July 1, 2022. Mr. Cuozzo retired in January 2022 and waived all future benefits under his employment agreement and the Company agreed to pay on his behalf or reimburse him for the cost of health insurance for him and his spouse through September 30, 2025 and to accelerate the vesting of 4,753 common shares previously awarded to Mr. Cuozzo.

*Unfunded Commitments*

At March 31, 2022, the Company had future funding obligations totaling $115,441,853, which can be drawn by the borrowers when the conditions relating thereto have been satisfied.

*Other*

In the normal course of its business, the Company is named as a party-defendant because it is a mortgagee having interests in real properties that are being foreclosed upon, primarily resulting from unpaid property taxes. 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, 2022, there were nine such properties, representing approximately $810,000 of mortgages receivable.

**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, 2022, and 2021, loans to known shareholders totaled $15,594,572 and $10,589,641, respectively. Interest income earned on these loans totaled $347,638 and $231,609 for the three months ended March 31, 2022 and 2021, respectively.

The wife of the Company's chief executive officer is employed by the Company as its director of finance. For the three months ended March 31, 2022 and 2021, she received $27,500 and $28,206, 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, 2022, she received compensation of $27,500.

**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 47.3%), Florida (approximately 20.6%) and New York (approximately 13.4%). 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.

**14. Outstanding Warrants**

In 2017 the Company consummated two public offerings – an initial public offering ("IPO") in February and a follow-on offering in October-November. In connection with the IPO, the Company issued to the underwriters warrants to purchase an aggregate of 130,000 common shares at an exercise price of $6.25 per common share ("IPO Warrants"). The fair value of the IPO Warrants, using the Black-Scholes option pricing model, on the date of issuance was $114,926. The IPO Warrants expired unexercised on February 9, 2022.

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. These warrants expire on October 24, 2022. The fair value of these warrants, using the Black-Scholes option pricing model, on the date of issuance was $131,728. In Janaury 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. At March 31, 2022, 49,219 warrants were outstanding.

**15. 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, 2022 was 1,318,935.

In February 2022, the Company issued an aggregate of 33,500 restricted common shares under the Plan to 20 of its employees. One-third of such shares vested immediately upon issuance, and an additional one-third of such shares will vest on each of the first and second anniversaries of the date of grant.

Stock based compensation for the three months ended March 31, 2022 and 2021 was $106,845 and $4,107, respectively. As of March 31, 2022, there was unrecorded stock based compensation expense $732,928.

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**16. Equity Offerings**

On December 6, 2021, the Company filed a prospectus supplement to its Form S-3 Registration Statement covering the sale of up to $44,925,000 of its common shares in an "at-the market" offering, which is ongoing. During the three months ended March 31, 2022, the Company sold an aggregate of 2,730,725 common shares under this prospectus and realized net proceeds of $15,547,815 in connection therewith. At March 31, 2022, $22,118,520 of common shares were available for future sale under the ongoing "at-the market" offering.

**17. Partnership Investments**

As of March 31, 2022, the Company had invested an aggregate of approximately $17.4 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 companies and the investment partnership ranges from 7.6% - 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.

For the three months ended March 31, 2022, the partnerships generated $272,489 of income for the Company.

At March 31, 2022, the Company had unfunded partnership commitments totaling approximately $3.7 million.

**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, 2022, the Company had incurred approximately $364,000 of costs related to the preparation and filing of the registration statement, including legal fees, accounting fees and filing fees as well 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 of5,750,000 units at $10.00 per unit, or $57,500,000 in the aggregate. Each unit consists ofone share of Class A common stock andone-half of a warrant to purchase one share of Class A common stock.

**19. Series A Preferred Stock**

On June 25, 2021, the Company filed a Certificate of Amendment with the Department of State of the State of New York to designate1,955,000 shares of the Company's authorized preferred shares, par value $0.001 per share, as shares of Series A Preferred Stock with the powers, designations, preferences and other rights as set forth therein (the "Certificate of Amendment"). The Certificate of Amendment provides that the Company will pay quarterly cumulative dividends on the Series A Preferred Stock, in arrears, on the 30th day of each of September, December, March and June from, and including, the date of original issuance of the Series A Preferred Stock 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 will not be redeemable before June 29, 2026, except upon the occurrence of a Change of Control (as defined in the Certificate of Amendment). 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 Certificate of Amendment) 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 Certificate of Amendment, including provisions for the receipt, under specified circumstances, of alternative consideration as described in the Certificate of Amendment. Except under limited circumstances, holders of the Series A Preferred Stock generally do not have any voting rights.

**20. Subsequent Events**

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

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

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

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

On April 6, 2022, the Company received a term sheet for another note offering up to a maximum of $75 million aggregate principal amount. The Company expects that the offering will be made in May 2022.

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

**21. COVID-19**

The COVID-19 pandemic has resulted in a widespread health crisis that has adversely affected the economies and financial markets worldwide and has materially and adversely affected many businesses and as of March 31, 2022, the COVID-19 pandemic is ongoing. In response to the onset of the COVID-19 pandemic and the restrictions imposed by various states, including the States of Connecticut, Florida and New York to prevent, or at least reduce the risk of the spread of the virus, at the end of the first quarter of 2020 the Company adopted certain temporary programs, policies and guidelines designed primarily to preserve its liquidity, help its borrowers and protect its employees.

In the event the Company is forced to close its physical office, it is likely that there would be some adverse impact. For example, the underwriting process would continue to function but would take longer to complete without immediate access to background and credit profiles. Loan committee meetings would continue to be held virtually (as they are under normal conditions) but the loan approval process may incur delay or not be as thorough and efficient as in the past. In addition, Company personnel may not be able to meet with borrowers or potential borrowers, including physical property inspections, which could adversely impact its ability to service loans, monitor compliance and originate new loans. Finally, the filing of loan documents with the various recording offices may be delayed.

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

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

### Company Overview

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

### Review of the First Quarter and Outlook for Balance of Year

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

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

Our strategy to achieve this objective also includes the following:

- capitalize on opportunities created by the long-term structural changes in the real estate lending market and the continuing lack of liquidity in the commercial and investment real estate markets;
- take advantage of the prevailing economic environment and current economic, political and social trends that may impact real estate lending, as well as the outlook for real estate in general and particular asset classes;
- remain flexible to capitalize on changing sets of investment opportunities that may be present in the various points of an economic cycle;
- increase the size and quality of our mortgage loans and expand our geographic footprint to reduce our exposure to adverse market conditions that have a disproportionate impact on a single asset class or geographic area;
- maintain our status as a publicly-held company, subject to the reporting requirements of the Exchange Act, which gives us immediate access to the public markets for much-needed capital; and
- operate to qualify as a REIT and for an exemption from registration under the Investment Company Act of 1940, as amended.

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

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

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

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

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

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

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

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

*Unfunded commitments.* Most of our loans are funded in full at closing. However, where all or a portion of the loan proceeds are to be used to fund the costs of renovating or constructing improvements on the property, only a portion of the loan may be funded at closing. At March 31, 2022, our mortgage loan portfolio included 204 loans with future funding obligations, in the aggregate principal amount of approximately $115.4 million, compared to 129 loans in the aggregate principal amount of approximately $23.5 million at March 31, 2021. The increase is due to an increase in construction loan originations, a large portion of which is in the Florida market. Advances under these loans are funded against requests supported by all required documentation (including lien waivers) as and when needed to pay contractors and other costs of construction. In order to deal with these obligations, we are compelled to maintain higher cash balances, which could adversely impact our financial performance.

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

***Financing Strategy Overview***

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

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

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

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

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

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

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

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

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

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

On July 21, 2021, we consummated a $200 million facility (the “Churchill Facility”) with Churchill MRA Funding I LLC (“Churchill”). Under the terms of the Churchill Facility, we have the right, but not the obligation, to sell mortgage loans to Churchill, and Churchill has the right, but not the obligation, to purchase those loans. In addition, we have the right and, in some instances the obligation, to repurchase those loans from Churchill. The amount that Churchill will pay for each mortgage loan it purchases will vary based on the attributes of the loan and various other circumstances but generally will not exceed 70% of the unpaid principal balance purchased. The repurchase price is calculated by applying an interest factor, as defined, to the purchase price of the mortgage loan. We also granted Churchill a first priority security interest on the mortgage loans sold to Churchill to secure our repurchase obligation. The cost of capital under the Churchill Facility is equal to the sum of (a) the greater of (i) 0.25% and (ii) the 30-day LIBOR plus (b) 3% - 4%, depending on the aggregate principal amount of the mortgage loans held by Churchill at that time. Our obligations under the Churchill Facility are secured by a lien on the mortgage loans sold to Churchill. (After the 30-day LIBOR is phased out a new benchmark rate, determined by Churchill, will be used instead.)  The Churchill Facility is also subject to various terms and conditions, including representations and warranties, covenants and agreements typically found in these types of financing arrangements, including a covenant that prohibits us from (A) (i) paying any dividend or make any distribution in excess of 90% of our taxable income, (ii) incurring any indebtedness or (iii) purchasing any shares of our capital stock, unless, in any case, we have an asset coverage ratio of at least 150%; and (B) have unencumbered cash and cash equivalents in an amount equal to or greater than 2.50% of the amount of our repurchase obligations. Churchill has the right to terminate the Churchill Facility at any time upon 180 days prior notice to us. At such time, we have an additional 180 days after termination to repurchase all the mortgage loans held by Churchill. We believe the Churchill Facility gives us the ability to raise capital as needed at a relatively low rate. It also gives us the flexibility to seek other sources of funding. At March 31, 2022, the amount outstanding under the Churchill Facility was approximately $26.9 million, which amount was accruing interest of an effective rate of 4.70% per annum.

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

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

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

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

***REIT Qualification***

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

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

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

***Emerging Growth Company Status***

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

***Critical Accounting Policies and Use of Estimates***

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

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

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

**Results of Operations**

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

*Total revenue*

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

*Operating costs and expenses*

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

*Comprehensive income*

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

*Net Income*

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

*Adjusted Earnings*

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

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

Adjusted earnings per share was $0.13.

**Liquidity and Capital Resources**

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

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

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

Total shareholders' equity at March 31, 2022 was approximately $199.4 million compared to approximately $180.1 million at December 31, 2021, an increase of approximately $19.3 million. This increase was due primarily to net proceeds of $15.5 million from the sale of common shares and our net income attributable to common shareholders of approximately $4.5 million.

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

Net cash used for investing activities for the three months ended March 31, 2022 was approximately $48.7 million compared to approximately $2.1 million for the comparable 2021 period. For the 2022 period, net cash used for investing activities consisted primarily of purchases of investment securities of approximately $27.5 million, purchases of interests in investment partnerships of approximately $11.4 million and principal disbursements for mortgages receivable of approximately $88.7 million, offset by principal collections on mortgages receivable of approximately $27.3 million, proceeds from the sale of investment securities and proceeds from the sale of real estate owned of $623,000. For the 2021 period, net cash used for investing activities consisted primarily of principal disbursements for mortgages receivable of approximately $31.7 million, purchase of an interest in investment partnership of approximately $1.8 million, purchase of investment securities of approximately $22.8 million, offset by principal collections on mortgages receivable of approximately $30.5 million and proceeds from the sale of investment securities of approximately $23.6 million.

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

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

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

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

**Subsequent Events**

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

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

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

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

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

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

***Off-Balance Sheet Arrangements***

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

***Contractual Obligations***

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

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

**Critical Accounting Policies and Recent Accounting Pronouncements**

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

**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 (the same person), 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, 2022 (the “Evaluation Date”). Based upon that evaluation, the chief executive officer and the chief financial officer (same person) 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, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 6. EXHIBITS

| Exhibit No. | Description |
|---|---|
| 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 (10) |
| 3.2 | Amended and Restated Bylaws, effective as of November 25, 2019 (3) |
| 4.1 | Form of Representatives' Warrants issued on October 27, 2017 in connection with the follow-on underwritten public offering (4) |
| 4.2 | Indenture, dated as of June 21, 2019, between the Company and U.S. Bank National Association, as Trustee (5) |
| 4.3 | First Supplemental Indenture, dated as of June 25, 2019, between the Company and U.S. Bank National Association, as Trustee (5) |
| 4.4 | Form of 7.125% Notes due 2024 (5) |
| 4.5 | Second Supplemental Indenture between the Company and U.S. Bank National Association, as Trustee (2) |
| 4.6 | Form of 6.875% Notes due 2024 (7) |
| 4.7 | Third Supplemental Indenture between the Company and U.S. Bank National Association, as Trustee (8) |
| 4.8 | Form of 7.75% Notes due 2025 (included as Exhibit A to Exhibit 4.7 above) |
| 4.9 | Specimen 7.75% Series A Cumulative Redeemable Preferred Stock Certificate.(10) |
| 4.10 | Fourth Supplemental Indenture between the Company and U.S. Bank National Association, as Trustee(11) |
| 4.11 | Form of 6.00% Note due 2026 (attached as Exhibit A to Exhibit 4.10 above). |
| 4.12 | Fifth Supplemental Indenture between the Company and U.S. Bank National Association, as Trustee(15) |
| 4.13 | Form of 6.00% Note due 2027 (attached as Exhibit A to Exhibit 4.12 above) |
| 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 (6) |
| 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 each of John L., Villano and Peter J. Cuozzo(12) |
| 10.6 | Master Repurchase Agreement and Securities Contract, dated as of July 21, 2021, between Sachem Capital Corp. and Churchill MRA Funding I LLC(13) |
| 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(13) |
| 10.8 | Agreement and General Release, dated as of January 14, 2022, between Sachem Capital Corp. and Peter J. Cuozzo(16) |
| 10.9 | 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* |
| 31.1 | Chief Executive Officer Certification as required under section 302 of the Sarbanes Oxley Act * |
| 31.2 | Chief Financial Officer Certification as required under section 302 of the Sarbanes Oxley Act * |
| 32.1 | Chief Executive Officer Certification pursuant to 18 U.S.C. section 1350 as adopted pursuant to section 906 of the Sarbanes Oxley Act *** |
| 101.INS | XBRL Instance Document * |
| 101.SCH | XBRL Taxonomy Extension Schema Document * |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document * |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document * |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document * |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document * |
| 104 | Cover Page Interactive Data File (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 on October 20, 2017, as Exhibit A to Exhibit 1.1 of the Registration Statement on Form S-11, as amended (SEC File No.: 333-218954) and incorporated herein by reference.

(5) Previously filed as an exhibit to the Current Report on Form 8-K on June 25, 2019 and incorporated herein by reference.

(6) 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.

(7) Previously filed as an exhibit to the Current Report on Form 8-K on November 6, 2019 and incorporated herein by reference.

(8) Previously filed as an exhibit to the Current Report on Form 8-K on September 9, 2020 and incorporated herein by reference.

(9) Intentionally omitted.

(10) Previously filed as an exhibit to the Current Report on Form 8-K on June 29, 2021 and incorporated herein by reference.

(11) Previously filed as an exhibit to the Current Report on Form 8-K on December 20, 2021 and incorporated herein by reference.

(12) Previously filed as an exhibit to the Current Report on Form 8-K on April 13, 2021 and incorporated herein by reference.

(13) Previously filed as an exhibit to the Current Report on Form 8-K on July 27, 2021 and incorporated herein by reference.

(14) Intentionally omitted.

(15) Previously filed as an exhibit to the Current Report on Form 8-K on March 9, 2022 and incorporated herein by reference.

(16) 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.

**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.

| | |
|---|---|
| | SACHEM CAPITAL CORP. |
| Date: May 3, 2022 | By: /s/ John L. Villano |
| | John L. Villano, CPA<br>President, Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Accounting 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**: | April 5, 2022 |
| **Name of Grantee**: | JOHN L. VILLANO |
| **Number of Shares of Restricted Stock**: | 98,425 |
| **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** | April 5, 2022 |

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, 2025:

| Vesting Percentage | Vesting Date |
|---|---|
| 33.33% | January 1, 2023 |
| 33.33% | January 1, 2024 |
| 33.34% | January 1, 2025 |

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 $31^{st}$ 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.

**Exhibit 31.1**

**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 3, 2022

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

**Exhibit 31.2**

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

I, John L. Villano, certify that:

1. I have reviewed this 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 3, 2022

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

**Exhibit 32.1**

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

In connection with the quarterly report of Sachem Capital Corp. (the “Company”) on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John L. Villano, President, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: May 3, 2022

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

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