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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 4, 2011

SG BLOCKS, INC.
(Exact name of registrant as specified in its charter)

Delaware	000-22563	95-4463937
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

400 Madison Avenue, Suite 16C NY, New York	10017
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (646) 747-2423

CDSI HOLDINGS INC., 100 S.E. Second Street, Miami, Florida, 33131
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01	Entry into a Material Definitive Agreement.	1
Item 2.01	Completion of Acquisition of Disposition of Assets.	1
Item 3.02	Unregistered Sales of Equity Securities.	52
Item 4.01	Changes in Registrant’s Certifying Accountant.	52
Item 5.01	Changes in Control of the Registrant.	53
Item 5.02	Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.	54
Item 5.03	Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.	54
Item 5.06	Change in Shell Company Status.	54
Item 9.01	Financial Statements, Pro Forma Financial Information and Exhibits.	54

Item 1.01 Entry into a Material Definitive Agreement.

On November 7, 2011, the CDSI Holdings Inc., a Delaware corporation (now known as SG Blocks, Inc. in Delaware) ("CDSI" or the "Company") entered into separate indemnification agreements with Paul Galvin, Joseph Tacopina, Stevan Armstrong, J. Scott Magrane, Christopher Melton, J. Bryant Kirkland III, Richard J. Lampen, and Jennifer Strumingher, the Company's executive officers and directors (such agreements, the "Company Indemnification Agreements") and with Brian A. Wasserman, the Company's Chief Financial Officer (such agreement, the "Wasserman Indemnification Agreement").

The Company Indemnification Agreements and the Wasserman Indemnification Agreement are substantively the same and provide that the Company will, with regard to each indemnified party thereunder (each an "Indeminitee"): (a) advance expenses to any Indemnitee, as provided in such indemnification agreements and to the fullest extent permitted by law, and (b) indemnify any Indeminitee against expenses, including, without limitation, amounts paid in an approved settlement, as well as any judgments, fines and penalties levied or awarded against any Indemnitee in connection with such proceeding or any claim, issue or matter therein, if the Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Company, and, with respect to any criminal proceeding, had no reasonable cause to believe the Indemnitee's conduct was unlawful.

The Company has attached hereto as Exhibits 10.2 a copy of the Wasserman Indemnification Agreement. The foregoing summaries are qualified in their entirety by the contents of the Wasserman Indemnification Agreement.

Item 2.01 Completion of Acquisition of Disposition of Assets.

Merger

Structure

As reported in the Current Report on Form 8-K filed by the Company on August 2, 2011 with the Securities and Exchange Commission (the "SEC") (the "August 8-K"), CDSI entered into a Merger Agreement and Plan of Reorganization, as amended (the "Merger Agreement") by and among CDSI, CDSI Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of CDSI ("Merger Sub"), SG Blocks, Inc., a Delaware corporation (n.k.a SG Building Blocks, Inc.) ("SG Building"), and certain stockholders of SG Building (the "Signing Stockholders").

On November 4, 2011, Merger Sub merged with and into SG Building, with SG Building surviving the Merger and becoming a wholly-owned subsidiary and principal operating business of CDSI (the "Merger") and the holders of common stock of SG Building will received the Merger Consideration described below under the heading "*Merger Consideration*." Upon consummation of the Merger, SG Building changed its name to SG Building Blocks, Inc.

On July 27, 2011, in connection with the Merger, CDSI obtained the written consent of a majority of its outstanding common stock approving, among other things, (i) the Merger Agreement and the related transactions, including the Change of Control described in Item 5.01; (ii) an increase in the number of authorized shares of the Company's common stock, par value $0.01 per share, (the "Common Stock") from 25,000,000 shares to 100,000,000 shares, (iii) the change of the name of the Company to "SG Blocks, Inc." and (iv) the adoption of a 2011 Incentive Stock Plan (the "2011 Plan") to be effective upon consummation of the Merger. The foregoing eliminated the need for a special stockholder meeting to approve such items. The Company's Board of Directors (the "Board") had previously approved each of the foregoing items.

The 2011 Plan allows CDSI to issue options, stock appreciation rights, restricted stock and other stock or incentive awards to directors, officers, consultants, advisors and employees of CDSI. The 2011 Plan provides for the issuance of awards of up to 8,000,000 shares of CDSI's Common Stock.

Upon consummation of the Merger, (i) Robert Lundgren and Glenn Halpryn resigned from their Board positions with the Company and (ii) Paul M. Galvin, SG Building's Chief Executive Officer, Joseph Tacopina, a director of SG Building's, Stevan Armstrong, SG Building's President and Chief Operating Officer, J. Scott Magrane and Christopher Melton were appointed to the Company's Board.

Additionally, upon consummation of the Merger, (i) each of Richard J. Lampen and J. Bryant Kirkland III resigned from their positions as officers of the Company and (ii) Paul Galvin became the Chief Executive Officer of the Company, Brian Wasserman became the Chief Financial Officer of the Company, Stevan Armstrong became the President and Chief Operating Officer of the Company and Jennifer Strumingher became the Chief Administrative Officer of the Company.

As a result of the foregoing, the Change of Control occurred with respect to the Company's stock ownership and management upon consummation of the Merger. See section titled "*Certain Relationships And Related Transactions, and Director Independence -Transaction Relationships - Ladenburg*" in this Item 2.01 for additional background to the Merger and Transaction Relationships. See Item 5.01 titled "*Change in Control of The Registrant*" for additional Change in Control of The Registrant, which is incorporated by reference.

Consideration

Upon consummation of the Merger, the holders of common stock of SG Building became entitled to receive an aggregate of 36,050,764 shares of Company Common Stock (subject to rounding of fractional shares to the next whole share). Additionally, Ladenburg Thalmann & Co. Inc. ("Ladenburg") became entitled to receive in the Merger 408,750 shares of Company Common Stock pursuant to contractual obligations between SG Building and Ladenburg.

Upon consummation of the Merger, all outstanding SG Building warrants were cancelled and substituted with warrants of similar tenor to purchase an aggregate of 1,145,510 shares of Company Common Stock.

As a result of the foregoing, the holders of Company Common Stock prior to the Merger now own an aggregate of 8% of the Company Common Stock on a fully diluted basis, the stockholders and warrant holders of SG Building now beneficially own an aggregate of 91% of the Company Common Stock on a fully diluted basis and Ladenburg owns an aggregate of 1% of the Company Common Stock on a fully diluted basis (not including warrants to purchase shares of Company Common Stock it will receive in the Merger as a result if it currently holding warrants to purchase shares of SG Building common stock).

The Company Common Stock was issued pursuant to an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act") pursuant to Section 4(2) thereof.

Indemnification of CDSI

To provide a fund for payment to CDSI with respect to its post-closing rights to indemnification under the Merger Agreement, 817,500 shares of Company Common Stock, which were to be received by the holders of SG Building common stock, were placed in escrow with an independent escrow agent ("Indemnity Escrow Fund"). The Indemnity Escrow Fund is the sole remedy for CDSI for its rights to indemnification under the Merger Agreement. Claims for indemnification may be asserted against the Indemnity Escrow Fund by CDSI once its damages exceed a $500,000 deductible and will be reimbursable to the full extent of the damages in excess of such amount up to a maximum of the Indemnity Escrow Fund. Claims for indemnification may be asserted until the 5th business day after CDSI has filed with the SEC its Annual Report on Form 10-K for the fiscal year ending December 31, 2011.

Lock-Up Agreements

Pursuant to the terms of lock-up agreements entered into upon signing of the Merger Agreement (the "Lock-Up Agreements"), all of the officers and directors of SG Building and each stockholder of SG Building then owning in excess of 20% of the SG Building common stock agreed not to sell their shares until the 12-month anniversary of the consummation of the Merger, subject to certain exceptions.

Charter Amendments

As previously reported in the August 8-K, the Company, in connection with the Merger Agreement, changed its name to "SG Blocks, Inc." and increased its authorized shares of Common Stock from 25,000,000 shares to 100,000,000 shares. To effect these changes, the Company filed an amended and restated certificate of incorporation with the Secretary of State of the State of Delaware upon consummation of the Merger on November 4, 2011. Concurrently with the filing of the amended and restated certificate of incorporation, the Company notified the Financial Industry Regulatory Authority ("FINRA") of the name change and obtained a new trading symbol for the Company Common Stock. The Company's Common Stock is now quoted on the OTC Bulletin Board under the symbol "SGBX". The Company's Common Stock was previously quoted under the symbol "CDSI".

As the Company's business operations are conducted through SG Building (f.k.a. SG Blocks, Inc.) following consummation of the Merger, the Company believes that the name "SG Blocks, Inc." better describes its business model.

The increase in the authorized number of shares of Common Stock was necessary in order for the Company to have sufficient stock available to issue to the holders of SG Building common stock of upon consummation the Merger and to have additional authorized shares of Common Stock for financing the Company's business, for acquiring other businesses, for forming strategic partnerships and alliances, for stock dividends and stock splits, and for compensation purposes. Except with regard to using such additional authorized shares for compensation purposes, the Company currently has no such plans, proposals, or arrangements, written or otherwise, to issue any of the additional authorized shares of Common Stock for such purposes. For a description of the options granted by the Board on November 7, 2011, see the information set forth under the heading "*Executive and Director Compensation - 2011 Option Grants*" in Item 2.01, which is incorporated by reference. Notwithstanding the foregoing, authorized but unissued shares of Common Stock may enable the Company's Board to render it more difficult or to discourage an attempt to obtain control of the Company and thereby protect continuity of or entrench its management, which may adversely affect the market price of the Company's Common Stock. If in the due exercise of its fiduciary obligations, for example, the Company's Board were to determine that a takeover proposal were not in the best interests of the Company, such shares could be issued by the board of directors without stockholder approval in one or more private placements or other transactions that might prevent or render more difficult or make more costly the completion of any attempted takeover transaction by diluting voting or other rights of the proposed acquirer or insurgent stockholder group, by creating a substantial voting bloc in institutional or other hands that might support the position of the incumbent Board, by effect effecting an acquisition that might complicate or preclude the takeover, or otherwise.

The Company has attached hereto as Exhibits 3.1 a copy of the Amended and Restated Certificate of Incorporation of the Company, which reflect the above described amendments and which was filed with the Delaware on November 4, 2011. The foregoing summary is qualified in their entirety by the contents of the Amended and Restated Certificate of Incorporation of the Company.

2011 Plan

Reference is made to the section titled "*Description of Stockholder Matters - Stock Plan*" of the Definitive Information Statement on Schedule 14C as filed with the SEC on October 4, 2011 with respect to the description of the 2011 Plan. The 2011 Plan was filed at Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC by CDSI on August 2, 2011.

Business

Reference is made to Item 1 of the 2010 Annual Report on Form 10-K as filed with the SEC on January 31, 2011 with respect to the description of the business of CDSI prior to consummation of the Merger. Upon consummation of the Merger, the business of SG Building became the principal operating business of CDSI. The business of SG Building, now the principal business of CDSI, is described below.

Overview

On October 25, 2010, SG Blocks, LLC ("SG LLC"), a Missouri limited liability company, merged with and into SG Building, which continued the business of SG LLC (the "Conversion Merger"). SG LLC was formed on January 23, 2007 and SG Building (f.k.a. SG Blocks, Inc.) was formed on August 16, 2010. SG Building was not engaged in any business prior to the Conversion Merger.

The principal business of SG Building is to provide code engineered cargo shipping containers. SG Building modifies and delivers containers to meet the growing demand for safe and green construction. Rather than consuming new steel and lumber, SG Building capitalizes on the structural engineering and design parameters a shipping container must meet and repurposes them for use in building. Offering a product that typically exceeds building code requirements, SG Building seeks to enable developers, architects, builders and owners to achieve greener construction, faster execution and stronger buildings of higher value. Since its inception in 2007, SG Building has developed and implemented the technology to break away from standardized container-construction while maintaining reduced costs. Committed to providing a construction methodology that will lessen the global carbon footprint, SG Building does not simply recycle (which requires additional energy consumption to break down material and then reform it for another purposes) — it utilizes existing steel material and repurposes it into modules that can be put to a higher and better use with significantly less energy input. In addition to providing code engineered cargo shipping containers for construction use, SG Building also continues to advance a patent pending structural steel framing system and the use thereof.

SG Building's products have been featured in reports by several leading media outlets including NY Post, USA Today, CNN, Washington Post, ABC World News, NBC Nightly News and Bob Vila. In addition, Popular Mechanics selected one of SG Building's buildings as a "best green design" in its April 2009 edition.

Description of Business

SG Building first selects shipping containers appropriate for the project, often that have reached the end of their useful life. These durable steel containers are then designed, proprietarily engineered and manufactured into a modified structure that is referred to in this "Description of Business" section as "SG Blocks™". A combination of engineering and architecture are used to make the containers adaptable for a wide variety of uses including housing, office buildings, barracks, hotels, schools, dormitories, hospitals, clinics and institutional facilities.

From a design perspective, SG Blocks™ can be used to build virtually any style of construction, from traditional to modern. SG Blocks™ can be delivered with a highly durable surface finish or ready to be clad with any type of standard or green technology friendly building skin.

SG Blocks™ have a particular application in meeting safe and sustainable housing needs in the United States and globally. The building system is designed to meet the needs of builders, developers, government officials, urban planners, architects, and engineers looking for fast and affordable alternatives that meet safe housing needs and standards, particularly in hurricane and earthquake prone areas. Criteria and testing processes have been developed to evaluate each container. Conversion and assembly is subjected to quality control, making the containers "code-ready." Conformance with International Code Council requirements is an ongoing objective as this standard is used by a vast majority of governmental jurisdictions in the United States.

SG Building is a hands-off supplier. Partners, affiliates and customers carry the responsibility for container storage, modification, transportation and welding, leaving SG Building to manage the logistical task of coordinating the efforts of its strategic partners. These alliances help SG Building maintain a steady supply of containers available around the world. SG Building is actively exploring international opportunities, including in Brazil where it has formed a subsidiary.

Green Building

There is a worldwide movement toward green and carbon neutrality. Sustainable or “green” building is the practice of designing, constructing, operating, maintaining and removing buildings in ways that conserve natural resources and reduce their impact on climate change. Builders are increasingly incorporating “green” components in all projects as they adopt the LEED system, a third-party certification program and the nationally accepted benchmark for the design, construction and operation of high performance green buildings. SG Building believes its structural system contributes significantly towards LEED certification, and help minimize the wasteful practices of traditional construction methods.

Description of the Product

SG Building’s structural building system represents a change from the way buildings have typically been built in the past. It also represents a contribution to the greening of the construction industry with the advancement of new technology. Of great importance to the technology is the recycling of standard shipping containers. Intermodal containers generally come in either 40 foot or 20 foot long units that are either 8’6” (standard cube) or 9’6” (high cube).

The payload rating in a shipping configuration for a 40 foot container is roughly 60,000 pounds. The payload rating normally associated with residential or commercial structures is in most cases half of that amount. These units are designed for 9-high stacking aboard ships. The structures in this condition need to be able to withstand 15 long tons of load transversely and 7.5 long tons longitudinally. This far exceeds any gravity or lateral loads a normal residential or commercial building will ever experience.

This strong structure is the beginning of the SG Building building system. Various combinations as desired of siding, brick, and stucco can be added and the interior finished as any conventional structure would be. Upon completion, structures look and feel as if they were erected using traditional construction methods. However, the SG Building product is generally stronger, more durable, environmentally sensitive, and finished in less time than traditional construction methods.

The Process of the SG Building Conversion

Containers are selected, tested and evaluated against SG Building's engineering, environmental, and utilization criteria and standards. The used containers are then certified as SG Building, ready for the manufacturing and fabrication processes. SG Building then provides specific and detailed engineering and fabrication details and modifies the containers in various configurations which often require structural changes, wall reconfigurations, the creation of window and door openings, and ceiling alterations to allow sheetrock hanging. The exterior walls and roof structure are then insulated with a high tech waterproof ceramic insulation. The SG Building are then shipped directly to the building site or are run through a modular factory and then delivered to the site. The builder places them into position on their foundation and connects them together by welding. The builder may then add roof trusses or other roof systems, and quickly the builder has an insulated structure under roof. The potential for savings in building time can be significant, particularly if interior pre-finish modularization is introduced at this step.

Historical Use of Shipping Containers in Construction

Although shipping containers have been reused as building structures since their introduction in the 1950s, such applications have been limited. Typically, shipping containers have been re-used to provide temporary shelter or storage. However, the idea of fabricating containers in large quantities for the building sector market is a relatively novel idea.

Over the past few years, several companies and individuals have been touting the use of shipping containers for construction purposes. Very few, however, have actually designed and built structures to meet building code requirements. In contrast, SG Building has already completed projects for the US Military, municipalities and Fortune 500 companies. As a result, SG Building believes it is positioned as the leader in this new technology industry.

SG Building believes it has debunked the architectural notion that structures built with containers look as if they were built with containers. Through concentrated education and promotion, SG Building believes that it has already begun to position its concept into the vocabulary of the architecture and building industries.

Competition

The construction industry is highly competitive. SG Building competes against numerous local, regional, national and international builders and others in the real estate business around the world. Going forward SG Building is committed to further educating the building community on the benefits of its technology to illustrate SG Building is more of a complement to than competition for builders. SG Building may compete for investment opportunities, financing, available land, raw materials and skilled labor with entities that possess greater financial, marketing and other resources than it does. Competition may increase if there is future consolidation in the land development and construction industry or from new building technologies that could arise. Additionally, many of those working with containers focus on the architecture and design element. As they are not fabricators, SG Building can provide the final product.

SG Building believes that it can distinguish itself from its competitors on the basis of cost and construction time. SG Building's construction method is typically 10% to 20% less expensive than traditional construction methods, particularly in urban locations and multi-story projects. Construction time is typically reduced by 30 – 40% using SG Building's construction method, reducing construction and soft costs substantially. The SG Building are designed to be hurricane, tornado and blast resistant, able to withstand harsh climate conditions and their flexibility of construction allows architects, developers, and owners to design the product to meet their needs.

Having already worked with regulatory agencies and obtained jurisdictional approvals from building departments, SG Building has gained practical experience needed to complement its engineering, architectural and technological knowledge. Standard permit approvals at the municipal level is the principal compliance and approval requirement for SG Building.

Intellectual Property

The creation of a proprietary, patentable intellectual property platform, driven by technological innovation, is a central strategy and a key differentiator for SG Building. This use of advanced technology is positioning SG Building as a primary resource for container based structure information and support. Such advanced application of technology creates a valuable marketing and closing tool for leads, a barrier to competitive entry, and is a cornerstone in the strategic development of SG Building's global, scalable business platform. SG Building is now routinely called upon to provide the product for innovative architects who design container based systems. SG Building relies primarily on trade secrets to protect its intellectual property and proprietary technology at this time.

The SG Buildings Network

Two of SG Building's most important affiliates are also stockholders:

- ConGlobal Industries, Inc. ("ConGlobal"), one of the largest depot operators in the United States, operates 17 container repair and storage depots in 14 U.S. cities, Costa Rica and Mexico, catering to major shipping, leasing and freight movement companies around the world. With a national capacity of over 600 acres, the ConGlobal network of maintenance depots currently handles over 6,500 containers per week and can accommodate at least 170,000 TEU's (twenty-foot equivalent unit). SG Building currently has an exclusive 10 year Collaboration and Supply contract with ConGlobal (the "ConGlobal Agreement"). Each depot is equipped with the resources to modify used shipping containers into SG Building's green building material.

- Lawrence Group is a architectural, interior design and planning firm. It has over 200 employees in six states and China, with over 100 designers, 39 interior designers and 28 LEED accredited professionals. Lawrence Group acts as an in-house architectural resource for SG Building.

SG Building has eight employees, not including Brian Wasserman who is serving as the Chief Financial Officer of SG Building pursuant to a consulting agreement. SG Building also hires independent contractors on an as-needed basis.

RISK FACTORS

Investing in our Common Stock involves a high degree of risk. Prospective investors should carefully consider the risks described below, together with all of the other information included or referred to in this Current Report on Form 8-K, before purchasing shares of our Common Stock. There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. The risks described below are not the only ones the Company will face. WE HAVE ALSO INCLUDED RISKS RELATING TO THE BUSINESS OF SG BUILDING, OUR ONLY OPERATING SUBSIDIARY AND OUR PRINCIPAL BUSINESS. If any of these risks actually occurs, the Company's business, financial condition or results of operation may be materially adversely affected. In such case, the trading price of our Common Stock could decline and investors in our Common Stock could lose all or part of their investment. The risks and uncertainties described below are not exclusive and are intended to reflect the material risks that are specific to us and SG Building, material risks related to the industries in which SG Building participates and material risks related to companies that undertake a public offering or seek to maintain a class of securities that is registered or traded on any exchange or over-the-counter market.

Risks Relating to the Company

We have incurred net losses in certain prior periods and there can be no assurance that we will generate income in the future.

Our ability to achieve profitability will depend upon our ability to generate and sustain substantially increased revenues. We may incur operating losses in the future as we execute our growth strategy. We intend to make significant expenditures related to marketing, expansion of its website, hiring of additional personnel, and development of our technology and infrastructure. Although SG Building generated revenue from continuing operations during the fiscal year ended December 31, 2010 and the six months ended June 30, 2011, it has incurred net losses of $1,247,644 and $585,109, respectively, during such periods. For the fiscal year ended December 31, 2010 and the six months ended June 30, 2011 CDSI incurred net losses of $35,204 and $56,365, respectively, during such periods. The likelihood that we will generate net income in the future must be considered in light of the difficulties facing the construction and construction management industries as a whole, economic conditions, the competitive environment in which we operate and the other risks and uncertainties discussed in this Current Report on Form 8-K. Our operating results for future periods are subject to numerous uncertainties, and it may not achieve sufficient revenues to sustain or increase profitability on a quarterly or annual basis.

We have a history of losses.

CDSI has reported an operating loss in each of its fiscal quarters since inception. There is a risk that we will continue to incur operating losses.

Revenues earned from currently planned projects may be less than originally anticipated.

Since January 1, 2011, SG Building has executed agreements (including design, architectural and engineering agreements) to build projects. Currently, in the Company's financial statements for fiscal period ended June 30, 2011, the Company has recognized $406,660 for deferred revenue. While the Company has collected the amounts relating to deferred revenue, to the extent there is a problem with a project, such revenue is at risk. The loss of a significant amount of the deferred revenue would have a material adverse effect on the Company.

We are dependent on the services of key personnel, and the unexpected loss of their services may adversely affect its operations.

Our success depends highly upon the personal efforts and abilities of our senior management team, specifically the efforts of Paul M. Galvin, the Company's Chief Executive Officer and Director, and Stevan Armstrong, the Company's President and Chief Operating Officer and Director. The loss of the services of one or more of these individuals could have a material adverse effect on our business. Our ability to achieve profitability and generate increased revenue will depend upon our ability to retain, and attract if necessary, experienced management personnel.

An investor in our Common Stock must consider the uncertainties facing early stage companies in highly regulated industries.

An investor in our Common Stock must consider the uncertainties facing early stage companies in highly regulated industries. These uncertainties include:

- an evolving business model that makes future success uncertain and an investment in our Common Stock highly speculative;
- the lack of a well-developed brand that may limit our ability to attract customers;
- the potential development of a comparable product and lack of barriers to entry by better funded competitors; and
- our new corporate organization, regulatory requirements and its anticipated growth could lead to management distractions and higher than expected operating expenses.

Our business is susceptible to adverse weather conditions and natural disasters.

Our construction projects are susceptible to, and are significantly affected by, adverse weather conditions and natural disasters such as hurricanes, tornadoes, earthquakes, droughts, floods and fires. These adverse weather conditions and natural disasters can cause delays and increased costs in the construction of new buildings. If insurance is unavailable to us or is unavailable on acceptable terms, or if our insurance is not adequate to cover business interruption or losses resulting from adverse weather or natural disasters, our business and results of operations will be adversely affected. In addition, damage to new buildings caused by adverse weather or a natural disaster can cause our insurance costs to increase.

Our failure to successfully complete the integration of SG Building or any other businesses acquired in the future could have a material adverse effect on our business, financial condition and operating results.

Any financing required for acquisitions could dilute the interests of our existing holders of our Common Stock, result in an increase in our indebtedness or both. Acquisitions may entail numerous risks, including:

- difficulties in assimilating acquired operations or products, including the loss of key employees from acquired businesses;
- diversion of management's attention from our core business;
- adverse effects on existing business relationships with supplies and customers; and
- risks of entering markets in which we have limited or no prior experience.

Our failure to successfully complete the integration of SG Building or any other acquired business could have a material adverse effect on our business, financial condition and operating results. In addition, there can be no assurance that we will be able to identify suitable acquisition candidates or consummate acquisitions on favorable terms.

The Company relies on ConGlobal to supply it with containers used in its business and the unexpected termination of the ConGlobal Agreement would have a negative short-term impact on the Company's business.

We rely on ConGlobal to supply us with containers and other resources used in our business and if this relationship were to unexpectedly end, or if the ConGlobal Agreement were to be unexpectedly terminated, such event could have a short-term (1-3 month) negative impact on our business while our alternate sources of supply are being implemented.

The Company relies on certain vendors to supply it with materials and products that if it were unable to obtain could adversely affect its business.

We have relationships with key materials vendors, and we rely on suppliers for our purchases of products from them. Any inability to obtain materials or services in the volumes required and at competitive prices from our major trading partners, the loss of any major trading partner, or the discontinuation of vendor financing (if any) may seriously harm our business because we may not be able to meet the demands of our customers on a timely basis in sufficient quantities or at all. Other factors, including reduced access to credit by our vendors resulting from economic conditions, may impair our vendors' ability to provide products in a timely manner or at competitive prices. We also rely on other vendors for critical services such as transportation, supply chain and professional services. Any negative impacts to our business or liquidity could adversely impact our ability to establish or maintain these relationships.

Risks Relating to our Business

We depend on the availability and skill of subcontractors, their willingness to work with us, and their selection of suitable and quality building materials.

We rely on subcontractors to perform the actual construction of our building projects, and in many cases, to select and obtain raw materials. Despite our detailed specifications and quality control procedures, in some cases, improper construction processes or defective materials may be used to finish construction of our building projects. We may need to spend money to remediate such problems when they are discovered. Defective products widely used by the construction industry can result in the need to perform extensive repairs to large numbers of buildings. Though subcontracts are written to protect us from substandard performance or materials, pervasive problems could adversely affect our business. The cost to us in complying with its warranty obligations in these cases may be significant if it is unable to recover the cost of repair from subcontractors, materials suppliers and insurers. Further, the timing and quality of our construction depends on the availability and skill of subcontractors. Although we believe that our relationships with our suppliers and subcontractors are good, there can be no assurance that skilled subcontractors will continue to be available at reasonable rates and in the areas in which it conducts its operations. The inability to contract with skilled subcontractors or general contractors at reasonable costs on a timely basis could limit our ability to build and deliver buildings and could erode its profit margins and adversely affect its results of operations and cash flows.

We may have difficulty protecting its proprietary technology.

Intellectual property and proprietary technology are important to the success of our business. We rely primarily on trade secrets to protect its intellectual property and proprietary technology. While we intend to make the appropriate filings and protect our intellectual property and proprietary technology, there can be no assurance that we will be able to so. In addition, it is difficult to protect against or monitor all possible misappropriations and unauthorized access to our intellectual property and technology. To date, we have ordered prior art on five potential intellectual property claims. Significant challenges in protecting our intellectual property and technology are posed by (a) funding limitations and (b) our rapidly evolving adaptation to new product/market/technology challenges. Dissemination or dilution of the aforementioned intellectual property and technology could have an adverse effect on our business, financial condition, results of operations and liquidity.

Growth of operations may strain resources and if we fail to manage growth successfully, its business could be adversely affected.

Increased orders for our product have placed, and may continue to place, a strain on our operational, financial and managerial resources and personnel. Any failure to manage growth effectively could have a material adverse effect on our business, operating results, financial condition and liquidity.

Our exposure to foreign currency rate risks and inflation could materially and adversely affect our business, financial condition and results of operations.

We may be exposed to foreign currency exchange rate risks and inflation with respect to our sales, profits, and assets and liabilities denominated in currencies other than the U.S. dollar as a result of possible international operations. As a result, we may suffer losses as a result of foreign currency rate fluctuations.

Our revenue growth rate depends on our ability to execute our business plan.

We may not be able to identify and maintain the necessary relationships within the industries in which we participate. Our ability to execute our business plan also depends on other factors, including the ability to:

- negotiate and maintain contracts and agreements with acceptable terms;
- implement terms of contracts and agreements according to original specifications;
- hire and train qualified personnel and retain key employees;
- maintain an affordable labor force;
- maintain marketing and development costs at affordable rates;
- ensure the availability of project financing; and
- effectively compete within domestic and international markets.

Failure to properly perform any of the foregoing may have a material adverse effect on our business, operating results, financial condition and liquidity.

We face continuous pricing pressure from our customers and our competitors. This will affect our margins and therefore our profitability and cash flow unless we can efficiently manage our manufacturing costs and market our products based on superior quality.

Our customers often make purchase decisions based on product pricing. Many of our competitors have significantly greater financial resources than we have, and as a result may be able to withstand the adverse effect of discounted pricing and reduced margins in order to build market share. While one of our strategies is to offer competitive pricing in order to retain and increase market share, and to seek to manage its manufacturing efficiently to sustain acceptable margins, we may not be able to maintain appropriate prices or to manage product manufacturing costs sufficiently to sustain acceptable margins. Similarly, we also seek to compete based on product quality rather than just price, but it may not be successful in these efforts. This could adversely affect our profitability, liquidity and market share.

The sale and export of products to a foreign country involves inherent operational risks that may not be adequately covered by insurance.

We can give no assurance that we will be adequately insured against all risks or that our insurers will pay a particular claim. The cost of insurance on foreign business may be substantial and could decrease profitability. Furthermore, we may not be able to obtain adequate insurance coverage at reasonable rates in the future. We may also be subject to claims by our customers involving disputes or situations that are beyond its control. There is also a possibility of fraudulent claims or other illicit activities involving our transactions. Any of these potentialities may give rise to a loss for which we are not insured, or adequately insured.

Our liability for estimated warranties may be inadequate, which could materially and adversely affect our business, financial condition and results of operations.

As a construction manager, we are subject to construction defect and warranty claims arising in the ordinary course of its business. These claims are common in the construction management industry and can be costly. At this time, the third party providers offer guarantees and warranties in accordance with industry standards that flow through to our clients. Although we maintain reserves for such claims, which to date have been adequate, there can be no assurance that warranty expense levels will remain at current levels or that such reserves will continue to be adequate. A large number of warranty claims exceeding our current warranty expense levels could have a material adverse effect on its results of operations.

We can be adversely effected by failures of persons who act on our behalf to comply with applicable regulations and guidelines.

Although we expect all of our associates (i.e., employees), officers and directors to comply at all times with all applicable laws, rules and regulations, there are instances in which subcontractors or others through whom we do business may engage in practices that do not comply with applicable regulations or guidelines. It is possible that our associates may become aware of these practices but do not take steps to prevent them. If we learn of practices relating to buildings it constructs that do not comply with applicable regulations or guidelines, we will move actively to stop the non-complying practices as soon as possible and we will take disciplinary action with regard to our associates who were aware of the practices, including in some instances terminating their employment. However, regardless of the steps we take, we may be subject to fines or other governmental penalties, and our reputation may be injured.

The cyclical and seasonal nature of the construction and construction management industries causes our revenues and operating results to fluctuate, and we expect this cyclicality and seasonality to continue in the future.

The construction and construction management industries are highly cyclical and seasonal and is influenced by many international, national and regional economic factors including the availability of consumer and wholesale financing, seasonality of demand, consumer confidence, interest rates, income levels and general economic conditions, including inflation and recessions. As a result of the foregoing factors, our revenues and operating results fluctuate, and we currently expect them to continue to fluctuate in the future. Moreover, we have and may continue to experience operating losses during cyclical downturns in the construction and construction management market.

We may not be paid all amounts owed to us by our customers.

If the financial condition of our customers were to deteriorate, resulting in their inability or unwillingness to pay amounts owed to us, or if our customers are otherwise unable or unwilling to pay us, or if bankruptcy courts require us to refund amounts paid to us, our earnings and financial position could be negatively impacted.

Risks Relating to the Construction and Construction Management Industries

The construction management industry suffers from a lack of third-party financing, and our financial condition and results of operations could be negatively affected if additional third-party financing for the purchases of our buildings does not become available.

Our business and earnings depend substantially on our client's ability to obtain financing for the development of their construction projects. The availability and cost of such financing is further dependent on the number of financial institutions participating in the industry, the departure of financial institutions from the industry, the financial institutions' lending practices, the strength of the domestic and international credit markets generally, governmental policies and other conditions, all of which are beyond our control. In light of the current economic climate, some of our projects may not be successful in obtaining additional funds in a timely manner, on favorable terms or at all. The availability of borrowed funds, especially for construction financing, has been greatly reduced, and lenders may require project developers to invest increased amounts of equity in a project in connection with both new loans and the extension of existing loans. Unfavorable changes in the availability and terms of financing in the industry will have a material adverse effect on certain privately financed projects.

Our results of operations also depend on the ability of our potential privately financed customers to obtain loans for the purchase of new buildings. Over the past few years, lenders have tightened the credit underwriting standards which have reduced lending volumes. If this trend continues, it would negatively impact our sales. Our sales depend in large part on the availability and cost of financing. In addition, where our potential customers must sell their existing buildings or real estate in order to develop the new buildings, increases in mortgage costs and/or lack of availability of mortgages could prevent buyers of potential customers' existing buildings from obtaining the mortgages they need to complete their purchases, which would result in our potential customers' inability to make purchases from us. If our potential buyers cannot obtain suitable financing, our sales and results of operations would be adversely affected.

The construction and construction management industries are highly competitive, and competition may increase the adverse effects of industry conditions.

We operate in a very competitive environment, which is characterized by competition from numerous local, regional and national builders and others in the real estate development business around the world. We may compete for financing, raw materials and skilled management and labor resources. We also compete with the rental market, as well as with the resale, or "previously owned," building market, which has increased significantly due to the large number of foreclosures due to the current economic downturn. An oversupply of buildings available for sale and the heavy discounting of building prices by some of our competitors could adversely affect demand for our buildings and our results of operations. Increased competition could require us to further increase our selling incentives and/or reduce our prices which could negatively affect our profits.

Government regulations and legal challenges may delay the start or completion of our projects, increase our expenses or limit our building activities, which could have a negative impact on our operations.

Various domestic and international rules and regulations concerning building, zoning, sales and similar matters apply to and/or affect the construction and construction management industries. Governmental regulation affects construction activities as well as sales activities, mortgage lending activities and other dealings with consumers. These industries also have experienced an increase in domestic state and local legislation and regulations that limit the availability or use of land. Municipalities may also restrict or place moratoriums on the availability of utilities, such as water and sewer taps. In some areas, municipalities may enact growth control initiatives, which will restrict the number of building permits available in a given year. In addition, we may be required to apply for additional approvals or modify its existing approvals because of changes in local circumstances or applicable law. If governments in locations in which we operate take actions like these, it could have an adverse effect on our business by causing delays, increasing our costs or limiting our ability to operate in those areas. Further, we may experience delays and increased expenses as a result of legal challenges to our proposed projects, whether brought by governmental authorities or private parties. Failure to comply with laws or regulations applicable to or affecting us, or the passage in the future of new and more stringent laws affecting us, may adversely affect our financial condition or results of operations.

Supply risks and shortages relating to labor and materials can harm our business by delaying construction and increasing costs.

Though the availability of talented consultants and subcontractors is high in the current economic environment, the construction and construction management industries from time to time have experienced significant difficulties with respect to:

- shortages of materials;
- volatile or sustained increases in the cost of raw materials, including containers, traditional finish materials which are significant components of its construction costs;
- shortages of qualified trades people and other labor;
- changes in laws relating to union organizing activity;
- inadequately capitalized or uninsured local subcontractors;
- lack of availability of adequate utility infrastructure and services; and
- transportation cost increases.

These difficulties can, and often do, cause unexpected short-term increases in construction costs and cause construction delays. In addition, to the extent our subcontractors incur increased costs associated with higher insurance premiums and compliance with regulations, these costs may be passed on to us. We are generally unable to pass on any unexpected increases in construction costs to those customers who have already entered into sales contracts, as those contracts generally fix the price of the building at the time the contract is signed. Pricing competition, oversupply of new and existing buildings and tightening mortgage qualifications, among other factors may restrict our ability to pass on any additional costs, and may negatively impact its profit margins.

We have not experienced any work stoppages due to strikes by unionized workers, but there is no assurance that there will not be any work stoppages due to strikes or other job actions in the future.

Risks Relating to the Merger

As a result of the Merger, we have become subject to more reporting requirements of federal securities laws, which can be expensive.

As a result of the Merger, we have become an operating company. Accordingly, we may be subject to more information and reporting requirements of the Exchange Act and other Federal securities laws, including compliance with the Sarbanes-Oxley Act. The costs of preparing and filing annual and quarterly reports, proxy statements and other information with the SEC (including reporting of the Merger) and furnishing audited reports to stockholders may increase and may cause our expenses to be higher.

In addition, it may be time consuming, difficult and costly for us to develop and implement the internal controls and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal controls and other finance personnel in order to develop and implement appropriate internal controls and reporting procedures. If we are unable to comply with the internal controls requirements of the Sarbanes-Oxley Act, we may not be able to obtain the independent accountant certifications required by the Sarbanes-Oxley Act.

Because we were previously a shell company and acquired an operating entity by means of a reverse merger with one of our subsidiaries, we may not be able to attract the attention of major brokerage firms.

There may be risks associated with us formerly being a shell company and acquiring an operating entity through a “reverse merger”. Securities analysts of major brokerage firms may not provide coverage of us since there is no incentive to brokerage firms to recommend the purchase of our Common Stock. No assurance can be given that brokerage firms will, in the future, want to conduct any secondary offerings on our behalf.

Risks Relating to our Common Stock

Our stock price may be volatile.

The market price of our Common Stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

- technological innovations or new products by us or our competitors;
- intellectual property disputes;
- additions or departures of key personnel;
- sales of our Common Stock;
- our ability to execute our business plan;
- operating results that fall below expectations;
- loss of any strategic relationship;
- industry developments;
- economic and other external factors; and
- period-to-period fluctuations in our financial results.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Common Stock.

Our limited operating history makes evaluating our Common Stock more difficult, and therefore, investors have limited information upon which to rely.

We have limited historical data upon which to forecast operating expenses or future needs and operating results. Our limited operating history will make it difficult for investors to evaluate our business and prospects. Investors must consider our prospects in light of the risks, expenses and difficulties it faces as an early stage company with a limited operating history, new organizational structure and operating in a highly regulated and competitive industry.

Our directors, executive officers and affiliated persons beneficially own a substantial number of shares of our Common Stock, which gives them significant control over certain major decisions upon which its stockholders may vote and may discourage an acquisition of the Company.

Our executive officers, directors and affiliated persons beneficially own a substantial number of shares of our Common Stock. The interests of our officers, directors and affiliated persons (as stockholders) may differ from the interests of other stockholders. As a result, these officers, directors and affiliated persons will have significant influence over all corporate actions requiring stockholder approval, irrespective of how other stockholders may vote, including the following actions:

- elect or defeat the election of the our directors;
- amend or prevent amendment the our Certificate of Incorporation or Bylaws;
- effect or prevent a merger, sale of assets or other corporate transaction; and
- control the outcome of any other matter submitted to the stockholders for vote.

Management's ownership of a substantial number of shares of our Common Stock may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, which in turn could reduce its stock price or prevent our stockholders from realizing a premium over its stock price.

Our Common Stock may be deemed a "penny stock", which would make it more difficult for the Company's investors to sell their shares.

Our Common Stock is subject to the "penny stock" rules adopted under section 15(g) of the Securities Exchange Act of 1934. The penny stock rules apply to non-Nasdaq companies whose common stock trades at less than $5.00 per share or that have tangible net worth of less than $5,000,000 ($2,000,000 if the company has been operating for three or more years). These rules require, among other things, that brokers who trade penny stock to persons other than "established customers" complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade penny stocks because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in such securities is limited. If we remain subject to the penny stock rules for any significant period, that could have an adverse effect on the market, if any, for our securities. If our securities are subject to the penny stock rules, investors will find it more difficult to dispose of the Common Stock.

Furthermore, for companies whose securities are quoted OTC Bulletin Board, it is more difficult (1) to obtain accurate quotations, (2) to obtain coverage for significant news events because major wire services generally do not publish press releases about such companies, and (3) to obtain needed capital.

Sale of a substantial number of shares of the Common Stock may cause the price of our Common Stock to decline.

If our stockholders sell substantial amounts of the Common Stock in the public market, the market price of our Common Stock could fall. These sales also may make it more difficult for us to sell equity or equity-related securities in the future at a time and price that it deems reasonable or appropriate.

Additional equity offerings may dilute current stockholders.

As a result of acquisitions or additional capital raisings, we may issue additional securities or instruments that may by convertible into or exercisable or exchangeable for, or otherwise entitle the holder thereof to receive Common Stock. The issuance of such additional securities will dilute the ownership of our then current stockholders.

Our liquidity and ability to raise capital may be limited.

As of June 30, 2011, SG Building had cash and cash equivalents of $1,542,998. However, over the six months ended June 30, 2011, we had a net loss of $585,109. While we currently believe that based on our current operating plan, we will have sufficient capital to meet our anticipated need for working capital and capital expenditures through October 1, 2012, we may need to obtain debt or additional equity financing prior to October 1, 2012, if our losses for the next year exceed our expectations or in the future. It will also be difficult for us to make any acquisitions unless we can raise additional capital. The type, timing and terms of the financing we may select will depend on, among other things, our cash needs, the availability of other financing sources and prevailing conditions in the financial markets. Any financing would be dilutive to our stockholders. There can be no assurance that any of these sources will be available to us at any time or that they will be available on satisfactory terms.

If we do not implement necessary internal control over financial reporting in an efficient and timely manner, or if we discover deficiencies and weaknesses in existing systems and controls, we could be subject to regulatory enforcement and investors may lose confidence in our ability to operate in compliance with existing internal control rules and regulations, either of which could result in a decline in our stock price.

It may be difficult to design and implement effective internal control over financial reporting for combined operations as the Company integrates the business of SG Building it acquired as a result of the Merger, and perhaps other acquired businesses in the future. In addition, differences in existing controls of acquired businesses may result in weaknesses that require remediation when internal controls over financial reporting are combined.

If we fail to maintain an effective system of internal control, we may be unable to produce reliable financial reports or prevent fraud. If we are unable to assert that its internal control over financial reporting is effective at any time in the future, or if our independent registered public accounting firm is unable to attest to the effectiveness of internal controls, is unable to deliver a report at all or can deliver only a qualified report, we could be subject to regulatory enforcement and investors may lose confidence in our ability to operate in compliance with existing internal control rules and regulations, either of which could result in a decline in the our stock price.

We do not expect to pay dividends in the future. Any return on investment may be limited to the value of our Common Stock.

We have never paid nor do we expect in the foreseeable future to pay any dividends.

There is a limited trading market for our Common Stock.

Since 1999, our Common Stock has been quoted on the OTC Bulletin Board of the National Association of Security Dealers, Inc. There is a limited trading market in our shares and a stockholder could likely find it difficult to sell or to obtain quotations as to prices of our Common Stock. During 2010, the average daily trading volume of our Common Stock was approximately 1,209 shares, with 207 days of 252 trading days having no trading activity. No assurances can be given that our Common Stock will continue to be quoted on the OTC Bulletin Board or that an orderly trading market will be maintained for our Common Stock.

The issuance of additional securities by the Board will dilute the ownership interests of our current stockholders and could discourage the acquisition of the Company.

Our Board, without any action by our stockholders, is authorized to designate and issue additional classes or series of capital stock (including classes or series of preferred stock) as it deems appropriate and to establish the rights, preferences and privileges of such classes or series. The issuance of any new class or series of capital stock would not only dilute the ownership interest of our current stockholders but may also adversely affect the voting power and other rights of holders of common stock. The rights of holders of preferred stock and other classes of Common Stock that may be issued may be superior to the rights of the holders of the existing class of Common Stock in terms of the payment of ordinary and liquidating dividends and voting rights.

In addition, the ability of the Board to designate and issue such undesignated shares could impede or deter an unsolicited tender offer or takeover proposal regarding the Company and the issuance of additional shares having preferential rights could adversely affect the voting power and other rights of holders of Common Stock and render more difficult the removal of current management, even if such removal may be in the stockholders' best interests. See the sections titled "*Description of Securities*" and "*Anti-Takeover Effect of Delaware Law, Certain Charter Provisions"* in this Item 2.01 for a more detailed description of the Company's securities and the anti-takeover effect of Delaware law and certain provisions in the Company's Certificate of Incorporation.

FORWARD-LOOKING STATEMENTS

This "Management's Discussion and Analysis or Plan of Operation" as well as other portions of this Current Report on Form 8-K contain forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve a number of assumptions, risks, and uncertainties that could cause the actual results of the Company and SG Building to differ materially from those matters expressed in or implied by such forward-looking statements. They involve known and unknown risks, uncertainties, and other factors, which are in some cases beyond the control of the Company and SG Building. No forward-looking statement can be guaranteed and actual future results may vary materially. The actual results of the Company and SG Building could differ materially from those indicated by the forward-looking statements because of various risks and uncertainties including without limitation, changes in funds budgeted by Federal, state and local governments, the availability and timely delivery of key raw materials, components and chassis, changes in competition, various inventory risks due to changes in market conditions, changes in product demand, substantial dependence on third parties for product quality, interest rate fluctuations, adequate direct labor pools, development of new products, changes in tax and other governmental rules and regulations applicable to the Company, reliability and timely fulfillment of orders and other risks indicated in the Company's filing with the SEC. Additional information regarding these risk factors and uncertainties is described more fully in the Company's SEC filings. A copy of all filings may be obtained from the SEC's EDGAR web site, www.sec.gov, or by contacting the Chief Administrative Officer at the Company's headquarters or by telephone 646-747-2423.

SG BUILDING'S MANAGEMENT'S DISCUSSION AND

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction and Certain Cautionary Statements

The following discussion and analysis of the Company's financial condition and results of operations is intended to assist in the understanding and assessment of significant changes and trends related to the results of operations and financial position of SG Building. This discussion should be read in conjunction with the other sections of this Current Report on Form 8-K, including the sections titled "Risk Factors" and "Business," the Company's Pro-forma Financial Statements and SG Building's Financial Statements attached hereto.

The statements in this information statement may contain forward-looking statements relating to such matters as anticipated future financial performance, business prospects, legislative developments and similar matters. See "Forward-Looking Statements." The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, we note that a variety of factors could cause actual results to differ materially from the anticipated results expressed in the forward-looking statements such as intensified competition and/or operating problems in its operating business projects and their impact on revenues and profit margins or additional factors. In addition, the information presented below is based on unaudited financial information. There can be no assurance that there will not be changes to this information once audited financial information is available.

General

SG Building is a Delaware corporation, which offers the construction industry a safer, greener, faster, longer lasting and more economical alternative to conventional construction methods. SG Building redesigns, repurposes, and converts heavy-gauge steel cargo shipping containers into safe green building blocks for commercial, industrial, and residential building construction.

On July 27, 2011, the Company entered into the Merger Agreement by and among Merger Sub, a Delaware corporation and a wholly-owned subsidiary of the Company, SG Building, a Delaware corporation (known as SG Blocks, Inc. prior to the Merger), and certain stockholders of SG Building. The Merger Agreement provides for the Merger of Merger Sub with and into SG Building, with SG Building surviving the Merger and becoming a wholly-owned subsidiary of the Company. Upon consummation of the Merger, SG Building became the principal operating business of the Company and the Company was renamed SG Blocks, Inc.

SG Building is a provider of code engineered cargo shipping containers that it modifies and delivers to meet the growing demand for safe and green construction. Rather than consuming new steel and lumber, SG Building capitalizes on the structural engineering and design parameters a shipping container must meet and repurposes them for use in building.

The following summaries of the Merger and related transactions, the Merger Agreement and the other agreements entered into by the parties are qualified in their entirety by reference to the text of the agreements, certain of which are attached as exhibits hereto and are incorporated herein by reference.

Upon consummation of the Merger, the holders of common stock of SG Building received an aggregate of 36,050,764 shares of the Company's Common Stock. Additionally, Ladenburg received in the Merger 408,750 shares of the Company's Common Stock. Upon consummation of the Merger, all outstanding SG Building warrants were cancelled and substituted with Company warrants of similar tenor to purchase an aggregate of 1,145,510 shares of the Company's Common Stock.

The Merger was a reverse merger that will be accounted for as a recapitalization of SG Building.

Results of Operations

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009:

	Year Ended December 31		
	2010	**2009**	**Change**
Loss from operations	(933,858)	(218,137)	(715,721)
Other expenses:	(313,786)	(80,982)	(232,804)
Net Loss	(1,247,644)	(299,119)	(948,525)

Revenue

Revenue for the year ended December 31, 2010 was $1,916,565 compared to $478,340 for the year ended December 31, 2009. This increase of $1,438,225 results from significantly increased block "green steel" sales to a single customer (2010 sales of approximately $990,000 vs. 2009 sales of approximately 285,000) and an increase in new engineering and project management jobs during 2010.

Cost of Revenue and Gross Profit

Cost of revenue increased by $1,049,466 to $1,339,159 for the year ended December 31, 2010 from $289,693 for the year ended December 31, 2009. The increase in cost of revenue results from an increase in sales offset by a decrease in the gross profit percentage. Gross profit increased to $577,406 for the year ended December 31, 2010 from a gross profit of $188,647 for the year ended December 31, 2009. The gross profit percentage was 30.1% for the year ended December 31, 2010 as compared to a gross profit percentage of 39.4% for the year ended December 31, 2009. This decrease in gross profit percentage results from an increase in the gross profit percent in block "green steel" sales (from 29.6% in 2009 to 32.5% in 2010) offset by a decrease in gross profit percent in engineering (from 58.9% in 2009 to 42.4% in 2010) and project management (from 49.1% in 2009 to 20.1 % in 2010) projects.

Compensation

Compensation expense for the year ended December 31, 2010 was $963,075 compared to $172,537 for the year ended December 31, 2009. The increase of $790,538 results from an increase in sales, marketing and administrative personnel.

Other Operating Expenses

Other operating expense for the year ended December 31, 2010 was $548,189 compared to $234,247 for the year ended December 31, 2009. The increase of $313,942 results from an increase of approximately (i) $81,000 in consulting and professional fees, (ii) $65,000 in marketing costs, (iii) $25,000 in travel and entertainment expenses, (iv) 64,000 in insurance costs and (v) $78,000 other general and administrative expenses.

Interest Expense

Interest expense for the year ended December 31, 2010 was $396,155 compared to $81,083 for the year ended December 31, 2009. This increase results from the beneficial conversion feature embedded in the convertible notes and related debt discount and contractual interest on increased borrowings.

Other income (expense)

During 2010 there was other income recognized from a cancellation of trade liabilities and accrued interest of $73,057 while there were no such debt cancellations during 2009. Additionally in 2010 there was other income of $9,275 recognized due to a change in fair value of derivative conversion option liabilities.

Income Tax Benefit

A 100% valuation allowance was provided against the deferred tax asset consisting of available net operating loss carry forwards and accordingly no income tax benefit was provided.

Six Months Ended June 30, 2011 Compared to the Six Months ended June 30, 2010:

	Six months ended June 30		
	2011	**2010**	**Change**
Loss from operations	(615,529)	(275,179)	(340,350)
Other income (expenses):	30,420	(67,448)	97,868
Net Loss	(585,109)	(342,627)	(242,482)

Revenue

Revenue for the six months ended June 30, 2011 was $2,592,683 compared to $1,256,042 for the six months ended June 30, 2010. This increase of $1,336,641 results from an increase of $1,805,004 in block "green steel" sales reduced by $468,363 of lower sales in engineering and project management jobs.

Cost of Revenue and Gross Profit

Cost of revenue increased by $1,365,504 to $2,217,313 for the six months ended June 30, 2011 from $851,809 for the six months ended June 20, 2010. The increase in cost of revenue results from an increase in sales offset by a decrease in the gross profit percentage. Gross profit decreased to $375,370 for the six months ended June 20, 2011 from a gross profit of $404,233 for the six months ended June 30, 2010. The gross profit percentage was 14.5% for the six months ended June 30, 2011 as compared to a gross profit percentage of 32.2% for the six months ended June 30, 2010. This decrease in gross profit percentage results from a decrease in the gross profit percent in block "green steel" sales (from 32.5% during the period in 2010 compared to 13.7% during the period in 2011) offset by an increase in gross profit percent in project management (from 28.8% during the period in 2010 to 41.6% during the period in 2011) and engineering (from 50.6% during the period in 2010 to 83.0% during the period in 2011).

Compensation

Compensation expense was relatively unchanged for the six months ended June 30, 2011 ($468,597) compared to compensation expense for the six months ended June 30, 2010 ($465,648).

Other Operating Expenses

Other operating expense for the six months ended June 30, 2011 was $522,302 compared to $213,764 for the six months ended June 30, 2010. The increase of $308,538 results from an increase of approximately (i) $58,000 in consulting and professional fees, (ii) $78,000 in marketing costs, (iii) $44,000 in travel and entertainment expenses, and (iv) $130,000 of general and administrative expenses.

Interest Expense

Interest expense for the six months ended June 30, 2011 was $2,034 compared to $94,905 for the six months ended June 30, 2010. This decrease results from the maturity and payment or conversion of outstanding interest bearing debts.

Other income (expense)

During the six months ended June 30, 2011 and June 30, 2010 there was other income recognized from (1) cancellation of trade liabilities and unpaid interest of $30,498 and $41,982, respectively and (2) a change in the fair value of the warrant liability of $1,929 and $0, respectively.

Income Tax Benefit

A 100% valuation allowance was provided against the deferred tax asset consisting of available net operating loss carry forwards and accordingly no income tax benefit was provided.

Impact of Inflation

The impact of inflation upon SG Building's revenue and income/(loss) from continuing operations during each of the past two fiscal years has not been material to its financial position or results of operations for those years because SG Building does not maintain any inventories whose costs are affected by inflation.

Liquidity and Capital Resources

Since SG Building's inception in 2008, SG Building has generated losses from operations and it anticipates that it will continue to generate losses from operations for the foreseeable future. As of December 31, 2010 and December 31, 2009, SG Building's stockholders' equity/(deficit) was approximately $440,200 and ($1,191,200), respectively. SG Building's net loss from operations for the years ended December 31, 2010 and 2009 was $933,858 and $218,137, respectively. Net cash used in operating activities was $804,405 and $745,906 for the years ended December 31, 2010 and December 31, 2009, respectively.

SG Building incurred a net loss of $1,247,644 for the year ended December 31, 2010. SG Building's cash balance as of December 31, 2010 was $1,038,661 and SG Building had working capital as of that date of $435,793.

Since inception, SG Building has funded its operations and working capital needs primarily with proceeds from equity and debt financings and sales activity. During 2009, SG Building generated net cash proceeds of $1,027,858 from the issuance of notes payable and capital contributions. During 2009, SG Building paid off $124,834 of outstanding notes payable. During 2010, SG Building generated net cash proceeds of $2,739,797 from the issuance of notes payable and issuance of common stock. During 2010, SG Building paid off $999,224 of outstanding notes payable. Also, from January 1, 2011 to June 30, 2011 SG Building generated net cash proceeds of $1,200,000 from the issuance of common stock.

Based on the recent progress SG Building made in the execution of its business plan, SG Building believes that its currently available cash, which includes funds it expects to generate from operations, will enable it to operate its business through at least October 1, 2012. However, SG Building will require additional capital in order to execute the longer term aspects of its business plan or if the Company's losses over the next year exceed its expectations. If SG Building is unable to raise additional capital or encounter unforeseen circumstances that place constraints on its capital resources, SG Building will be required to take various measures to conserve liquidity, which could include, but not necessarily be limited to, curtailing its business development activities or suspending the pursuit of its business plan. SG Building cannot provide any assurance that it will raise additional capital. SG Building has not secured any commitments for new financing at this time, nor can it provide any assurance that new financing will be available to it on acceptable terms, if at all.

Off-Balance Sheet Arrangements

As of December, 2010 and June 30, 2011, SG Building had no material off-balance sheet arrangements other than operating leases.

In the ordinary course of business, SG Building enters into agreements with third parties that include indemnification provisions which, in its judgment, are normal and customary for companies in its industry sector. These agreements are typically with consultants and certain vendors. Pursuant to these agreements, SG Building generally agrees to indemnify, hold harmless, and reimburse indemnified parties for losses suffered or incurred by the indemnified parties with respect to actions taken or omitted by SG Building. The maximum potential amount of future payments SG Building could be required to make under these indemnification provisions is unlimited. SG Building has not incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. As a result, the estimated fair value of liabilities relating to these provisions is minimal. Accordingly, SG Building has no liabilities recorded for these provisions as of December 31, 2010.

Critical Accounting Estimates and New Accounting Pronouncements

Critical Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts and related disclosures in the financial statements. Management considers an accounting estimate to be critical if it requires assumptions to be made that were uncertain at the time the estimate was made, and changes in the estimate or different estimates that could have been selected could have a material impact on our consolidated results of operations or financial condition.

Share-Based Payments. SG Building adopted authoritative accounting guidance which establishes standards for share-based transactions in which it receives employee's services in exchange for equity instruments, such as common stock. These authoritative accounting standards require that SG Building expense the fair value of stock options and similar awards, as measured on the awards' grant date.

SG Building estimates the value of stock awards using valuation models developed by it. The determination of the fair value of share-based payment awards on the date of grant is affected by SG Building's stock price as determined by the valuation model and the assumptions used regarding a number of complex and subjective variables.

If factors change and SG Building employs different assumptions in the application of the relevant accounting guidance in future periods, the compensation expense that it records may differ significantly from what it has recorded in the current period. There is a high degree of subjectivity involved when determining the fair value of our stock to estimate share-based compensation. Consequently, there is a risk that SG Building's estimates of the fair values of its share-based compensation awards on the grant dates may bear little resemblance to the actual values realized upon the exercise, expiration, early termination or forfeiture of those share-based payments. Employee stock grants may be forfeited as worthless or otherwise result in zero value as compared to the fair values originally estimated on the grant date and reported in SG Building's financial statements. Alternatively, value may be realized from these instruments that are significantly in excess of the fair values originally estimated on the grant date and reported in SG Building's financial statements.

Derivative Instruments. Since inception, SG Building has issued warrants to purchase its common stock and convertible notes. In accordance with current accounting guidelines, SG Building has treated these derivative financial instruments as liabilities on its balance sheet, measured at fair value at issuance date, and re-measured at fair value on each reporting date. SG Building records changes in the fair value of these derivative liabilities in income or loss on each balance sheet date. SG Building uses both a Black-Scholes option and lattice pricing model, which uses the underlying price of its common stock as one of the inputs to determine the fair value at issuance date and at each subsequent reporting period. As a result, the fair value of the derivative instruments is impacted by changes in the market price of its common stock. The market price of its common stock can be volatile and is subject to factors beyond SG Building's control. These factors include, but are not limited to, trends in the industry in which SG Building operates, the market of OTC Bulletin Board quoted stocks in general and sales of SG Building's common stock. As a result, the value of its common stock may change from measurement date to measurement date, thereby resulting in fluctuations in the fair value of the derivative instruments, which can materially impact its operating results.

Revenue Recognition. SG Building accounts for its long-term contracts associated with the design, engineering, manufacture and project management of building projects and related services, using the percentage-of-completion accounting method. Under this method, revenue is recognized based on the extent of progress towards completion of the long-term contract.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance. General and administrative costs, marketing and business development expenses and pre-project expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenue when realization is probable and the amount can be reliably estimated.

The asset, "Costs and estimated earnings in excess of billing on uncompleted contracts," represents revenue recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billing in excess of revenue recognized.

SG Building offers a one-year warranty on completed contracts. SG Building has not incurred any losses to date and nor does it anticipate incurring any losses for warranties that are currently outstanding. Accordingly no warranty reserve is considered necessary for any of the periods presented.

SG Building also supplies repurposed containers to its customers. In these cases, SG Building serves as a supplier to its customers for standard and made to order products that it sells at fixed prices. Revenue from these contracts is generally recognized when the products have been delivered to the customer, accepted by the customer and collection is reasonably assured. Revenue is recognized upon completion of the following: an order for product is received from a customer; written approval for the payment schedule is received from the customer and the corresponding required deposit or payments are received; a common carrier signs documentation accepting responsibility for the unit as agent for the customer; and the unit is delivered to the customer's shipping point.

Amounts billed to customers in a sales transaction for shipping and handling are classified as revenue. Products sold are generally paid for based on schedules provided for in each individual customer contract including upfront deposits and progress payments as products are being manufactured.

Funds received in advance of meeting the criteria for revenue recognition are deferred and are recorded as revenue when they are earned.

New Accounting Pronouncements

In January 2010, FASB issued ASU No. 2010-06 — Improving Disclosures about Fair Value Measurements. This update provides amendments to Subtopic 820-10 that requires new disclosure as follows: 1) Transfers in and out of Levels 1 and 2 fair value measurements. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. 2) Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). This update provides amendments to Subtopic 820-10 that clarifies existing disclosures as follows: 1) Level of disaggregation. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities. 2) Disclosures about inputs and valuation techniques. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. The adoption of this guidance did not have a material impact on SG Building's consolidated financial statements.

In February 2010, FASB issued ASU No. 2010-9 — Amendments to Certain Recognition and Disclosure Requirements. This update addresses certain implementation issues related to an entity's requirement to perform and disclose subsequent-events procedures and removes the requirement that public companies disclose the date of their financial statements in both issued and revised financial statements. According to the FASB, the revised statements include those that have been changed to correct an error or conform to a retrospective application of U.S. GAAP. The adoption of this ASU did not have a material impact on SG Building's consolidated financial statements.

In March 2010, FASB issued ASU No. 2010-11 — Scope Exception Related to Embedded Credit Derivatives. Embedded credit-derivative features related only to the transfer of credit risk in the form of subordination of one financial instrument to another are not subject to potential bifurcation and separate accounting as clarified by recently issued FASB guidance. Other embedded credit-derivative features are required to be analyzed to determine whether they must be accounted for separately. This update provides guidance on whether embedded credit-derivative features in financial instruments issued by structures such as collateralized debt obligations (CDOs) and synthetic CDOs are subject to bifurcation and separate accounting. The guidance is effective at the beginning of a company's first fiscal quarter beginning after June 15, 2010. SG Building does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In April 2010, the FASB issued ASU No. 2010-13, Compensation — Stock Compensation: Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades. ASU 2010-13 clarifies that a share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, such an award should not be classified as a liability if it otherwise qualifies as equity. ASU 2010-13 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010, with early adoption permitted. SG Building is currently evaluating the potential impact of this standard.

In May 2011, FASB issued ASU No. 2011.04, "Fair Value Measurement (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This ASU addresses fair value measurement and disclosure requirements within Accounting Standards Codification Topic 820 for the purpose of providing consistency and common meaning between U.S. GAAP and IFRSs. Generally, this ASU is not intended to change the application of the requirements in Topic 820. Rather, this ASU primarily changes the wording to describe many of the requirements in U.S. GAAP for measuring fair value or for disclosing information about fair value measurements. This ASU is effective for periods beginning after December 15, 2011. It is not expected to have any material impact on SG Building's consolidated financial statements or disclosures.

PROPERTIES

The Company leases office space at New York City for use as its headquarters. The lease for this facility is terminable by either party to the lease upon 180 days prior written notice after September 26, 2013. The Company also has use of office space in Brazil pursuant to an unwritten agreement that is terminable at any time, and use of storage and processing space at certain ConGlobal facilities pursuant to the ConGlobal Agreement. The Company believes that its current facilities are adequate for the foreseeable future.

SECURITY OWNERSHIP OF CERTAIN

BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the number of shares of common stock beneficially owned as of November 9, 2011 by (i) those persons or groups known to beneficially own more than 5% of the Company's Common Stock, (ii) each current director and executive officer of the Company and (iii) all executive officers and directors as a group. The information is determined in accordance with Rule 13d-3 promulgated under the Exchange Act. Except as indicated below, the stockholders listed possess sole voting and investment power with respect to their shares. Except as otherwise indicated in the table below, the business address of each individual or entity is 400 Madison Avenue, Suite 16C NY, New York, 10017.

Name of Beneficial Owner	**Number of Shares(1)**	**Percent of Class(2)**
Directors and Named Executive Officers:		
Paul Galvin(3)(4)(11)	4,008,125	9.8%
Joseph Tacopina(3)(4)(12)	2,674,793	6.7%
Stevan Armstrong(3)(5)(13)	3,443,932	8.6%
J. Scott Magrane(3)(6)(14)	401,970	1.0%
Christopher Melton(3)(7)(15)	215,742	*
J. Bryant Kirkland III (8)(9)(16)(20)	26,428	*
Richard J. Lampen (8)(9)(10)(17)	1,469,999	3.7%
Brian Wasserman(3)(18)	333,334	*
Jennifer Strumingher (3)(7)(19)	83,334	*
All executive officers and directors as a group (9 persons)	9,999,530	24%

* Less than 1%.

(1) Unless otherwise indicated, includes shares owned by a spouse, minor children and relatives sharing the same home, as well as entities owned or controlled by the named person. Also includes options and warrants to purchase shares of Common Stock exercisable within sixty (60) days. Unless otherwise noted, shares are owned of record and beneficially by the named person.

(2) Based on 39,729,514 shares of Common Stock outstanding on November 9, 2011.

(3) Paul Galvin, Joseph Tacopina, Stevan Armstrong, J. Scott Magrane and Christopher Melton were appointed as directors upon consummation of the Merger on November 4, 2011. Additionally, Mr. Galvin was appointed as Chief Executive Officer, Mr. Armstrong was appointed as President and Chief Operating Officer, Brian Wasserman was appointed as Chief Financial Officer and Ms. Strumingher was appointed as Chief Administrative Officer, all upon consummation of the Merger on November 4, 2011.

(4) Includes 2,658,127 shares held by Tag Partners, LLC (“TAG”), an investment partnership formed for the purpose of investing in SG Building (other partners include employees of SG Building). Paul Galvin and Joseph Tacopina are managing members of, and have a controlling interest in, TAG. Each of Messrs. Galvin and Tacopina may be deemed to beneficially own the shares of Common Stock owned by TAG. Each of Messrs. Galvin and Tacopina specifically disclaims beneficial ownership of the shares of Common Stock held by TAG, except to the extent of each of their pecuniary interest therein, and this shall not be deemed to be an admission that Messrs. Galvin and Tacopina are the beneficial owner of such shares of Common Stock.

(5) Includes 3,327,266 shares are held by SMA Development Group, LLC, an entity controlled by Mr. Armstrong. Mr. Armstrong specifically disclaims beneficial ownership of the shares of Common Stock held by SMA Development Group, LLC, except to the extent of his pecuniary interest therein, and this shall not be deemed to be an admission that Mr. Armstrong is the beneficial owner of such shares of Common Stock.

(6) Includes 381,137 shares are held by Two Lake, LLC, an entity controlled by Mr. Magrane. Mr. Magrane specifically disclaims beneficial ownership of the shares held by Two Lake, LLC except to the extent of his pecuniary interest therein, and this shall not be deemed an admission that Mr. Magrane is the beneficial owner of such shares of stock.

(7) Includes 194,909 shares held by Mr. Melton. Does not include shares held by TAG. Mr. Melton and Ms. Strumingher each has a membership interest in TAG. Mr. Melton and Ms. Strumingher each specifically disclaims beneficial ownership of the shares of Common Stock held by TAG, except to the extent of their pecuniary interest therein, and this shall not be deemed to be an admission that either Mr. Melton or Ms. Strumingher is a beneficial owner of such shares of Common Stock.

(8) Richard J. Lampen, a director of the Company, and J. Bryant Kirkland III, a director of the Company, serve as Executive Vice President and Vice President, respectively, of Vector Group Ltd. (“Vector”). Neither Mr. Kirkland nor Mr. Lampen has investment authority or voting control over the 1,490,000 shares of Common Stock owned by Vector.

(9) Does not include shares of Common Stock held by Vector, as neither Mr. Kirkland nor Mr. Lampen has investment authority or voting control over the securities owned by Vector.

(10) Includes (i) 408,750 shares of Common Stock held by Ladenburg and (ii) 1,044,583 shares of Common Stock issuable upon exercise of presently exercisable warrants held by Ladenburg. Mr. Lampen is the president and chief executive officer of Ladenburg Thalmann Financial Services Inc., the parent company and sole owner of Ladenburg. Accordingly, Mr. Lampen may be deemed to have investment authority and voting control over the securities owned by Ladenburg. Mr. Lampen specifically disclaims beneficial ownership of the shares of Common Stock held by Ladenburg, except to the extent of his pecuniary interest therein, and this shall not be deemed to be an admission that Mr. Lampen is the beneficial owner of such shares of stock.

(11) Includes 1,349,998 shares that Mr. Galvin has the right to acquire at within 60 days upon exercise of stock options.

(12) Includes 16,666 shares that Mr. Tacopina has the right to acquire at within 60 days upon exercise of stock options.

(13) Includes 116,666 shares that Mr. Armstrong has the right to acquire at within 60 days upon exercise of stock options.

(14) Includes 20,833 shares that Mr. Magrane has the right to acquire at within 60 days upon exercise of stock options.

(15) Includes 20,833 shares that Mr. Melton has the right to acquire at within 60 days upon exercise of stock options.

(16) Includes 20,833 shares that Mr. Kirkland has the right to acquire at within 60 days upon exercise of stock options.

(17) Includes 16,666 shares that Mr. Lampen has the right to acquire at within 60 days upon exercise of stock options.

(18) Includes 333,334 shares that Mr. Wasserman has the right to acquire at within 60 days upon exercise of stock options.

(19) Includes 83,334 shares that Ms. Strumingher has the right to acquire at within 60 days upon exercise of stock options.

(20) Includes 5,595 shares held by Mr. Kirkland.

EXECUTIVE OFFICERS, DIRECTORS AND KEY EMPLOYEES

On November 4, 2011, upon consummation of the Merger, (i) Richard J. Lampen and J. Bryant Kirkland III resigned from their officer positions with CDSI (but continue in their position as Board members), (ii) Robert Lundgren and Glenn Halpryn resigned from their Board positions with CDSI and (iii) Paul M. Galvin, SG Building's Chief Executive Officer, Joseph Tacopina, a director of SG Building, Stevan Armstrong, SG Building's President and Chief Operating Officer, J. Scott Magrane and Christopher Melton were appointed to CDSI's Board. Additionally, upon consummation of the Merger, Paul Galvin became the Chief Executive Officer of CDSI, Brian Wasserman became the Chief Financial Officer of CDSI, Stevan Armstrong became the President and Chief Operating Officer of CDSI and Jennifer Strumingher became the Chief Administrative Officer of CDSI. Except with respect to the Merger Agreement, there is no agreement or understanding between the Company and each current or proposed director or executive officer pursuant to which he was selected as an officer or director. As a result of the foregoing, the Change of Control occurred with respect to the Company's stock ownership and management upon consummation of the Merger.

Current Executive Officers and Directors Following the Merger

Name	Age	Year First Elected Director	Position
Richard J. Lampen	57	1997	Director
J. Bryant Kirkland III	46	2008	Director
Paul Galvin	48	2011	Chief Executive Officer and Director
Stevan Armstrong	63	2011	President, Chief Operating Officer and Director
Joseph Tacopina	45	2011	Director
J. Scott Magrane	64	2011	Director
Christopher Melton	39	2011	Director
Brian Wasserman	46	--	Chief Financial Officer
Jennifer Strumingher	36	--	Chief Administrative Officer

Richard J. Lampen has served as a director of the Company since January 1997 and served as President and Chief Executive Officer of the Company from November 1998 until his resignation from those positions upon consummation of the Merger on November 4, 2011. Mr. Lampen has also served as Executive Vice President of Vector (NYSE:VGR) since July 1996. Mr. Lampen has also served as President and Chief Executive Officer of Ladenburg Thalmann Financial Services Inc. (NYSE AMEX:LTS), an entity in which Vector owns an approximate 8% equity interest, since September 2006. Since October 2008, Mr. Lampen has served as President and Chief Executive Officer of Castle Brands Inc. (NYSE AMEX:ROX), a publicly traded developer and importer of premium branded spirits in which Vector held an approximate 10.7% equity interest at July 27, 2011. From October 1995 to December 2005, Mr. Lampen served as the Executive Vice President and General Counsel of New Valley Corporation, where he also served as a director. From May 1992 to September 1995, Mr. Lampen was a partner at Steel Hector & Davis, a law firm located in Miami, Florida. From January 1991 to April 1992, Mr. Lampen was a Managing Director at Salomon Brothers Inc, an investment bank, and was an employee at Salomon Brothers Inc. from 1986 to April 1992. Mr. Lampen is also a director of Ladenburg Thalmann Financial Services and Castle Brands Inc. Mr. Lampen received a Bachelor of Arts degree from The Johns Hopkins University in 1975 and received a Juris Doctorate degree in 1978 from Columbia Law School. Mr. Lampen's pertinent experience, qualifications, attributes and skills include managerial experience and the knowledge and experience he has attained through his service as a director of publicly-traded corporations.

J. Bryant Kirkland III has served as a director of the Company since November 1998 and served as the Company's Vice President, Chief Financial Officer, Secretary and Treasurer of the Company from January 1998 until his resignation from those positions upon consummation of the Merger on November 4, 2011. Mr. Kirkland has served as a Vice President of Vector since 2001 and became Vice President, Treasurer and Chief Financial Officer of Vector on April 1, 2006. From November 1994 to December 2005, Mr. Kirkland served in various financial capacities with New Valley Corporation, the predecessor to New Valley LLC. Mr. Kirkland served as Vice President, Treasurer and Chief Financial Officer from January 1998 to December 2005. Mr. Kirkland also served as Chief Financial Officer of Ladenburg Thalmann Financial Services Inc. from June 2001 to October 2002. Mr. Kirkland received a Bachelor of Science in Business Administration from the University of North Carolina in 1987 and a Masters of Business Administration from Barry University in December 2006. Mr. Kirkland's pertinent experience, qualifications, attributes and skills include financial literacy and expertise.

Paul M. Galvin was appointed as a director and the Company's Chief Executive Officer upon consummation of the Merger on November 4, 2011. Mr. Galvin has served as the Chief Executive Officer of SG Building and its predecessor entity, SG LLC, since April 2009; and as a director of SG Building and its predecessor entity since January 2007. Mr. Galvin is a founder of SG LLC. Mr. Galvin has been a managing member of TAG, an investment partnership formed for the purpose of investing in SG Building, since October 2007. Mr. Galvin brings to SG Building 20 years of experience developing and managing real estate including residential condominiums, luxury sales, market rate and affordable rental projects. Prior to his involvement in real estate, he founded a non-profit organization that focused on public health, housing and child survival, and where he served for over a decade in a leadership position. During that period Mr. Galvin designed, developed, and managed emergency food and shelter programs through New York City's Human Resources Administration and other Federal and State entities. From November 2005 to June 2007, Mr. Galvin was Chief Operating Officer of Yucaipa Investments where he worked with religious institutions that needed to monetize underperforming assets. There he designed and managed systems that produced highest and best use analysis for hundreds of religious assets and used them to acquire and re-develop properties across the United States. Mr. Galvin holds a B.S. in Accounting from LeMoyne College and a Master's Degree in Social Policy from Fordham University. He was formerly an adjunct professor at Fordham University's Graduate School of Welfare. Mr. Galvin is currently a Board Member of SentiCare, Inc. He previously served for ten years on the Sisters of Charity Healthcare System Advisory Board. Mr. Galvin's pertinent experience, qualifications, attributes and skills include managerial experience and the knowledge and experience he has attained in real estate industry.

Stevan Armstrong was appointed as a director and as the Company's President and Chief Operating Officer upon consummation of the Merger on November 4, 2011. Mr. Armstrong served as the President and Chief Operating Officer of SG Building since April 2009 and as a director of SG Building and its predecessor entity since January 2007. Mr. Armstrong is a founder of SG LLC. Prior to joining SG Building, he was a minority partner (owner) and Chief Construction Officer for Stratford Companies, a large Senior Housing development group, from 2003 until fully phasing out in March 2010, where he had complete responsibility for all engineering, design construction and commissioning of over $250,000,000 of facilities over a three year period. Prior to that, he was Executive Vice President for Operations of Hospital Affiliates Development Corp., a proprietary health care company specializing in the development of healthcare and senior care projects both domestically and internationally. Mr. Armstrong managed the design and construction of healthcare and elderly care housing projects in 40 states and 16 foreign countries with overall responsibility for operations. His background includes structural design engineering for large-scale healthcare projects, project scheduling and management of developmental of construction budgets. He spent much of his early career working on site as a field engineer and construction specialist. Mr. Armstrong served 30 years on active and reserve duty as a Civil Engineering Corps Officer for the United States Navy, retiring as Assistant Chief of Staff for Operations for the Atlantic Seabees (Navy Construction Battalions) both Active and Reserve based out of Norfolk Virginia with 8000 engineering and construction troops reporting to headquarters. Mr. Armstrong was responsible for their operations both in the United States and worldwide. Mr. Armstrong holds a Bachelor of Architectural Engineering from Penn State University and an M.S. in Engineering from George Washington University. Mr. Armstrong brings extensive design, construction experience and engineering expertise to SG Building and his pertinent experience, qualifications, attributes and skills include real estate and development expertise.

Joseph Tacopina was appointed as a director of the Company's upon consummation of the Merger on November 4, 2011. Mr. Tacopina served as a director of SG Building and its predecessor entity from January 2008 until November 4, 2011. Mr. Tacopina has been a managing member of TAG since October 2007. Mr. Tacopina founded the Law Offices of Joseph Tacopina, P.C. in 1994 and continues to practice law at his firm. Since September 2009, he has also led the Talent Representation practice at Madison Avenue Sports and Entertainment, a talent representation, marketing and advising firm. Mr. Tacopina is a member of the Federal Bar Council, the New York Counsel of Defense Lawyers, and the Judicial Committee for the Association of the Bar of the City of New York. He also serves on the Legislative Committee for the National Association of Criminal Defense Lawyers. Additionally, Mr. Tacopina volunteers his time as an adjunct professor at Fordham Law School and lectures nationwide on a variety of legal issues. Mr. Tacopina is a graduate of Skidmore College and the University of Bridgeport Law School. Mr. Tacopina's pertinent experience, qualifications, attributes and skills include legal and securities compliance.

J. Scott Magrane was appointed as a director of the Company's upon consummation of the Merger on November 4, 2011. Mr. Magrane is a Managing Director at Coady Diemar Partners, an investment banking firm he co-founded in 2004. Prior to co-founding Coady Diemar Partners, Mr. Magrane spent 15 years with Goldman Sachs & Co. where his responsibilities encompassed all manner of corporate finance and strategic advisory activities. While at Goldman, he started the firm's Energy Technology effort. Mr. Magrane began his career and spent 10 years with Blyth Eastman Dillon & Co. and Paine Webber where he specialized in energy and power project finance. Mr. Magrane holds a BA from the College of Wooster and an MBA from Wharton. Mr. Magrane has spent over 26 years advising power related enterprises including energy technology companies, utilities, independent power companies, rural electric cooperatives and governments. Mr. Magrane's pertinent experience, qualifications, attributes and skills include corporate finance and strategic advisory expertise.

Christopher Melton was appointed as a director of the Company's upon consummation of the Merger on November 4, 2011. Mr. Melton has served on the board of directors of World Education and Development Fund, a non-profit organization that focuses on education for underprivileged children in Latin America, since 2008 and as a director of Bestival Ltd, a music festival on the Isle of Wight UK, since 2004. From 2000 to 2008, Mr. Melton was a Portfolio Manager for Kingdon Capital Management ("Kingdon") in New York City where he ran an $800 million book in media, telecom and Japanese investment. Mr. Melton opened Kingdon's office in Japan where he set up a Japanese research company. From 1997 to 2000, Mr. Melton served as a Vice President at JP Morgan Investment Management as an equity research analyst, where he helped manage $500 million in REIT funds under management. Mr. Melton was a Senior Real Estate Equity Analyst at RREEF Funds ("RREEF") in Chicago from 1995 to 1997. RREEF is the real estate investment management business of Deutsche Bank's Asset Management division. Mr. Melton earned a BA in Political Economy of Industrial Societies from UC Berkeley in 1995. Mr. Melton's pertinent experience, qualifications, attributes and skills include financial literacy and expertise, managerial experience and the knowledge and experience he has attained through his services as a director of various companies and through his personal real estate investment and development activities.

Brian Wasserman, CPA, has served as the Chief Financial Officer of the Company since consummation of the Merger on November 4, 2011, pursuant to a consulting agreement, dated November 7, 2011 between the Company, BAW Holdings Corp. ("BAW") and Mr. Wasserman (the "Wasserman Agreement"). Although Mr. Wasserman will not devote all his professional time to serving as the Chief Financial Officer of the Company, he will devote as much time as is necessary to fully and professionally perform his duties as the Company's Chief Financial Officer. Mr. Wasserman served as the Chief Financial Officer of SG Building pursuant to the Wasserman Agreement since June 2011. Mr. Wasserman has been a Partner and a Director of Forensic Services at Janover, LLC, a public accounting firm since January 2010 and the Chief Executive Officer of BAW, a financial consulting business, since September 2005. Mr. Wasserman was a founder, the Chief Financial Officer and Treasurer of Newtek Business Services, Inc. ("Newtek" — NASDAQ Symbol "NEWT") from September 1997 through July 2005. Newtek is a direct distributor of a wide range of business services and financial products to the small- and medium-sized business market under the Newtek brand. Newtek serves as a "one-stop-shop" provider of business services to the small- and medium-sized business market. From 1992 thru 1997, Mr. Wasserman was the Chief Financial Officer for a Wall Street investment banking firm, the General Partner of various investment limited partnerships and the Treasurer of Engex, Inc., a publicly traded closed end mutual fund. Mr. Wasserman is a licensed New York State Certified Public Accountant and holds a BS in Accounting from Lehigh University. From 1987 thru 1992, Mr. Wasserman worked for Coopers & Lybrand (now PricewatershouseCoopers) and earned the title of Manager.

Jennifer Strumingher was appointed as the Company's Chief Administrative Officer upon consummation of the Merger on November 4, 2011. Ms. Strumingher held various positions with SG Building and its predecessor entity since February 2008, and has served as the Chief Administrative Officer of SG Building since March 2010 and as a director since April 2009. From May 2007 to February 2008, Ms. Strumingher was involved in private real estate renovations. From November 2005 to May 2007, Ms. Strumingher worked for a boutique contemporary knitwear company in brand positioning, sales and product marketing. Prior to that Ms. Strumingher was an Equity Sales Manager for PaineWebber, Inc. from July 1996 to December 2000 where she communicated and marketed PaineWebber's equity research to a select group of clients. Additionally, Ms. Strumingher conducted verbal and written client portfolio reviews using sector analysis to maximize profits, minimize risk and diversify holdings. Ms. Strumingher holds a B.S. in Management and Marketing from Binghamton University's (State University of New York) School of Management.

EXECUTIVE AND DIRECTOR COMPENSATION

Summary Compensation Table

The following table sets forth all compensation awarded to, paid to or earned by the following executive officers, for each of CDSI and SG Building, for the fiscal year ended December 31, 2010 and 2009: (i) individuals who served as, or acted in the capacity of, the Company's principal executive officer for the fiscal year ended December 31, 2010; (ii) the Company's two most highly compensated executive officers, other than the principal executive officer, who were serving as executive officers at the end of the fiscal year ended December 31, 2010; and (iv) up to two additional individuals, other than former principal executive officers, for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer of the Company at the end of the fiscal year ended December 31, 2010. No disclosure is made for any executive officer, other than the Principal Executive Officer, whose total compensation did not exceed $100,000.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensa-tion ($)	Change in Pension Value and Nonquali fied Deferred Compensation Earnings ($)	All Other Compensa-tion ($)	Total ($)
CDSI									
Richard J. Lampen former President and Chief Executive Officer (1)	2010	-	-	-	-	-	-	-	None
	2009	-	-	-	-	-	-	-	None
SG Building									
Paul M. Galvin current Chief Executive Officer (2)	2010	221,000	-	-	-	-	-	-	221,000
	2009	40,666	-	-	-	-	-	-	40,666
Stevan Armstrong current President and Chief Operating Officer(3)	2010	149,250	-	-	-	-	-	-	149,250

(1) Richard J. Lampen, served as the President and Chief Executive Officer of the Company from November 5, 1998, until consummation of the Merger on November 4, 2011. Upon consummation of the Merger and the resignation of Mr. Lampen, Paul Galvin was appointed the Chief Executive Officer of the Company.

Richard J. Lampen and J. Bryant Kirkland III, were the Company's sole executive officers in 2010 or 2009 and did not receive any salary or other compensation from the Company in 2010 or 2009, other than normal compensation paid to directors (as described below). The Company was not party to any employment agreements or other compensation plans prior to the Effective Date of the Merger.

(2) Mr. Galvin did not receive any compensation from the Company in fiscal 2010 or 2009. The compensation reflected in the Summary Compensation Table was paid to Mr. Galvin by SG Building and its predecessor entity, SG LLC, in connection with his employment and other services provided to SG Building and SG LLC. Prior to the Merger, Mr. Galvin served as the Chief Executive Officer of SG Building and SG LLC and was the founder of SG LLC. As a member of SG Building LLC, Mr. Galvin was also entitled to certain member distributions.

(3) Mr. Armstrong did not receive any compensation from the Company in fiscal 2010 or 2009. The compensation reflected in the Summary Compensation Table was paid to Mr. Armstrong by SG Building and its predecessor entity, SG LLC, in connection with his employment and other services provided to SG Building and SG LLC by Mr. Armstrong. Prior to the Merger, Mr. Armstrong served as the President and Chief Operating Officer of SG Building since April 2009 and as a director of SG Building and its predecessor entity since January 2007. Mr. Armstrong is a founder of SG LLC.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

The Company, through its principal operating subsidiary, SG Building, is party to employment agreements with Paul Galvin, its Chief Executive Officer, Stevan Armstrong, its President and Chief Operating Officer and Jennifer Strumingher, its Chief Administrative Officer (the "SGB Employment Agreements"). Mr. Galvin's agreement is for a term of three (3) years with a base salary of $240,000 per annum. Mr. Armstrong's agreement is for a term of three (3) years with a base salary of $150,000 per annum. Ms. Strumingher's agreement is for a term of three (3) years with a base salary of $100,000 per annum. In addition, each of the officers may be entitled to receive a discretionary bonus as determined by the Board of Directors of the Company.

In the event that the employment of Mr. Galvin is terminated by the Company for any reason other than for "Cause" (as defined in his employment agreement), he may be entitled to receive compensation equal to one year of his base salary. In the event that the employment of Mr. Armstrong or Ms. Strumingher is terminated by the Company for any reason other than for "Cause" (as defined in the employment agreements), such officer may be entitled to receive compensation equal to the lesser of one year of his or her base salary or the remaining salary due for the term of his or her employment agreement. In addition to the foregoing payments, Messrs. Galvin and Armstrong and Ms. Strumingher may be entitled to receive a lump sum payment in an amount equal to a prorated portion of the greater of (i) any annual bonus payable in the year in which the termination of employment occurs or (ii) the terminated executive's annual bonus in the year preceding the year of termination of employment.

Under the terms of Mr. Galvin's employment agreement, upon a change of control followed within six (6) months by a termination by the Company of his employment, or a diminution in his duties, Mr. Galvin may be entitled to receive a severance payment equal to eighteen (18) months of his base salary. Under the terms of Mr. Armstrong's and Ms. Strumingher's employment agreement, upon a change of control followed within six (6) months by a termination by the Company of such officer's employment, or a diminution in his or her duties, Mr. Armstrong or Ms. Strumingher may be entitled to receive a severance payment equal to the lesser of eighteen (18) months of his or her base salary or the remaining salary due for the term. The SGB Employment Agreements all contain an 18 month non-compete provision upon termination which will be increased to two (2) years if the employee is terminated by the Company for "Cause" (as defined in the employment agreements).

Wasserman Consulting Agreement

On November 7, 2011, the Company entered into the Wasserman Agreement, which provides for certain consulting services to be provided by BAW and for Mr. Wasserman to serve as the Company's Chief Financial Officer from November 7, 2011 until November 7, 2014, unless the Agreement is terminated for "Cause" (as defined in the Wasserman Agreement). The Wasserman Agreement provides that BAW will be paid $10,000 per month and for Mr. Wasserman will receive options to purchase 1,000,000 shares of company stock at fair market value on the grant date ($0.20); one-third of which vest on the grant date, one-third vesting on November 7, 2012, and the remaining one-third vesting on November 7, 2013.

The Company has attached hereto as Exhibits 10.06 a copy of the Wasserman Agreement. The foregoing summary is qualified in their entirety by the contents of the Wasserman Agreement.

Stock Options

In order to attract and retain persons necessary for its business, the Company adopted the 1997 Stock Option Plan (the "1997 Plan") covering up to 750,000 shares, pursuant to which officers, directors and key employees and consultants are eligible to receive incentive and/or non-incentive stock options. The 1997 Plan, which expired on January 29, 2007, was administered by the Board or the Compensation Committee. All options outstanding under the 1997 Plan expired on January 12, 2009.

On July 27, 2011, in connection with the Merger, the Company obtained the written consent of holders of a majority of its outstanding Common Stock approving the 2011 Incentive Stock Plan. The 2011 Plan covers up to 8,000,000 shares of Common Stock, and is designed to enable the Company to offer its employees, officers, directors, consultants and advisors whose services are considered valuable an opportunity to acquire an interest in the Company, to encourage a sense of proprietorship in the Company and to stimulate the active interest of such persons in the development and financial success of the Company and its subsidiaries. The various types of incentive awards that may be provided under the 2011 Plan (including options, restricted stock, and stock appreciation rights) are intended to enable the Company to respond to changes in compensation practices, tax laws, accounting regulations and the size and diversity of its business. All of the Company's officers, directors, employees, consultants and advisors, as well as those of its subsidiaries, are eligible to be granted awards under the 2011 Plan. An incentive stock option may be granted under the 2011 Plan only to a person who, at the time of the grant, is an employee of the Company or its subsidiaries. The plan expires on July 26, 2021 and is administered by the Company's Board.

2011 Option Grants

On November 7, 2011, the Stock Option Committee of the Company's Board granted an aggregate 4,387,500 options to purchase Common Stock to Named Executive Officers and other employees and directors of the Company (the "2011 Options") and approved the granting of 2,000,000 more options to Mr. Galvin (the "Galvin Options") on January 2, 2012, which are to be granted on same terms as the 2011 Options. The 2011 Options are 10 year options and were granted under the 2011 Plan at fair market value (as defined in the 2011 Plan) and, as approved by the Stock Option Committee, the Galvin Options (when granted) will be granted at fair market value on the day of grant. One third of the 2011 Options and the Galvin Options vest upon grant, the second third vests on the first anniversary of the grant date, and the remaining third vests on the second anniversary of the grant date.

Compensation of Directors

CDSI paid each director an annual retainer of $5,000, payable quarterly, and reimburse the directors for reasonable travel expenses incurred in connection with their activities on CDSI's behalf.

The table below summarizes the compensation paid by CDSI to directors for the fiscal year ended December 31, 2010.

Name	Fees Earned or Paid in Cash ($)	Total ($)
Richard J. Lampen	$5,000	$5,000
J. Bryant Kirkland III	$5,000	$5,000
Robert M. Lundgren	$5,000	$5,000
Glenn L. Halpryn	$2,500	$2,500

On November 7, 2011, the Company's Stock Option Committee established per-meeting director's fees that provide for each director on the Audit Committee (Messrs. Kirkland, Magrane and Melton) to receive options to purchase $12,500 worth of Company Common Stock for each Board or committee meeting attended by such director, and for each other director (other than Messrs. Galvin and Armstrong) to receive options to purchase $10,000 worth of Company Common Stock for each Board or committee meeting attended by such director.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS,

AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Transactions

Prior to consummation of the Merger, certain accounting and related finance functions were performed on behalf of the Company by employees of Vector, the Company's pre-Merger principal stockholder. Expenses incurred relating to these functions were allocated to the Company and paid as incurred to Vector based on management's best estimate of the cost involved. The amounts allocated were immaterial for the fiscal years ended December 31, 2009 and 2010.

On March 26, 2009, the Company entered into a $50,000 Revolving Credit Promissory Note (the "Revolver") with Vector due December 31, 2012. The loan bears interest at 11% per annum. There was a balance $37,500 outstanding under the Revolver at December 31, 2010. On January 26, 2011, the Company and Vector entered into an amendment to the Revolver increasing the amount that it may borrow thereunder from $50,000 to $100,000. The Revolver had a balance of $68,500 at June 30, 2011. Accrued interest on the Revolver was $8,253 as of June 30, 2011.

Transaction Relationships

Vector

Vector is also a stockholder of SG Building and as such, received 2,018,519 additional shares of Company Common Stock upon consummation of the Merger. Messrs. Lampen and Kirkland are each executive officers of Vector.

Ladenburg

In October and December 2010, Ladenburg acted as placement agent for SG Building in a private placement and raised aggregate gross proceeds of $2,875,000 (the "Private Placement"). Ladenburg was paid an aggregate cash fee of $201,250 for its services in the Private Placement and was also issued warrants to purchase shares of common stock of SG Building, which represents the right to purchase an aggregate of 1,044,583 shares of the Company's Common Stock. SG Building also agreed that if Ladenburg introduced it to an existing publicly traded company with which to consummate a merger, it would cause Ladenburg to be issued shares of Common Stock of the combined merger entity equal to 1% of the outstanding shares of such entity on a fully diluted basis. Ladenburg introduced the Company to SG Building and accordingly, was issued an aggregate of 408,750 shares of the Company's Common Stock (representing 1% of the Company's stock on a fully diluted basis) upon consummation of the Merger. Vector invested $500,000 in SG Building as part of the Private Placement.

Mr. Lampen is the president and chief executive officer of Ladenburg's parent company. Additionally, Vector, through a wholly-owned subsidiary, owns approximately 8% of the outstanding common stock of Ladenburg.

Director Independence and Board Committees

Prior to consummation of the Merger on November 4, 2011, the Company's Board consisted of Messrs. Lampen, Kirkland, Halpryn and Lundgren. Upon consummation of the Merger, Messrs. Halpryn and Lundren resigned and Paul Galvin, Joseph Tacopina, Stevan Armstrong, J. Scott Magrane and Christopher Melton were appointed to the Company's Board.

The Company currently utilizes the definition of "independent" set forth in the NASDAQ Stock Market's listing standards. The Company believes that Messrs. Kirkland, Tacopina, Magrane and Melton are independent.

The Company currently has an audit committee consisting of J. Bryant Kirkland III, J. Scott Magrane and Christopher Melton each of whom is an independent director. Mr. Kirkland is an "audit committee financial expert." Prior to consummation of the Merger the Company's audit committee consisted of Messrs. Lundgren and Halpryn, with Mr. Lundgren being the "audit committee financial expert." During the fiscal year ending December 31, 2010, the audit committee met on four occasions. The audit committee has met on three occasions and acted by unanimous written consent on one occasion thus far in 2011.

As the Company is not a "listed company" under SEC rules, the Company is not required to have a compensation committee. Furthermore, the Company does not believe it is necessary for the Board to appoint such committee, or have a separately designated lead director, because the volume of matters that came before the Board for consideration permits all directors to give sufficient time and attention to such matters to be involved in all decision making. Notwithstanding the foregoing, the Company has established a Stock Option Committee consisting of Messrs. Magrane and Melton, which is responsible for reviewing and approving all stock option grants.

The Board is responsible for overseeing risk management, and receives reports from management periodically.

Nominating Committee and Stockholder-Director Communications

The Company's Board does not have a nominating committee because the Board does not believe that a defined policy with regard to the consideration of candidates recommended by stockholders is necessary at this time. Given the scope of the Company's operations, the Board believes a specific nominating policy would be premature and of little assistance until the Company's business operations are at a more advanced level.

Currently, the entire Board decides on nominees, on the recommendation of any member of the Board, followed by the Board's review of the candidates' resumes and interviews of candidates. There has not been any defined policy or procedural requirements for stockholders to submit recommendations or nomination for directors. However, the Board will consider suggestions from individual stockholders, subject to evaluation of the person's merits. Stockholders should communicate nominee suggestions directly to any of the Board members, accompanied by biographical details and a statement of support for the nominees. The suggested nominee must also provide a statement of consent to being considered for nomination. Although there are no formal criteria for nominees, the Board believes that persons should be actively engaged in business endeavors, have a financial background, be familiar with acquisition strategies and money management and be able to promote a diversity of views based on the person's education, experience and professional employment. Based on the information gathered, the Board then makes a decision on whether to recommend the candidates as nominees for director. The Company does not pay any fee to any third party or parties to identify or evaluate or assist in identifying or evaluating potential nominees.

Family Relationships

There are no family relationships among the Company's existing or incoming directors or officers.

Board of Directors' Meetings

During the fiscal year ending December 31, 2010, the Board acted by unanimous written consent on one occasion. The Board has also met on three occasions and acted by unanimous written consent on one occasion thus far in 2011.

The Board does not have a formal policy of attendance of directors at the annual meeting. The Company did not have an annual meeting of stockholders in 2009 or 2010.

LEGAL PROCEEDINGS

The Company is not a party to any legal proceedings.

MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock is currently quoted on the OTC Bulletin Board under the symbol "SGBX". The Company's Common Stock was previously quoted under the symbol "CDSI". The following table sets forth for the periods indicated, the reported high and low closing bid quotations per share for our Common Stock. The sale prices set forth below reflect inter-dealer quotations, do not include retail mark-ups, markdowns or commissions and do not necessarily represent actual transactions. The closing bid quotation per share for the Company's Common Stock on November 4, 2011 was $0.20 per share. The closing bid quotation per share for the Company's Common Stock on July 27, 2011, the date immediately prior to announcement of the transactions proposed by the Merger Agreement, was $0.19 per share.

	High	Low
2011		
Third Quarter	$ 0.65	$ 0.19
Second Quarter	0.23	0.20
First Quarter	0.5	0.19
2010		
Fourth Quarter	$ 0.30	$ 0.14
Third Quarter	0.20	0.18
Second Quarter	0.30	0.07
First Quarter	0.14	0.07
2009		
Fourth Quarter	$ 0.12	$ 0.07
Third Quarter	0.10	0.06
Second Quarter	0.13	0.05
First Quarter	0.13	0.10

As of November 9, 2011, there were approximately 78 holders of record of the Company's Common Stock or otherwise entitled to receive Company Common Stock in connection with the Merger.

Dividend Policy

The Company has never declared or paid dividends on its Common Stock and does not expect to pay any dividends in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	4,637,500*	$0.20*	3,362,500*
Equity compensation plans not approved by security holders			
Total			3,362,500*

* Does not reflect the Galvin Options. For a description of the Galvin Options, see the information set forth under the heading "*Executive and Director Compensation - 2011 Option Grants*" in Item 2.01, which is incorporated by reference.

RECENT SALES OF UNREGISTERED SECURITIES

On April 23, 2010, the Company entered into a stock purchase agreement pursuant to which it sold 150,000 shares of our Common Stock (the "Shares") for an aggregate purchase price of $15,000, or $0.10 per Share. The Shares are restricted securities and no registration rights have been granted. The issuance of the Shares was exempt from the registration requirements under the Securities Act, pursuant to Section 4(2) thereof, because the transaction did not involve a public offering.

See description of the securities issuance in connection with Merger in the section titled "*Merger*" in Item 2.01, which is incorporated by reference. The issuance of the Shares was exempt from the registration requirements under the Securities Act, pursuant to Section 4(2) thereof, because the transaction did not involve a public offering.

See description of recent stock option grants in the section titled "*Executive and Director Compensation - 2011 Option Grants*" in Item 2.01, which is incorporated by reference. The issuance of the Options was exempt from the registration requirements under the Securities Act, pursuant to Section 4(2) thereof, because the transaction did not involve a public offering.

On November 7, 2011, the Company issued 50,000 shares of Company Common Stock in connection with the conversion of outstanding debt into shares of Common Stock. The issuance of such shares was exempt from the registration requirements under the Securities Act, pursuant to Section 4(2) thereof, because the transaction did not involve a public offering.

DESCRIPTION OF SECURITIES

The Company is authorized to issue 100,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock. Immediately following the Merger, there were 39,729,514 shares of Common Stock outstanding (including shares to be issued in connection with the Merger) held of record by approximately 78 stockholders (including recipients of Common Stock to be issued in connection with the Merger) and no shares of Preferred Stock outstanding. In addition, upon consummation of the Merger Warrants issued by SG Building were automatically converted into warrants of the Company to purchase 1,145,510 shares of Common Stock having terms and conditions substantially identical in all material respects to the terms and conditions pertaining to the Warrants issued by SG Building.

Common Stock

There are no preemptive, subscription, conversion or redemption rights pertaining to the Common Stock. The absence of preemptive rights could result in a dilution of the interest of the existing stockholders should additional shares of Common Stock be issued. In addition, the rights of holders of the shares of Common Stock may become subject in the future to prior and superior rights and preferences in the event the Board establishes one or more additional classes of Common Stock or one or more series of Preferred Stock. The Board has no present plan to establish any such additional class or series. See section titled "*Risk Factors - The issuance of addition securities by the Board will dilute the ownership interests of our current stockholders and discourage the acquisition of the Company*" in this Item 2.01. Holders of the Common Stock are entitled to receive such dividends, if any, as may be declared by the Board of Directors out of assets legally available therefor and to share ratably in the assets of the Company available upon liquidation.

Each share of Common Stock is entitled to one vote for all purposes and cumulative voting is not permitted in the election of directors. Accordingly, the holders of more than 50% of all of the outstanding shares of Common Stock can elect all of the Company's directors. Significant corporate transactions, such as amendments to our amended and restated certificate of incorporation, mergers, sales of all or substantially all assets and dissolution or liquidation require approval by the affirmative vote of a majority of the outstanding shares of Common Stock. Other matters to be voted upon by the holders of Common Stock normally require the affirmative vote of a majority of the shares present or represented by proxy at the particular stockholders' meeting. Immediately following consummation of the Merger, the Company's directors, officers and greater than 5% stockholders as a group beneficially owned approximately 20.6% of the outstanding shares. See section titled "*Security Ownership of Certain Beneficial Owners and Management*" in this Item 2.01. Accordingly, such persons will continue to be able to control the Company's affairs, including, without limitation, the sale of equity or debt securities of the Company, the appointment of officers, the determination of officers' compensation.

Preferred Stock

The Company's Board is authorized (without any further action by the stockholders) to issue preferred stock in one or more series and to fix the voting rights, liquidation preferences, dividend rates, conversion rights, redemption rights and terms, including sinking fund provisions, and certain other rights and preferences. Satisfaction of any dividend preferences of outstanding preferred stock would reduce the amount of funds available for the payment of dividends, if any, on the Common Stock. Also holders of the preferred stock would normally be entitled to receive a preference payment in the event of any liquidation, dissolution or winding up of the Company before any payment is made to the holders of Common Stock. In addition, under certain circumstances, the issuance of preferred stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of the Company's securities, or the removal of incumbent management. The Board of Directors of the Company, without stockholder approval, may issue preferred stock with voting and conversion rights, which could adversely affect the holders of Common Stock.

Warrants

The Company currently has 1,044,584 five-year warrants outstanding to purchase an aggregate of 1,044,584 shares of Company Common Stock for $0.2477 per share (the "Warrants"). The Warrants, which are held by Ladenburg, have registration rights and expire on October 28, 2015 and contain redemption provisions that make them redeemable for cash by the holder of the warrant under certain circumstances that are not within the control of the Company. The Warrants are governed by the terms of the Warrant Agreements between the Company the Ladenburg. The warrants are exercisable, at the option of the holder, at any time prior to their expiration.

ANTI-TAKEOVER EFFECT OF DELAWARE LAW,

CERTAIN CHARTER PROVISIONS

The Company is subject to the provisions of Section 203 of the Delaware General Corporation Law ("DGCL"), an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a "business combination" includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior, did own, 15% or more of the voting stock.

In addition, the Company's authorized capital consists of 105,000,000 shares of capital stock of which 100,000,000 shares are designated as Common Stock and 5,000,000 shares are designated as Preferred stock. The Board of Directors, without any action by the Company's stockholders, is authorized to designate and issue shares in such classes or series (including classes or series of Preferred stock) as it deems appropriate and to establish the rights, preferences and privileges of such shares, including dividends, liquidation and voting rights. The rights of holders of Preferred stock and other classes of Common Stock that may be issued may be superior to the rights granted to the holders of the existing classes of Common Stock. Further, the ability of the Board of Directors to designate and issue such undesignated shares could impede or deter an unsolicited tender offer or takeover proposal regarding the Company and the issuance of additional shares having preferential rights could adversely affect the voting power and other rights of holders of Common Stock. Issuance of preferred stock, which may be accomplished though a public offering or a private placement, may dilute the voting power of holders of Common Stock (such as by issuing preferred stock with super voting rights) and may render more difficult the removal of current management, even if such removal may be in the stockholders' best interests. Any such issuance of preferred stock could prevent the holders of Common Stock from realizing a premium on their shares. See section titled "*Description of Securities*" in this Item 2.01.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Delaware General Corporation Law

Section 145 of the DGCL provides, in general, that a corporation incorporated under the laws of the State of Delaware, such as the Company, may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than a derivative action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful.

Certificate of Incorporation

The Company's Amended and Restated Certificate of Incorporation provides that, to the fullest extent permitted by the DGCL, no director of the Company will have personal liability to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that nothing in the Certificate of Incorporation will eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. In the event the DGCL is amended so as to authorize corporate action further eliminating or limiting the liability of directors of the Company, the liability of the directors will thereupon be eliminated or limited to the maximum extent permitted by the DGCL, as so amended from time to time.

The Company will indemnify any person: (a) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that such person is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another Company, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, will not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action or proceeding, that the person had reasonable cause to believe such person's action was unlawful, or (b) who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another Company, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification will be made in respect of any claim, issue or matters as to which such person will have been adjudged to be liable to the Company unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought will determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court will deem proper.

To the extent that a director, officer, employee or agent of the Company has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in clauses (a) and (b) in the preceding paragraph, or in defense of any claim, issue or matter therein, such person will be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith. The rights conferred on any director of the Company under the Certificate of Incorporation will inure to the benefit of any entity that is affiliated with such director and that is a stockholder of the Company. Any indemnification under clauses (a) and (b) in the preceding paragraph (unless ordered by a court) will be made by the Company only as authorized in the specified case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in clauses (a) and (b) in the preceding paragraph. Such determination will be made (1) by the board of directors of a majority vote of the quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

Expenses incurred by an officer or director in defending a civil or criminal action, suit or proceeding may be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it will ultimately be determined that such person is not entitled to be indemnified by the Company as authorized in the Certificate of Incorporation. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

The indemnification and advancement of expenses provided by or granted pursuant to the Certificate of Incorporation will not be deemed exclusive of any other rights to which one seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

The Company may purchase and maintain, insurance on behalf of any person who is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another Company, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in such capacity or arising out of his or her status as such, whether or not the Company would have the power to indemnify such person against such liability under the provisions of the Certificate of Incorporation.

For purposes of the Certificate of Incorporation, references to "the Company" includes, in addition to the resulting Company, any constituent Company (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have the power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent Company, or is or was serving at the request of such constituent Company as a director, officer, employee or agent of another Company, partnership, joint venture, trust or other enterprise, will stand in the same position under the Certificate of Incorporation with respect to the resulting or surviving Company as he or she would have with respect to such constituent Company if its separate existence had continued.

The indemnification and advancement of expenses provided by, or granted pursuant to, the Certificate of Incorporation will continue as to a person who has ceased to be a director, officer, employee or agent and will inure to the benefit of the heirs, executors and administrators of such a person.

Employment Agreements

The SGB Employments Agreements provide that the Company will indemnify and hold Messrs. Galvin and Armstrong and Ms. Strumingher harmless from any liabilities arising out of, or related to, their employment as an employee, officer and, if applicable, director of the Company and its subsidiaries and affiliates to the maximum extent allowable by law, provided such liabilities do not arise out of or relate to any fraudulent or criminal activity on their part.

Indemnification Agreements.

See description of the Company Indemnification Agreements and the Wasserman Indemnification set forth in Item 1.01 "Entry into a Material Definitive Agreement" which is incorporated by reference.

The Merger Agreement

The Merger Agreement provides that for a period of six (6) years, the Company will cause to be maintained in effect policies of director and officer insurance covering claims arising from facts and events that occurred prior to consummation of the Merger.

As representatives of the Company, the Company's directors and officers have certain right to indemnification as set forth in the Merger Agreement. See the section titled "Merger — Indemnification of CDSI" in this Item 2.01 for more information on the Company's rights to indemnification under the Merger Agreement.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to Item 9.01 of this Current Report on Form 8-K for the pro forma financial statements of the Company and SG Building.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Reference is made to Item 4.01 "*Changes in Registrant's Certifying Accountant*" which is incorporated by reference.

Item 3.02 Unregistered Sales of Equity Securities.

See the section titled "*Recent Sales of Unregistered Securities*" in Item 2.01, which is incorporated by reference.

Item 4.01 Changes in Registrant's Certifying Accountant.

(a) On November 7, 2011, the Audit Committee of the Board of Directors of the Company approved changing the Company's independent registered public accounting firm from Becher Della Torre Gitto & Company PC ("Becher") to Marcum LLP ("Marcum"). The dismissal of Becher, as approved by the Audit Committee of the Company's Board of Directors, was effective immediately.

Becher's reports on the Company's financial statements for the fiscal years ended December 31, 2009 and 2010 contained no adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principle.

During the Company's fiscal years ended December 31, 2009 and 2010 and through November 7, 2011, there were no disagreements between the Company and Becher on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Becher, would have caused Becher to make reference thereto in its report on the financial statements for such years.

During the Company's fiscal years ended December 31, 2009 and 2010 and through November 7, 2011, there were no "reportable events" as that term is described in Item 304(a)(1)(v) of Regulation S-K.

The Company has provided a copy of the disclosures above to Becher and requested Becher to furnish it with a letter addressed to the Securities and Exchange Commission stating whether or not Becher agrees with the foregoing statements and, if not, the respects in which it disagrees. A copy of the letter from Becher to the Securities and Exchange Commission is filed as Exhibit 16.1 to this Current Report on Form 8-K.

(b) On November 7, 2011, the Company engaged Marcum as its independent registered public accounting firm for the Company's fiscal year ended December 31, 2011. The change in the Company's independent registered public accounting firm was approved by the Audit Committee of the Company's Board of Directors on November 7, 2011.

During the years ended December 31, 2009 and December 2010 and the subsequent interim period through November 7, 2011, the Company did not consult with Marcum regarding either (i) the application of accounting principles to a specific completed or contemplated transaction, or the type of audit opinion that might be rendered on the Company's financial statements or (ii) any matter that was either the subject of a disagreement or event identified in response to (a)(1)(iv) of Item 304 of Regulation S-K, or a reportable event as that term is used in Item 304(a)(1)(v) of Item 304 of Regulation S-K.

Item 5.01 Changes in Control of the Registrant.

On July 27, 2011, the Company entered into the Merger Agreement with Merger Sub, SG Building and certain stockholders of SG Building. Upon the consummation of the transactions contemplated by the Merger Agreement, Merger Sub merged with and into SG Building, with SG Building surviving the Merger and becoming a wholly-owned subsidiary and principal operating business of the Company.

Upon consummation of the Merger, the holders of common stock of SG Building received an aggregate of 36,050,764 shares of the Company's Common Stock. Additionally, Ladenburg received in the Merger 408,750 shares of the Company's Common Stock pursuant to contractual obligations between SG Building and Ladenburg. Upon consummation of the Merger, all outstanding SG Building warrants were cancelled and substituted with warrants of similar tenor to purchase an aggregate of 1,145,510 shares of the Company's Common Stock. As a result of the foregoing, the holders of Company Common Stock prior to the Merger now own an aggregate of 8% of the Company Common Stock on a fully diluted basis after the Merger, the stockholders and warrant holders of SG Building before the Merger now beneficially own an aggregate of 91% of the Company Common Stock on a fully diluted basis after the Merger, and Ladenburg now owns an aggregate of 1% of the Company Common Stock on a fully diluted basis after the Merger (not including warrants to purchase shares of the Company's stock it received in the Merger as a result of it currently holding warrants to purchase shares of SG Building common stock).

Upon consummation of the Merger, (i) Robert Lundgren and Glenn Halpryn resigned from their Board positions with the Company and (ii) Paul M. Galvin, SG Building's Chief Executive Officer, Joseph Tacopina, a director of SG Building, Stevan Armstrong, SG Building's President and Chief Operating Officer, J. Scott Magrane and Christopher Melton were appointed to the Company's Board.

Additionally, upon consummation of the Merger, (i) each of Richard J. Lampen and J. Bryant Kirkland III resigned from their positions as officers of the Company and (ii) Paul Galvin became the Chief Executive Officer of the Company, Brian Wasserman became the Chief Financial Officer of the Company, Stevan Armstrong became the President and Chief Operating Officer of the Company and Jennifer Strumingher became the Chief Administrative Officer of the Company. As a result of the foregoing, the Change of Control occurred with respect to the Company's stock ownership and management upon consummation of the Merger with SG Building. Under Delaware law, the Company's stockholders do not have appraisal rights in connection with the merger or the Change of Control. The Merger, the Merger Agreement, and the Company's securities are described in more detail above in the sections titled "*Merger*" and "*Description of Securities*" in Item 2.01.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

The information set forth under the heading "*Executive Officers, Directors and Key Employees*" in Item 2.01 is incorporated by reference.

The information set forth under the heading "*Executive Compensation – Wasserman Agreement*" in Item 2.01 is incorporated by reference.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

The information set forth under the heading "*Merger - Charter Amendments*" in Item 2.01 is incorporated by reference.

Item 5.06 Change in Shell Company Status.

As a result of the Merger described in Item 2.01 of this Current Report on Form 8-K, we believe that we are no longer a shell company as that term is defined in Rule 405 of the Securities Act and Rule 12b-2 of the Exchange Act.

Item 9.01 Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements of Businesses Acquired.

In accordance with Item 9.01(a), SG Building's audited financial statements for the fiscal years ended December 31, 2010 and December 31, 2009 and SG Building's unaudited financial statements for the six-month interim period ended June 30, 2011 and June 30, 2010 are filed in this Current Report on Form 8-K as Exhibit 99.1.

(b) Pro Forma Financial Information.

In accordance with Item 9.01(b), our pro forma financial statements are filed in this Current Report on Form 8-K as Exhibit 99.2.

(c) Exhibits.

The exhibits listed in the following Exhibit Index are filed as part of this Current Report on Form 8-K.

Exhibit	Description
2.01	Merger Agreement and Plan of Reorganization, dated July 27, 2011, by and among CDSI Holdings Inc., CDSI Merger Sub, Inc., SG Blocks, Inc. and Certain Stockholders of SG Blocks, Inc. incorporated herein by reference to Exhibit 2.1 to the Current Report on form 8-K as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.)with the Securities and Exchange Commission on August 2, 2011.
3.01*	Amended and Restated Certificate of Incorporation of SG Blocks, Inc. (fka CDSI Holdings Inc.)
3.02	Amended and Restated Bylaws of SG Blocks, Inc. (fka CDSI Holdings Inc.), incorporated herein by reference to Exhibit 3.2 to the Company's Registration Statement on Form SB-2A (filed on May 05, 2009).
10.01	2011 Incentive Stock Plan, incorporated herein by reference to Exhibit 4.1 to the Current Report on form 8-K as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.)with the Securities and Exchange Commission on August 2, 2011.
10.02*	Form of Company Indemnification Agreement dated, November 7, 2011, between SG Blocks, Inc. and each of Paul Galvin, Joseph Tacopina, Stevan Armstrong, J. Scott Magrane, Christopher Melton, J. Bryant Kirkland III, Richard J. Lampen, Jennifer Strumingher, and Brian Wasserman.
10.03*	Employment Agreement, dated October 26, 2010, between Paul Galvin and SG Building Blocks, Inc. (fka SG Blocks, Inc.).
10.04*	Employment Agreement, dated October 26, 2010, between Stevan Armstrong and SG Building Blocks, Inc. (fka SG Blocks, Inc.).
10.05*	Employment Agreement, dated October 26, 2010, between Jennifer Strumingher and SG Building Blocks, Inc. (fka SG Blocks, Inc.).
10.06*	Consulting Agreement, dated November 7, 2011 between SG Blocks, Inc, BAW Holdings Corp. and Brian Wasserman.
16.01*	Letter from Becher Della Torre Gitto & Company PC to the Securities and Exchange Commission, dated November 9, 2011.
17.01*	Resignation Letter of Glenn L. Halpryn, dated October 19, 2011.
17.02*	Resignation Letter of Robert Lundgren, dated October 19, 2011.

99.01*	SG Building Blocks, Inc. (fka SG Blocks, Inc.) financial statements for the fiscal years ended December 31, 2010 and 2009 and for the six months ended June 30, 2011 and 2010 (unaudited).
99.02*	Unaudited pro forma condensed combined balance sheet as of June 30, 2011 and unaudited pro forma condensed combined statements of operations for the year ended December 31, 2010 and six months ended June 30, 2011.

***   Filed herewith.**

SIGNATURE

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

Date: November 10, 2011

SG BLOCKS, INC.

By: /s/ Brian Wasserman
Name: Brian Wasserman
Title: Chief Financial Officer

Exhibit 3.01

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
CDSI HOLDINGS INC.

CDSI HOLDINGS INC. (the "Corporation"), a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware ("DGCL"), does hereby certify:

1. The name of the Corporation is CDSI HOLDINGS INC. The Corporation filed its original Certificate of Incorporation with the Secretary of State of the State of Delaware on December 29, 1993, under the name PC411, Inc.

2. This Amended and Restated Certificate of Incorporation, which amends and restates the Corporation's original Certificate of Incorporation, as amended, in its entirety, was duly adopted in accordance with Section 242 and 245 of the DGCL and the stockholders of the Corporation have given their consent hereto in accordance with Section 228 of the DGCL.

3. The text of the Corporation's Amended and Restated Certificate of Incorporation is set forth in full on Exhibit A attached hereto.

IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation has been executed by a duly authorized officer of the Corporation on this 4th day of November, 2011.

CDSI HOLDINGS INC.

By: /s/ Paul M. Galvin
Name: Paul M. Galvin
Title: Chief Executive Officer

Exhibit A

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
SG BLOCKS, INC.

FIRST: The name of the corporation is SG Blocks, Inc.

SECOND: The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

FOURTH: Authorized Shares. The aggregate number of shares which the Corporation shall have authority to issue is 105,000,000, of which 100,000,000 shall be shares of Common Stock, par value $.01 per share (the "Common Stock") and 5,000,000 shall be shares of Preferred Stock, par value $.01 per share (the "Preferred Stock"). The Preferred Stock may be issued, from time to time, in one or more series with such designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, as shall be stated in the resolutions adopted by the Board of Directors providing for the issuance of such Preferred Stock or series thereof; and the Board of Directors is hereby expressly vested with authority to fix such designations, preferences and relative participating, optional or other special rights or qualifications, limitations or restrictions for each series, including, but not by way of limitation, the power to affix the redemption and liquidation preferences, the rate of dividends payable and the time for and the priority of payment thereof and to determine whether such dividends shall be cumulative or not and to provide for and affix the terms of conversion of such Preferred Stock or any series thereof into Common Stock of the Corporation and fix the voting power, if any, of Preferred Stock or any series thereof.

No holder of any of the shares of the stock of the Corporation, whether now or hereafter authorized and issued, shall be entitled as of right to purchase or subscribe for (1) any unissued stock of any class, or (2) any additional shares of any class to be issued by reason of any increase of the authorized capital stock of the corporation of any class, or (3) bonds, certificates of indebtedness, debentures or other securities convertible into stock of the corporation, or carrying any right to purchase stock of any class, but any such unissued stock or such additional authorized issue of any stock or of other securities convertible into stock, or carrying any right to purchase stock, may be issued and disposed of pursuant to resolution of the Board of Directors to such persons, firms, corporations or associations and upon such terms as may be deemed advisable by the Board of Directors in the exercise of its discretion.

FIFTH: The Corporation is to have perpetual existence.

SIXTH: For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation and of its directors and of its stockholders or any class thereof, as the case may be, it is further provided:

(a) The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed by, or in the manner provided in, the By-Laws. The phrase “whole Board” and the phrase “total number of directors” shall be deemed to have the same meaning, to wit, the total number of directors which the Corporation would have if there were no vacancies. No election of directors need be by written ballot.

(b) After the original or other By-Laws of the Corporation have been adopted, amended, or repealed, as the case may be, in accordance with the provisions of Section 109 of the General Corporation Law of the State of Delaware, and after the Corporation has received any payment for any of its stock, the power to adopt, amend, or repeal the By-Laws of the Corporation may be exercised by the Board of Directors of the Corporation.

(c) Whenever the Corporation shall be authorized to issue only one class of stock each outstanding share shall entitle the holder thereof to notice of, and the right to vote at, any meeting of stockholders. Whenever the Corporation shall be authorized to issue more than one class of stock no outstanding share of any class of stock which is denied voting power under the provisions of the certificate of incorporation shall entitle the holder thereof to the right to vote at any meeting of stockholders except as the provisions of paragraph (c)(2) of Section 242 of the General Corporation Law of the State of Delaware shall otherwise require; provided, that no share of any such class which is otherwise denied voting power shall entitle the holder thereof to vote upon the increase or decrease in the number of authorized shares of said class.

SEVENTH: The Corporation reserves the right to amend or repeal any provision contained in this Restated Certificate of Incorporation in the manner now or hereafter prescribed by the laws of the State of Delaware, and all rights herein conferred upon stockholders or directors are granted subject to this reservation.

EIGHTH: To the fullest extent permitted by the Delaware General Corporation Law, no director of the Corporation shall have personal liability to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that nothing in this article will eliminate or limit the liability of a director (i) for any breach of the director’s duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. In the event the Delaware General Corporation Law is amended after the date hereof so as to authorize corporate action further eliminating or limiting the liability of directors of the Corporation, the liability of the directors will thereupon be eliminated or limited to the maximum extent permitted by the Delaware General Corporation Law, as so amended from time to time.

NINTH: The Corporation will indemnify any person:

(a) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, will not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal action or proceeding, that the person had reasonable cause to believe such person’s action was unlawful, or

(b) who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust: or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in. good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, except that no indemnification will be made in respect of any claim, issue or matters as to which such person will have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought will determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court will deem proper.

To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in section (a) and (b), or in defense of any claim, issue or matter therein, such person will be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith. The rights conferred on any director of the Corporation under this Article Ninth will inure to the benefit of any entity that is affiliated with such director and that is a stockholder of the Corporation.

Any indemnification under section (a) and (b) (unless ordered by a court) will be made by the Corporation only as authorized in the specified case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in section (a) and (b). Such determination will be made (1) by the board of directors of a majority vote of the quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders,

Expenses incurred by an officer or director in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it will ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article Ninth. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

The indemnification and advancement of expenses provided by or granted pursuant to this Article Ninth will not be deemed exclusive of any other rights to which one seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

The Corporation may purchase and maintain, insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article Ninth.

For purposes of this Article Ninth, references to "the Corporation" will include, in addition to the resulting corporation., any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have the power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, will stand in the same position under this Article Ninth with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.

For purpose of the Article Ninth, references to "other enterprises" will include employee benefit plans; references to "fines" will include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" will include any service as a director, officer, employee or agent of the Corporation that imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan will be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article Ninth.

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article Ninth will continue as to a person who has ceased to be a director, officer, employee or agent and will inure to the benefit of the heirs, executors and administrators of such a person.

TENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholder or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

Exhibit 10.02

INDEMNIFICATION AGREEMENT

This **Indemnification Agreement,** dated as of November 7, 2011 (this "**Agreemen**t"), is by and between SG Blocks, Inc**.,** a Delaware corporation (the "**Corporation**," which capitalized term shall include any one or more of its subsidiaries where appropriate), and _______________ ("**Indemnitee**"):

RECITALS

WHEREAS, highly competent persons are becoming more reluctant to serve publicly-held corporations as directors or executive officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to, and activities on behalf of, such corporations; and

WHEREAS, the statutes and judicial duties regarding the duties of officers and directors and officers are often difficult to apply, ambiguous or conflicting and therefore fail to provide such directors and executive officers with adequate and reliable knowledge of legal risks to which they are exposed or information regarding the proper cause of action to take; and

WHEREAS, the current impracticability and costs of obtaining adequate insurance and the uncertainties relating to indemnification have increased the difficulty of attracting and retaining competent directors and executive officers; and

WHEREAS, the Board of Directors of the Corporation (the "**Board of Directors**") has determined that the difficulty in attracting and retaining competitive directors and executive officers is detrimental to the best interests of the Corporation's stockholders and that the Corporation should act to assure such persons that there will be increased certainty of such protection in the future; and

WHEREAS, the Corporation believes it is unfair to directors and executive officers to assume the risk of significant judgments and other expenses which may occur in cases in which the director or executive officer acted in good faith; and

WHEREAS, Section 145 of the General Corporation Law of Delaware ("**Section 145**"), under which the Corporation is organized, empowers the Corporation to indemnify its officers and directors by agreement and expressly provides that the indemnification provided by Section 145 is not exclusive; and

WHEREAS, the Board of Directors believes it is reasonable, prudent and necessary for the Corporation contractually to obligate itself to indemnify Indemnitee to the fullest extent permitted by applicable law so that Indemnitee will continue to serve the Corporation free from undue concern that Indemnitee will not be so indemnified; and

WHEREAS, Indemnitee is willing to serve, continue to serve and/or to take on additional service for or on behalf of the Corporation on the condition that Indemnitee is so indemnified.

NOW, THEREFORE, in consideration of the premises and the covenants contained in this Agreement and other good and valuable consideration, the receipt and adequacy of which is acknowledged by both the Corporation and Indemnitee, and the Corporation and Indemnitee do hereby covenant and agree as follows:

1. Definitions.

(a) "**Affiliate**" includes any corporation, partnership, joint venture, employee benefit plan, trust or other enterprise directly or indirectly owned by the Corporation.

(b) "**Change in Control**" means a change in control of the Corporation of a nature that would be required to be reported in response to Item 5(f) of Schedule 14A of Regulation 14A (or in response to any similar item or similar schedule or form) promulgated under the Securities Exchange Act of 1934 (the "**Act**"), whether or not the Corporation is then subject to such reporting requirement; provided, however, that, without limitation, a Change in Control shall be deemed to have occurred if:

(i) any "**person**" (as such term is used in Sections 13(d) and 14(d) of the Act) is or becomes the "**beneficial owner**" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Corporation representing 25% or more of the combined voting power of the Corporation's then outstanding securities without the prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such person attaining such percentage interest;

(ii) the Corporation is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than two-thirds of the Board of Directors immediately thereafter;

(iii) during any period of 24 consecutive months, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least two-thirds of the Board of Directors; or

(iv) the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation (in one transaction or a series of transactions) of all or substantially all of the Corporation's assets.

(c) "**Potential Change in Control**" shall be deemed to have occurred if:

(i) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; or

(ii) the Board of Directors adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(d) "**Corporate Status**" describes the status of a person who is or was or has agreed to become a director, officer, employee or agent of the Corporation, or served at the request of the Corporation as a director, officer, employee, trustee or agent of another corporation, partnership, joint, venture, trust or other enterprise.

(e) "**Disinterested Director**" means a director of the Corporation who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(f) "**Proceeding**" includes any threatened, pending or completed inquiry, action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative, except one initiated by an Indemnitee pursuant to paragraph 12(a) to enforce the Indemnitee's rights under this Agreement.

(g) "**Expenses**" includes all reasonable direct and indirect costs of any type or nature whatsoever (including, without limitation, attorneys' fees and related disbursements, out-of-pocket costs and reasonable compensation for time spent by the Indemnitee for which Indemnitee is not otherwise compensated by the Corporation or any third party, provided that the rate of such compensation and estimated time involved is approved in advance by the Board of Directors), actually and reasonably incurred by the Indemnitee in connection with either the investigation, defense or appeal of a Proceeding (including amounts paid in settlement by or on behalf of Indemnitee, provided the Corporation agrees to such settlement (an "**Approved Settlement**")), or the prosecution of an action or proceeding, including appeals, to establish or enforce a right to indemnification under this Agreement, Section 145 or otherwise. Expenses as defined in this Agreement shall not include any judgments, fines or penalties actually levied against the Indemnitee.

(h) "**Independent Counsel**" means any law firm or member of a law firm which the Board of Directors may designate from time to time, provided that such law firm or member of the law firm so designated is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (x) the Corporation or Indemnitee in any matter material to either such party, or (y) any other party to the Proceeding giving rise to a claim for indemnification under this Agreement. Indemnitee has the sole right, exercisable in Indemnitee's sole discretion, to waive the proviso contained in clause (x) of the immediately preceding sentence. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Corporation or Indemnitee in an action to determine Indemnitee's rights under this Agreement arising on or after the date of this Agreement, regardless of when the Indemnitee's act or failure to act occurred.

2 . Services By Indemnitee. Indemnitee shall serve or continue to serve in Indemnitee's position with the Corporation so long as Indemnitee is duly appointed or elected and qualified in accordance with the applicable provisions of the By-Laws of the Corporation or until such time as he or she tenders his or her resignation in writing, Indemnitee's employment agreement (if any) is terminated, or Indemnitee's employment with the Corporation is otherwise terminated by the Board of Directors. This Agreement shall not impose any obligation on the Indemnitee or the Corporation to continue the Indemnitee's position with the Corporation beyond any period otherwise applicable, nor to create any right to continued employment of the Indemnitee in any capacity.

3 . General Indemnification Right. The Corporation shall indemnify and shall advance Expenses to Indemnitee as provided in this Agreement to the fullest extent permitted by law.

4 . Proceedings Other than Proceedings by or in the Right of the Corporation. Indemnitee shall be entitled to the rights of indemnification provided in this section 4 if, by reason of his or her Corporate Status, he or she is, or is threatened to be made, a party to any Proceeding, other than a Proceeding by or in the right of the Corporation. Pursuant to this section 4, Indemnitee shall be indemnified against Expenses, including, without limitation, amounts paid in an Approved Settlement, as well as any judgments, fines and penalties levied or awarded against Indemnitee in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal Proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful. Without limiting the generality of the foregoing, for purposes of this section 4, and in addition to other circumstances for which Indemnitee shall be deemed to have acted in good faith, Indemnitee shall conclusively be deemed to have acted in good faith if Indemnitee's action is based on information supplied to the Indemnitee by legal counsel for the Corporation or an Affiliate or by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or an Affiliate.

5 . Proceedings by or in the Right of the Corporation. Indemnitee shall be entitled to the rights of indemnification provided in this section 5, if, by reason of his or her Corporate Status, Indemnitee is, or is threatened in writing to be made, a party to any threatened, pending or completed Proceeding brought by or in the right of the Corporation to procure a judgment in the Corporation's favor. Pursuant to this section 5, Indemnitee shall be indemnified against Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation. Notwithstanding the foregoing, no indemnification against such Expenses shall be made in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Corporation if applicable law expressly prohibits such indemnification unless and only to the extent that the Court of Chancery of the State of Delaware, or the court in which such Proceeding shall have been brought or is pending, shall determine that indemnification against Expenses may nevertheless be made by the Corporation. Without limiting the generality of the foregoing, for purposes of this section 5, and in addition to other circumstances for which Indemnitee shall be deemed to have acted in good faith, Indemnitee shall conclusively be deemed to have acted in good faith if Indemnitee's action is based on information supplied to the Indemnitee by legal counsel for the Corporation or an Affiliate or by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or an Affiliate.

6 . Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Corporation shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each successfully resolved claim, issue or matter. For purposes of this section 6, but without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal or withdrawal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

7 . Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee is, by reason of his or her Corporate Status, a witness in any Proceeding, he or she shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

8 . Advance of Expenses. The Corporation shall advance all reasonable Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding within twenty days after the receipt by the Corporation of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall evidence or reflect the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by an undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it is determined ultimately that Indemnitee is not entitled to be indemnified against such Expenses.

9. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the secretary of the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. Promptly upon receipt of such a request for indemnification, the secretary of the Corporation shall advise the Board of Directors in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to paragraph 9(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case as follows:

(i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee (unless Indemnitee shall request that such determination be made by the Board of Directors, in which case the determination shall be made in the manner provided below in clauses (ii) or (iii));

(ii) if a Change of Control shall not have occurred, (x) by the Board of Directors by a majority vote of a quorum consisting of Disinterested Directors, or (y) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or, even if obtainable, if such quorum of Disinterested Directors so directs, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee; or

(iii) as provided in paragraph 10(b) of this Agreement;

and, if it is determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating shall be borne by the Corporation (regardless of the determination as to Indemnitee's entitlement to indemnification) and the Corporation hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(c) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to paragraph 9(b), and no counsel shall have been designated previously by the Board of Directors or the Independent Counsel so designated is unwilling or unable to serve, then,

(i) if no Change of Control shall have occurred, the Independent Counsel shall be selected by the Board of Directors and the Corporation shall give written notice to Indemnitee advising Indemnitee of the identity of the Independent Counsel so selected; or

(ii) if a Change of Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Corporation advising the Corporation of the identity of three potential independent counsels, of which the Board of Directors may select one counsel to act as Independent Counsel. The Board of Directors shall make such selection within seven days of the giving of such list of three potential independent counsels, and if not selected by the Board of Directors during said seven-day period, Indemnitee shall select the counsel among the three potential independent counsels to serve as the Independent Counsel.

In either event, Indemnitee or the Corporation, as the case may be, may, within seven days after such written notice of selection shall have been given, deliver to the Corporation or to Indemnitee, as the case may be, a written objection to such selection. Such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirement of "Independent Counsel" as defined in this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is made, the Independent Counsel so selected may not serve as Independent Counsel unless and until a court has determined that such objection is without merit. If, within twenty days after submission by Indemnitee of a written request for indemnification pursuant to paragraph 9(a), no Independent Counsel shall have been selected or, if selected, shall have been objected to in accordance with this paragraph 9(c), either the Corporation or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection which shall have been made by the Corporation or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom an objection is favorably resolved or the person so appointed shall act as Independent Counsel under paragraph 9(b). The Corporation shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with the performance of the Independent Counsel's responsibilities pursuant to paragraph 9(b), and the Corporation shall pay all reasonable fees and Expenses incident to the implementation of the procedures of this paragraph 9(c), regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement of any judicial proceeding or arbitration pursuant to section 12, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

10. Presumptions and Effect of Certain Proceedings.

(a) If a Change of Control shall have occurred, in making a determination with respect to entitlement to indemnification under this Agreement, the person, persons or entity making such determination shall presume that the Indemnitee is entitled to indemnification under this Agreement if the Indemnitee has submitted a request for indemnification in accordance with paragraph 9(a), and the Corporation shall have the burden of proof to overcome that presumption in connection with the making of any determination contrary to that presumption by any person, persons or entity.

(b) If, within 30 days after receipt by the Corporation of the request for indemnification, the Board of Directors shall not have made a determination under clauses (i) or (ii)(x) of paragraph 9(b) with regard to such indemnification request, the requisite determination of entitlement to indemnification shall be deemed to have been made in favor of the Indemnitee who then shall be entitled to such indemnification, absent (i) a misstatement by the Indemnitee of a material fact, or an omission of a material fact necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) prohibition of such indemnification under applicable law. The foregoing provisions of this paragraph 10(b) shall not apply if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to clauses (i) or (ii)(y) of paragraph 9(b).

(c) The termination of any Proceeding or of any claim, issue or matter therein by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of the Indemnitee to indemnification or create a presumption that the Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

11. Assumption of Defense.

(a) In the event the Corporation shall be obligated to pay the Expenses of any Proceeding against the Indemnitee, the Corporation may assume the defense of such Proceeding, with counsel of the Corporation's reasonable choice, upon the delivery to the Indemnitee of written notice of the Corporation's reasonable election to do so. After the giving of such notice, the Corporation will not be liable to the Indemnitee under this Agreement for any fees of counsel subsequently incurred by the Indemnitee with respect to the same Proceeding, provided that (i) the Indemnitee shall have the right to employ counsel in such Proceeding at the Indemnitee's expense; and (ii) the fees and Expenses of the Indemnitee's counsel shall be at the expense of the Corporation if (A) the employment of counsel by the Indemnitee has been previously authorized and approved in writing by the Corporation, (B) the Corporation shall have reasonably concluded that there may be a conflict of interest between the Corporation and the Indemnitee in the conduct of any such defense, or (C) the Corporation shall not, in fact, have employed counsel to assume the defense of such Proceeding.

(b) Whether or not such defense is assumed by the Corporation, the Corporation will not be subject to any liability for any settlement made without its written consent. If the Corporation is not entitled to, or does not elect to, assume the defense of a claim, the Corporation will not be obligated to pay the fees and expenses of more than one counsel for Indemnitee.

12. Remedies of Indemnitee.

(a) In the event that any one or more of the following events shall have occurred:

(i) a determination is made pursuant to section 9 that Indemnitee is not entitled to indemnification under this Agreement,

(ii) expenses are not advanced timely in accordance with section 8,

(iii) the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to paragraph 9(b) and such determination shall not have been made and delivered in a written opinion within 90 days after receipt by the Corporation of the request for indemnification,

(iv) payment of indemnification is not made pursuant to section 6 within ten days after receipt by the Corporation of a written request therefor, and/or

(v) payment of indemnification is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to paragraph 10(b),

then, the Indemnitee shall be entitled to an adjudication of Indemnitee's entitlement to such indemnification or advancement of Expenses in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction. Alternatively, Indemnitee, at Indemnitee's sole option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first obtained the right to commence such proceeding pursuant to this section 12. The Corporation shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) Whenever a determination is made pursuant to section 8 of this Agreement that Indemnitee is not entitled to indemnification, the judicial proceeding or arbitration commenced pursuant to this section 12 shall be conducted in all respects as a *de novo* trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. If a Change of Control shall have occurred, the Corporation shall have the burden of proving that Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, in any judicial proceeding or arbitration commenced pursuant to this section 12.

(c) If a determination shall have been made or deemed to have been made pursuant to section 9 that Indemnitee is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this section 12 absent

(i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or

(ii) a prohibition of such indemnification under applicable law.

(d) The Corporation shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this section 12 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Agreement.

(e) In the event that Indemnitee, pursuant to this section 12, seeks a judicial adjudication or an award in arbitration to enforce his or her rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any and all expenses (of the types described in the definition of Expenses in this Agreement) actually and reasonably incurred by Indemnitee in connection with obtaining such judicial adjudication or arbitration, but only if Indemnitee prevails therein. If it shall be determined in said judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

13. Non-Exclusivity; Duration of Agreement; Insurance: and Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Corporation's certificate of incorporation or by-laws, any other agreement, a vote of stockholders, a resolution of directors, or otherwise.

(b) This Agreement shall continue until and terminate upon the later of:

(i) five years after the date that Indemnitee shall have ceased to serve as an officer or director of the Corporation, or

(ii) the final termination of all pending Proceedings in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses under this Agreement and of any proceeding commenced by Indemnitee pursuant to section 12 relating thereto.

(c) This Agreement shall be binding upon the Corporation and its successors and assigns and shall inure to the benefit of Indemnitee and Indemnitee's heirs, executors and administrators.

(d) (i) To the extent that the Corporation maintains an insurance policy or policies providing liability insurance for directors and officers of the Corporation, Indemnitee shall be covered by such policy or policies in accordance with the terms thereof to the maximum extent of the coverage available for Indemnitee under such policy or policies. The Corporation shall take all necessary or appropriate action to cause such insurers to pay on behalf of the Indemnitee all amounts payable as a result of the commencement of a proceeding in accordance with the terms of such policy.

(ii) For a period of three years after the date the Indemnitee shall have ceased to serve as an officer or director of the Corporation, the Corporation will provide officers and directors liability insurance for Indemnitee on terms no less favorable than the terms of the liability insurance which the Corporation then provides to the current officers and directors of the Corporation as of the date such services shall totally lease; provided, that the Corporation provides officers and directors liability insurance to its current officers and directors as of such cessation date; and provided, further, that the annual premiums for the liability insurance to be provided to the Indemnitee do not exceed by more than 50% the premium charged for the coverage available for any of the Corporation's then current officers and directors.

(e) In the event of any payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including, without limitation, execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights.

(f) The Corporation shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee otherwise actually has received such payment under any insurance policy, contract, agreement or otherwise.

14. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever:

(a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and

(b) to the fullest extent possible the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

15. Exception to Right of Indemnification or Advancement of Expenses.

(a) Except as otherwise provided specifically in this Agreement, Indemnitee shall not be entitled to indemnification or advancement of Expenses under this Agreement with respect to:

(i) any Proceeding, or any claim herein, brought or made by Indemnitee against the Corporation;

(ii) amounts payable by Indemnitee to the Corporation or any Affiliate in satisfaction of any judgment or settlement in the Corporation's or such Affiliate's favor (except amounts for which you shall be entitled to indemnification pursuant to section 5);

(iii) amounts payable on account of profits realized by you in the purchase or sale of securities of the Corporation or any Affiliate within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended;

(iv) Expenses in connection with which Indemnitee is not entitled to indemnification as a matter of law or public policy; or

(v) Expenses to the extent you are indemnified by the Corporation otherwise than pursuant to this Agreement, including any Expenses for which payment is made to you under an insurance policy or as otherwise provided pursuant to paragraph 13(c).

(b) Anything in this Agreement to the contrary notwithstanding, Indemnitee shall not be entitled to indemnification or advancement of Expenses under this Agreement in connection with any claim initiated by Indemnitee, unless:

(i) the Corporation has joined in or the Board has authorized or consented to any such claim or

(ii) the claim is one to enforce Indemnitee's rights under this Agreement.

16. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof. Except as otherwise specifically provided, references in this Agreement to specific section, paragraph and clause numbers and letters shall refer to the sections, paragraphs and clauses in this Agreement having such numbers and letters.

17. Modification and Waiver. This Agreement may be amended from time to time to reflect changes in Delaware law or for other reasons. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all of the parties to this Agreement. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

18. Notice by Indemnitee. Indemnitee shall promptly to notify the Corporation in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder; provided, however, that the failure to give any such notice shall not disqualify the Indemnitee from indemnification hereunder unless such failure has a material adverse effect on the Corporation or on the possibility of a favorable outcome to a Proceeding.

19. Notices. Notices or other communications required or permitted to be given hereunder shall be in writing and shall be deemed duly given if (x) personally delivered, against written receipt therefor, (y) forwarded by pre-paid certified or registered mail, return receipt requested, or (z) forwarded via a nationally recognized overnight courier service (e.g., Federal Express, USPS Express Mail, UPS, DHL, etc.) to the parties to which such notice or other communication is required by this Agreement to be given, at the address of such parties as follows:

If to the Corporation, to: Paul M. Galvin, Chief Executive Officer
SG Blocks, Inc.
350 Madison Avenue
New York, New York 10017

with a copy to: [___________]

If to Indemnitee, to: [___________]

with a copy to: [___________]

or, in the case of any of the parties to this Agreement, at such other address as such party shall furnish to each of the other parties in accordance with this section 19. Notices and other communications delivered personally shall be deemed given as of the date of actual receipt; mailed notices and other communications shall be deemed given as of the date three business days following such mailing; and notices and other communications sent via overnight courier service shall be deemed given as of the date one business day after delivery to such courier service.

20. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware. Any legal action resulting from, arising under, out of or in connection with, directly or indirectly, this Agreement shall be commenced exclusively in the Supreme Court, State of New York, County of Nassau, or the U.S. District Court for the Eastern District of New York. All parties to this Agreement hereby submit themselves to the jurisdiction of any such court, and agree that service of process on them in any such action, suit or proceeding may be affected by the means by which notices are to be given under this Agreement.

21. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

22. Specific Enforcement. The parties hereby agree that any remedy at law for a violation of any of the provisions of this Agreement is not, in itself, adequate to protect the parties hereto, and each party therefore shall be entitled to specific performance or any other mode of injunctive and/or other equitable relief to enforce such party's rights hereunder or any other relief a court may award.

23. Invalidity of Provision. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. In addition, to the extent that any term or provision hereof is deemed invalid, void or otherwise unenforceable, but may be made enforceable by amendment thereto, the parties agree that such amendment may be made so that the same shall, nevertheless, be enforceable to the fullest extent permissible under the laws and public policies applied in any such jurisdiction in which enforcement is sought.

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

THE CORPORATION:
SG Blocks, Inc.

By: ____________________________
Paul M. Galvin, Chief Executive Officer

INDEMNITEE:

____

Exhibit 10.03

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is made as of October 29, 2010, by and between SG Blocks, Inc. (the "Company") and Paul Galvin (the "Executive").

WITNESSETH:

WHEREAS, the Company desires to employ the Executive under the terms and conditions specified herein, and the Executive desires to be so employed by the Company.

NOW, THEREFORE, in consideration of the mutual promises and conditions set forth herein, the parties hereto agree as follows:

1. Term. The Company shall employ the Executive pursuant to the terms set forth in this Agreement effective as of October 29, 2010 (the "Effective Date"), and this Agreement shall continue in effect, unless terminated earlier pursuant to paragraph 4, until the third anniversary of the Effective Date (the "Term"). Negotiations regarding any extension of the Term shall commence promptly no later than 60 days prior to the end of the Term.

2. Duties and Authority.

(a) During the Term the Executive will be employed as the Chief Executive Officer of the Company and will have such responsibilities and duties as are customarily attendant to his position as may be specified from time to time by the Board of Directors of the Company (the "Board") or its designee. The Executive shall report directly to the Board of Directors or its designee. The Executive shall also serve as the Chief Executive Officer or equivalent position in the Company's subsidiaries. The Executive agrees to devote substantially all of his business time and energies to the business of the Company.

(b) Without limiting the generality of the foregoing, Executive shall not, without the written approval of the Company, render services of a business or commercial nature on his own behalf or on behalf of any other person, firm, or corporation, whether for compensation or otherwise, during his employment hereunder, provided that the foregoing shall not prevent the Executive from (i) serving on the boards of directors of non-profit organizations and, with the prior written approval of the Board, other for profit companies, (ii) participating in charitable, civic, educational, professional, community or industry affairs, and (iii) managing Executive's passive personal investments, and (iv) acquiring an equity interest in subsidiaries of the Company so long as such activities in the aggregate do not materially interfere or conflict with Executive's duties hereunder or create a potential business or fiduciary conflict.

3. Compensation and Benefits. In full consideration for all services rendered by the Executive during the Term, the Executive will receive the following compensation and benefits during the Term:

(a) Base Salary. During the Term the Executive shall receive an annual base salary of two hundred forty thousand dollars ($240,000) less applicable federal, state and local taxes and withholdings, payable in accordance with the customary payroll practices of the Company ("Base Salary").

(b) Annual Bonus. For each full calendar year during the Term, the Executive will be eligible to receive an annual bonus ("Annual Bonus") as determined at the discretion of the Board.

(c) Equity Plan. In the event the Board of Directors of the Company establishes an equity plan for senior executives at Executive's level, Executive shall be eligible to participate in such plan pursuant to the terms of the plan. Executive understands such plan will be in the discretion of the Board of Directors of the Company.

(d) Expense Reimbursement. The Executive will be reimbursed for all appropriate business expenses that are approved and recorded in accordance with the policies of the Company or any of its affiliates, as appropriate, as in effect from time to time, to the extent such policies are consistent with Code Section 409A.

(e) Employee Benefits. The Executive shall be entitled to participate in all of the applicable benefit plans of the Company, pursuant to the terms of the plans, at a level of participation commensurate with other executives at his level. The Company may, at any time or from time to time, amend, modify, suspend or terminate any benefit plans or programs contemplated hereunder in this section 3(e) for any reason and without the Executive's prior written consent if such modification, suspension or termination is consistent for similarly situated employees. However, Executive and his family shall be covered by health insurance at the Company's expense throughout the Term.

(f) Vacation. The Executive shall accrue 20 days of vacation with pay per year.

4. Termination of the Executive's Employment.

(a) Death. The Executive's employment shall terminate immediately upon his death.

(b) Disability. The Executive's employment shall terminate immediately upon the Executive being Disabled. "Disabled" or a "Disability" shall mean a determination by the Company, as a result of a physical or mental illness, that Executive is unable to perform the essential functions of his job, with or without a reasonable accommodation, and he has been unable to do so for a period of not less than 90 days during any 365 day period during the Term.

(c) By the Company. The Company may terminate the Executive's employment in its sole discretion at any time during the term, with or without "Cause" (as defined below), upon written notice by the Company to the Executive, and the Executive's employment will terminate on the date notice is given or such date selected by the Company, in its sole discretion; provided, however, that the termination of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the Board setting forth the particular clause below that has triggered the termination for Cause. "Cause" shall mean (i) the Executive's willful failure to follow the lawful directions of the Board, provided such directions are consistent with the status, scope and dignity of the Executive's position with the Company; (ii) willful acts of dishonesty, theft or fraud by Executive resulting or intending to result in personal gain or enrichment of Executive or any other person or entity at the expense of the Company; (iii) any act of a crime constituting a felony or fraud or dishonesty by the Executive that is being investigated by a federal, state or local governmental agency or authority which, in the reasonable judgment of the Company, may result in an indictment of the Executive; (iv) indictment, conviction of or entering of a plea of nolo contendere or the equivalents of such for a crime constituting a felony or in respect of an act of fraud or dishonesty, provided that such indictment is not dismissed within 10 days of its issuance; (v) willful misconduct by the Executive that is or will be injurious financially to the Company, including without limitation actions which result in a claim or lawsuit being threatened or filed against Company or any of its affiliates based on Executive's actions, or (vi) any other material breach of this Agreement by the Executive; provided, however, in the case of clause (vi), the Executive shall be entitled to written notice from the Company upon the Company's knowledge of the first occurrence of such breach and 10 days to cure the deficiency leading to the Cause determination, if such deficiency is curable.

(d) By the Executive. The Executive may terminate his employment with the Company during the Term upon at least 90 days prior written notice to the Company, with or without "Good Reason" (as defined below), and the Executive's employment will terminate upon the expiration of such 90 day period after such notice is given. "Good Reason" shall mean (i) a reduction in the Executive's Base Salary; (ii) a material adverse diminution in the Executive's title, responsibilities, position, or duties or any material change of the Executive's primary responsibilities, in each case without the Executive's prior written consent; (iii) the relocation by the Company of the Executive's principal office of more than 30 miles, other than a relocation to any location in New York City or within a reasonable proximity to New York City or a relocation initiated by the Executive or to which the Executive has consented in writing; or (iv) a material breach of this Agreement by the Company; provided, however, in each case, the Company shall be entitled to written notice from the Executive of the first occurrence of such breach within 90 days of its occurrence and 30 days to cure the deficiency, if such deficiency is curable. Executive's termination with Good Reason must occur within one year of the first occurrence of such breach.

(e) Following a Change in Control. If Executive's employment is (i) terminated by the Company or its successor, without Cause, and not due to his Disability, death, voluntary resignation or (ii) terminated by the Executive with Good Reason, within six months of a Change in Control (as hereinafter defined), the Executive shall be entitled to receive a Change in Control Payment (as hereinafter defined) with respect to such termination. Termination of employment shall have the same meaning as separation from service under Code Section 409A and Regulation Section 1.409A-1(h).

(f) "Change of Control" means and includes each of the following:

(1) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d), and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors ("voting securities") of the Company that represent 50% or more of the combined voting power of the Company's then outstanding voting securities, other than

(i) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(ii) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(iii) an acquisition of voting securities pursuant to a transaction described in subsection (ii) below that would not be a Change of Control under subsection (ii), or

(iv) by a group consisting of TAG Partners, LLC, Steve Armstrong and Bruce Russell or their respective affiliates;

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this subsection (1): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 50% or more of the combined voting power of the Company's then outstanding voting securities;

(2) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of a merger, consolidation, reorganization, or business combination, a sale or other disposition of all or substantially all of the Company's assets, in each case, other than a transaction

(i) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least 50% of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this paragraph (2) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction;

For purposes of subsection (i) above, the calculation of voting power shall be made as if the date of the acquisition were a record date for a vote of Company's stockholders, and for purposes of subsection (ii) above, the calculation of voting power shall be made as if the date of the consummation of the transaction were a record date for a vote of the Company's stockholders.

(g) Notwithstanding the foregoing, the following events shall not constitute a "Change of Control": (i) a mere reincorporation of the Company; (ii) a transaction undertaken for the sole purpose of creating a holding company that will be owned in substantially the same proportion by the persons who held the Company's securities immediately before such transaction; (iii) the Company's (or any successor entity's) initial public offering of its equity securities; (iv) the Company becoming public by a reverse merger with a publicly-traded entity ; or (v) a transaction effected primarily for the purpose of financing the Company with cash (as determined by the Board in its discretion and without regard to whether such transaction is effectuated by a merger, equity financing or otherwise).

(h) For purposes of the definition of Cause and Good Reason, an act or failure to act by a party will not be deemed "willful" if done, or omitted to be done, in good faith without knowledge or awareness of the related violation or breach, and with reasonable belief that his/its action or omission was not materially detrimental to the other party.

(i) The effective date of any termination of the Executive's employment to this paragraph 4 shall be referred to herein as the "Termination Date."

5. Payment Upon Termination of Employment.

(a) Without Cause and Good Reason Termination. If, during the Term, except as set forth in subparagraph (d) below, the Executive's employment with the Company is terminated by the Company without Cause or the Executive terminates employment for Good Reason (each a "Qualifying Termination"), the Executive will be entitled to the following (less applicable federal, state and local withholdings), which shall be paid in accordance with the Company's regular payroll dates beginning on the 60th day after the Termination Date, provided Executive has fulfilled his obligations under Section 5(f):

(1) Accrued and unpaid salary and benefits to which the Executive has become entitled under this Agreement or otherwise as of the Termination Date ("Accrued Compensation");

(2) An amount equal to one year of the Executive's Base Salary;

(3) Continuation of family benefits at the Company's expense, for the lesser of (i) one year, or (ii) until such time as Executive and his family are eligible for benefits from another source; and

(4) A lump sum payment in an amount equal to a prorated portion of the greater of (i) any annual bonus payable in the year in which Executive's termination of employment occurs or (ii) Executive's annual bonus in the year preceding the year of termination of employment. Such bonus shall be payable at the time when the Company pays Annual Bonuses for the calendar year in which the Termination Date occurs.

Notice by the Company to the Executive of its intention not to renew this Agreement, in accordance with paragraph 5(d) of this Agreement (including a required termination of his employment hereunder), shall not be deemed a termination without Cause or for Good Reason.

(b) Termination For Cause or Termination By the Executive Without Good Reason; Death or Disability. If the Executive's employment is terminated by the Company for Cause or by the Executive without Good Reason or in the event of the death or disability of the Executive, the Executive (or his estate, if appropriate) shall only be entitled to receive his Accrued Compensation, and his expenses incurred but not yet paid to the Executive. In addition, in the event of a termination by the Company for Cause or by the Executive without Good Reason, all of the Executive's options and other equity compensation (whether vested or unvested) shall terminate and be forfeited as of the date of termination of employment.

(c) Following a Change in Control. If Executive's employment is terminated under the circumstances set forth in Section 4(e) above, the Executive shall receive Accrued Compensation and 18 months of Executive's base salary. Such payments shall be paid in accordance with the Company's regular payroll dates beginning on the 60th day after the Termination Date, provided Executive has fulfilled his obligations under Section 5(f).

(d) Non-Renewal. The Company may, at any time more than 60 days prior to the end of the Term, notify the Executive that the Term will not be extended. Executive shall receive the Accrued Compensation.

(e) No mitigation. In the event of any termination of employment, the Executive will be under no obligation to seek other employment, and there will be no offset against amounts due him on account of any remuneration attributable to any subsequent employer or claims asserted by the Company; provided, however, continuing benefit coverage will cease in the event the Executive commences subsequent employment which provides benefit coverage.

(f) Release Agreement. Any payments made pursuant to this paragraph 5 are contingent upon the Executive executing a Release Agreement in the form attached as Exhibit A.

6. Confidentiality Agreement and Assignment of Intellectual Property.

(a) Executive understands that during the Term, he may have access to unpublished and otherwise confidential information both of a technical and non-technical nature, relating to the business of the Company and any of its parents, subsidiaries, divisions, affiliates (collectively, "Affiliated Entities"), or clients, including without limitation any of their actual or anticipated business, research or development, any of their technology or the implementation or exploitation thereof, including without limitation information Executive and others have collected, obtained or created, information pertaining to clients, accounts, vendors, prices, costs, materials, processes, codes, material results, technology, system designs, system specifications, materials of construction, trade secrets and equipment designs, including information disclosed to the Company by others under agreements to hold such information confidential (collectively, the "Confidential Information"). Executive agrees to observe all Company policies and procedures concerning such Confidential Information. Executive further agrees not to disclose or use, either during his employment or at any time thereafter, any Confidential Information for any purpose, including without limitation any competitive purpose, unless authorized to do so by the Company in writing, except that he may disclose and use such information in the good faith performance of his duties for the Company. Executive's obligations under this Agreement will continue with respect to Confidential Information, whether or not his employment is terminated, until such information becomes generally available from public sources through no fault of Executive or any representative of Executive. Notwithstanding the foregoing, however, Executive shall be permitted to disclose Confidential Information as may be required by a subpoena or other governmental order, provided that he first notifies the Company of such subpoena, order or other requirement and such that the Company has the opportunity to obtain a protective order or other appropriate remedy.

(b) During Executive's employment, upon the Company's request, or upon the termination of his employment for any reason, Executive will promptly deliver to the Company all documents, records, files, notebooks, manuals, letters, notes, reports, customer and supplier lists, cost and profit data, e-mail, apparatus, computers, blackberries or other PDAs, hardware, software, drawings, blueprints, and any other material of the Company or any of its Affiliated Entities or clients, including all materials pertaining to Confidential Information developed by Executive or others, and all copies of such materials, whether of a technical, business or fiscal nature, whether on the hard drive of a laptop or desktop computer, in hard copy, disk or any other format, which are in his possession, custody or control. Executive may retain the Executive's rolodex and similar address books, provided however, that such items only include contact information.

(c) Executive will promptly disclose to the Company any idea, invention, discovery or improvement, whether patentable or not ("Creations"), conceived or made by him alone or with others at any time during his employment. Executive agrees that the Company owns any such Creations, conceived or made by Executive alone or with others at any time during his employment, and Executive hereby assigns and agrees to assign to the Company all rights he has or may acquire therein and agrees to execute any and all applications, assignments and other instruments relating thereto which the Company deems necessary or desirable. These obligations shall continue beyond the termination of his employment with respect to Creations and derivatives of such Creations conceived or made during his employment with the Company. The Company and Executive understand that the obligation to assign Creations to the Company shall not apply to any Creation which is developed entirely on his own time without using any of the Company's equipment, supplies, facilities, and/or Confidential Information unless such Creation (a) relates in any way to the business or to the current or anticipated research or development of the Company or any of its Affiliated Entities; or (b) results in any way from his work at the Company.

7. Competitive and Other Activity. The Executive acknowledges and agrees that a principal consideration for the agreement to make the payments provided in this Agreement by the Company to the Executive is the Executive's compliance with the undertakings set forth in this paragraph 7.

(a) Covenant Not to Compete. During the Executive's employment hereunder and for 18 months after the termination of the Executive's employment with the Company for any reason (except that if Executive's employment is terminated for Cause, for 24 months after the termination), the Executive will not, without the prior written consent of the Company, directly or indirectly, whether individually, as a director, stockholder, partner, owner, employee, consultant, or agent of any business, or in any other capacity, other than on behalf of the Company or any of its subsidiaries or affiliates,

(1) own, manage, control, be employed by, participate in, or be connected in any manner with the ownership, management, operation or control of any Competitor. The term "Competitor" shall mean anyone in a business competitive with the current or planned business of the Company;

(2) solicit the business of, attempt to solicit the business of, or perform any such services for, any person or entity that is a Client of the Company or any of its subsidiaries or affiliates. The term "Client," as used in this subparagraph applies to any person or entity that is or was a client of the Company during the 12 month period prior to the date the Executive ceases to be associated with the Company;

(b) Nothing in this Agreement shall prevent the Executive from owning directly or indirectly for passive investment purposes not intended to circumvent this Agreement, less than two percent (2%) of the publicly traded equity securities of any Competitor (so long as the Executive has no power to manage, operate, advise, consult with or control the competing enterprise and no power, alone or in conjunction with other affiliated parties, to select a director, general partner, or similar governing official of the competing enterprise other than in connection with the normal and customary voting powers afforded the Executive in connection with any permissible equity ownership).

(c) Non-Solicitation or Hire. During the Executive's employment hereunder and for 18 months after the termination of the Executive's employment with the Company for any reason (except that if the Executive's employment is terminated for Cause, for 24 months after the termination), the Executive will not, without the prior written consent of the Company, directly or indirectly, for the Executive's own account or for the account of any other person or entity with which the Executive is or shall become associated in any capacity, (i) solicit for employment, (ii) hire, or (iii) solicit to interfere with the business of the Company or any subsidiary or affiliate of the Company, any officer, employee, agent, consultant, or independent contractor of the Company or its subsidiaries or affiliates.

(d) Cooperation with the Company. During the Executive's employment hereunder and after the termination of the Executive's employment with the Company for any reason, the Executive will make himself available to the Company and its affiliated companies upon reasonable requests by the Company and its affiliated Company and its affiliated companies or their attorneys with respect to any potential or actual claims that may be brought by or against the Company or its affiliated companies or any of its or their predecessors ("Potential or Actual Claims"). Unless requested by the Company or its agents or attorneys, Executive shall not discuss with, be consulted by, act as a witness for, provide documents to or in any way assist any individuals or entities (or their agents or attorneys) regarding any Potential or Actual Claims, or otherwise believes his compliance is required by law, Executive shall notify the General Counsel or the Company promptly to permit the Company an opportunity to respond to such before he takes any action or makes any decisions regarding such subpoenaed in connection with any Potential or Actual Claims, or otherwise believes his compliance is required by law, Executive shall notify the General Counsel of the Company promptly to permit the Company an opportunity to respond to such before he takes any action or makes any decisions regarding such subpoena or other purported legal obligation. The Company shall reimburse Executive for reasonable out-of-pocket expenses (not including attorney's fees; provided that such might be paid in the event covered by the Company's or its affiliates' D&O insurance) incurred as a result of Executive's compliance with this provision.

(e) Remedy for Breach. The Executive hereby acknowledges that the provisions of this paragraph 7 and paragraph 6 are reasonable and necessary for the protection of the Company and its subsidiaries and affiliates. The Executive further acknowledges that the Company and its subsidiaries and affiliates may be irreparably harmed if such covenants are not specifically enforced. Accordingly, the Executive agrees that, in addition to any other relief to which the Company may be entitled, including claims for damages, the Company will be entitled to seek and obtain injunctive relief (without the requirement of any bond) from a court of competent jurisdiction for the purposes of restraining the Executive from an actual or threatened breach of such covenants. In addition, and without limiting the Company's other remedies, in the event of any breach by the Executive of such covenants, the Company will have no obligation to pay any future amounts as provided under paragraph 5 of this Agreement on or after the date of such breach.

(f) Restrictive Modification. If any of the rights or restrictions contained herein, including but not limited to this paragraph 7 and paragraph 6, shall be deemed to be unenforceable by reason of the extent, duration or geographical scope of such rights or restrictions, the parties hereby agree that a court of competent jurisdiction shall reduce such extent, duration and geographical scope and enforce such right or restriction in its reduced form for all purposes in the manner contemplated hereby; provided that such extent, duration and geographical scope shall only be reduced to the extent necessary in order to make such right or restriction enforceable.

8. Indemnification. The Company shall indemnify and hold the Executive harmless from any liabilities arising out of, or related to, his employment as an employee, officer and, if applicable, director of the Company and its subsidiaries and affiliates to the maximum extent allowable by law, provided such liabilities do not arise out of or relate to any fraudulent or criminal activity of Executive.

9. Miscellaneous.

(a) Restrictive Covenants. The Executive represents and warrants that he is not a party to or subject to any restrictive covenants, legal restrictions or other agreements in favor of any entity or person which would in any way preclude, inhibit, impair or limit the Executive's ability to perform his obligations under this Agreement, including, but not limited to, non-competition agreements, non-solicitation agreements or confidentiality agreements.

(b) Jurisdiction. The parties agree irrevocably to submit to the exclusive jurisdiction of the state or federal courts located in the State of New York, County of New York, for the purposes of any suit, action or other proceeding brought by any party arising out of a breach of any of the provisions of this Agreement and hereby waive, and agree not to assert by way of motion, as a defense or otherwise, in any such suit, action, or proceeding, any claims that they are not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper, or that the provisions of this Agreement may not be enforced in or by such courts.

(c) Notice. Any notice or other communication required or which may be given hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid, and shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission or, if mailed, four (4) days after the date of mailing, as follows:

If the Company, to:

[ ]
[ ]
[ ]

With a copy to:

Olshan Grundman Frome Rosenzweig & Wolosky LLP
Park Avenue Tower
65 East 55th Street
New York, New York 10022
Attn: Kenneth A. Schlesinger

If the Executive, to his home address set forth in the records of the Company.

30 West St.
Apt. 22A
NY, NY 10004

(d) Entire Agreement. This Agreement supersedes any and all existing agreements between the Executive and the Company relating to the terms and conditions of the Executive's employment.

(e) Amendments and Waivers. No provisions of this Agreement may be amended, modified, waived or discharged except as agreed to in writing by the Executive and the Company. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion will not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

(f) Successors and Assignability. This Agreement shall be binding upon and inure to the benefit of the Executive and the Company. Neither this Agreement nor any of the rights of the parties hereunder may be assigned by either party hereto except that the Company may assign its rights and obligations hereunder to a corporation or other entity that acquires substantially all of its assets. Any assignment or transfer of this Agreement in violation of the foregoing provisions will be void. If Executive should die after his Termination Date and while any amount payable hereunder would still be payable to Executive hereunder if Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devises, legates or other designees or, if there is no such designee, to Executive's estate.

(g) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and/or to be performed in that State, without regard to any choice of law provisions thereof.

(h) Withholdings. The Company shall withhold from any benefit provided or payment due hereunder the amount of withholding taxes due any federal, state, or local authority in respect of such benefit or payment and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such withholding taxes.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

(j) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of terms contained herein.

(k) Severability. If any provision of this Agreement is invalid or unenforceable, the balance of this Agreement will remain in effect, and if such provision is inapplicable to any person or circumstance, it will nevertheless remain applicable to all other persons and circumstances.

(l) Survival. The Executive's obligations in paragraphs 6 and 7 will survive the termination of this Agreement. The Company's obligations in paragraphs 5 and 8 will survive the termination of this Agreement.

10. Code Section 409A. The compensation and benefits payable under this Agreement, including without limitation the severance benefits described in Section 5, are not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code by virtue of combination for the short-term deferral exception and the exception for certain payments made upon involuntary separation from service. To the extent applicable, this Agreement shall be interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder. To the extent that any compensation or benefits hereunder constitute "nonqualified deferred compensation" within the meaning of Code Section 409A, the following rules shall apply:

A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment that are considered "nonqualified deferred compensation" under Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service."

For purposes of Code Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

All reimbursements under this Agreement shall be made as soon as practicable following submission of a reimbursement request, but no later than the end of the year following the year during which the underlying expense was incurred.

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

SG BLOCKS, INC.

By: /s/ Paul M. Galvin
Name:
Title:

By: /s/ Jennifer Strumingher
Name: Jennifer Strumingher
Title: Chief Admin Officer

Exhibit 10.04

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is made as of 26 October, 2010, by and between SG Blocks, Inc. (the "Company") and Stevan M. Armstrong (the "Executive").

WITNESSETH:

WHEREAS, the Company desires to employ the Executive under the terms and conditions specified herein, and the Executive desires to be so employed by the Company.

NOW, THEREFORE, in consideration of the mutual promises and conditions set forth herein, the parties hereto agree as follows:

1. Term. The Company shall employ the Executive pursuant to the terms set forth in this Agreement effective as of October 26, 2010 (the "Effective Date"), and this Agreement shall continue in effect, unless terminated earlier pursuant to paragraph 4, until the third anniversary of the Effective Date (the "Term"). Negotiations regarding any extension of the Term shall commence promptly no later than 60 days prior to the end of the Term.

2. Duties and Authority.

(a) During the Term the Executive will be employed as the President and Chief Operating Officer of the Company and will have such responsibilities and duties as are customarily attendant to his position as may be specified from time to time by the Chief Executive Officer of the Company or his designee. The Executive shall report directly to the Chief Executive Officer or his designee. The Executive shall also serve as an officer or director of such subsidiaries as the Chief Executive Officer or his designee may direct. The Executive agrees to devote substantially all of his business time and energies to the business of the Company.

(b) Without limiting the generality of the foregoing, Executive shall not, without the written approval of the Company, render services of a business or commercial nature on his own behalf or on behalf of any other person, firm, or corporation, whether for compensation or otherwise, during his employment hereunder, provided that the foregoing shall not prevent the Executive from (i) serving on the boards of directors of non-profit organizations and, with the prior written approval of the Board of Directors of the Company (the "Board"), other for profit companies, (ii) participating in charitable, civic, educational, professional, community or industry affairs, and (iii) managing Executive's passive personal investments so long as such activities in the aggregate do not materially interfere or conflict with Executive's duties hereunder or create a potential business or fiduciary conflict.

3. Compensation and Benefits. In full consideration for all services rendered by the Executive during the Term, the Executive will receive the following compensation and benefits during the Term:

(a) Base Salary. During the Term the Executive shall receive an annual base salary of one hundred fifty thousand dollars ($150,000) less applicable federal, state and local taxes and withholdings, payable in accordance with the customary payroll practices of the Company ("Base Salary").

(b) Annual Bonus. For each full calendar year during the Term, the Executive will be eligible to receive an annual bonus ("Annual Bonus") as determined at the discretion of the Board.

(c) Equity Plan. In the event the Board of Directors of the Company establishes an equity plan for senior executives at Executive's level, Executive shall be eligible to participate in such plan pursuant to the terms of the plan. Executive understands such plan will be in the discretion of the Board of Directors of the Company.

(d) Expense Reimbursement. The Executive will be reimbursed for all appropriate business expenses that are approved and recorded in accordance with the policies of the Company or any of its affiliates, as appropriate, as in effect from time to time, to the extent such policies are consistent with Code Section 409A.

(e) Employee Benefits. The Executive shall be entitled to participate in all of the applicable benefit plans of the Company, pursuant to the terms of the plans, at a level of participation commensurate with other executives at his level. The Company may, at any time or from time to time, amend, modify, suspend or terminate any benefit plans or programs contemplated hereunder in this section 3(e) for any reason and without the Executive's prior written consent if such modification, suspension or termination is consistent for similarly situated employees.

(f) Vacation. The Executive shall accrue 20 days of vacation with pay per year.

4. Termination of the Executive's Employment.

(a) Death. The Executive's employment shall terminate immediately upon his death.

(b) Disability. The Executive's employment shall terminate immediately upon the Executive being Disabled. "Disabled" or a "Disability" shall mean a determination by the Company, as a result of a physical or mental illness, that Executive is unable to perform the essential functions of his job, with or without a reasonable accommodation, and he has been unable to do so for a period of not less than 90 days during any 365 day period during the Term.

(c) By the Company. The Company may terminate the Executive's employment in its sole discretion at any time during the term, with or without "Cause" (as defined below), upon written notice by the Company to the Executive, and the Executive's employment will terminate on the date notice is given or such date selected by the Company, in its sole discretion; provided, however, that the termination of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the Board setting forth the particular clause below that has triggered the termination for Cause. "Cause" shall mean (i) the Executive's willful failure to follow the lawful directions of the Chief Executive Officer, provided such directions are consistent with the status, scope and dignity of the Executive's position with the Company; (ii) willful acts of dishonesty, theft or fraud by Executive resulting or intending to result in personal gain or enrichment of Executive or any other person or entity at the expense of the Company; (iii) any act of a crime constituting a felony or fraud or dishonesty by the Executive that is being investigated by a federal, state or local governmental agency or authority which, in the reasonable judgment of the Company, may result in an indictment of the Executive; (iv) indictment, conviction of or entering of a plea of nolo contendere or the equivalents of such for a crime constituting a felony or in respect of an act of fraud or dishonesty, provided that such indictment is not dismissed within 10 days of its issuance; (v) willful misconduct by the Executive that is or will be injurious financially to the Company, including without limitation actions which result in a claim or lawsuit being threatened or filed against Company or any of its affiliates based on Executive's actions, or (vi) any other material breach of this Agreement by the Executive; provided, however, in the case of clause (vi), the Executive shall be entitled to written notice from the Company upon the Company's knowledge of the first occurrence of such breach and 10 days to cure the deficiency leading to the Cause determination, if such deficiency is curable.

(d) By the Executive. The Executive may terminate his employment with the Company during the Term upon at least 90 days prior written notice to the Company, with or without "Good Reason" (as defined below), and the Executive's employment will terminate upon the expiration of such 90 day period after such notice is given. "Good Reason" shall mean (i) a material reduction in the Executive's Base Salary; (ii) a material adverse diminution in the Executive's title, responsibilities, position, or duties or any material change of the Executive's primary responsibilities, in each case without the Executive's prior written consent; (iii) the relocation by the Company of the Executive's principal office of more than 30 miles, other than a relocation to any location in New York City or within a reasonable proximity to New York City or a relocation initiated by the Executive or to which the Executive has consented in writing; or (iv) a material breach of this Agreement by the Company; provided, however, in each case, the Company shall be entitled to written notice from the Executive of the first occurrence of such breach within 90 days of its occurrence and 30 days to cure the deficiency, if such deficiency is curable. Executive's termination with Good Reason must occur within one year of the first occurrence of such breach.

(e) Following a Change in Control. If Executive's employment is (i) terminated by the Company or its successor, without Cause, and not due to his Disability, death, voluntary resignation or (ii) terminated by the Executive with Good Reason, within six months of a Change in Control (as hereinafter defined), the Executive shall be entitled to receive a Change in Control Payment (as hereinafter defined) with respect to such termination. Termination of employment shall have the same meaning as separation from service under Code Section 409A and Regulation Section 1.409A-1(h).

(f) "Change of Control" means and includes each of the following:

(1) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d), and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors ("voting securities") of the Company that represent 50% or more of the combined voting power of the Company's then outstanding voting securities, other than

(i) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(ii) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(iii) an acquisition of voting securities pursuant to a transaction described in subsection (ii) below that would not be a Change of Control under subsection (ii), or

(iv) by a group consisting of TAG Partners, LLC, Steve Armstrong and Bruce Russell or their respective affiliates;

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this subsection (1): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 50% or more of the combined voting power of the Company's then outstanding voting securities;

(2) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of a merger, consolidation, reorganization, or business combination, a sale or other disposition of all or substantially all of the Company's assets, in each case, other than a transaction

(i) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least 50% of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this paragraph (2) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction;

For purposes of subsection (i) above, the calculation of voting power shall be made as if the date of the acquisition were a record date for a vote of Company's stockholders, and for purposes of subsection (ii) above, the calculation of voting power shall be made as if the date of the consummation of the transaction were a record date for a vote of the Company's stockholders.

(g) Notwithstanding the foregoing, the following events shall not constitute a "Change of Control": (i) a mere reincorporation of the Company; (ii) a transaction undertaken for the sole purpose of creating a holding company that will be owned in substantially the same proportion by the persons who held the Company's securities immediately before such transaction; (iii) the Company's (or any successor entity's) initial public offering of its equity securities; (iv) the Company becoming public by a reverse merger with a publicly-traded entity ; or (v) a transaction effected primarily for the purpose of financing the Company with cash (as determined by the Board in its discretion and without regard to whether such transaction is effectuated by a merger, equity financing or otherwise).

(h) For purposes of the definition of Cause and Good Reason, an act or failure to act by a party will not be deemed "willful" if done, or omitted to be done, in good faith without knowledge or awareness of the related violation or breach, and with reasonable belief that his/its action or omission was not materially detrimental to the other party.

(i) The effective date of any termination of the Executive's employment to this paragraph 4 shall be referred to herein as the "Termination Date."

5. Payment Upon Termination of Employment.

(a) Without Cause and Good Reason Termination. If, during the Term, except as set forth in subparagraph (d) below, the Executive's employment with the Company is terminated by the Company without Cause or the Executive terminates employment for Good Reason (each a "Qualifying Termination"), the Executive will be entitled to the following (less applicable federal, state and local withholdings), which shall be paid in accordance with the Company's regular payroll dates beginning on the 60th day after the Termination Date, provided Executive has fulfilled his obligations under Section 5(f):

(1) Accrued and unpaid salary and benefits to which the Executive has become entitled under this Agreement or otherwise as of the Termination Date ("Accrued Compensation");

(2) An amount equal to the lesser of (i) one year of the Executive's Base Salary or (ii) salary payments for the number of months left in the Term;

(3) Continuation of employee benefits pursuant to Section 3(e) hereof at the Company's expense, for the lesser of (i) nine months, or (ii) until such time as Executive is eligible for benefits from another source; and

(4) A lump sum payment in an amount equal to a prorated portion of the greater of (i) any annual bonus payable in the year in which Executive's termination of employment occurs or (ii) Executive's annual bonus in the year preceding the year of termination of employment. Such bonus shall be payable at the time when the Company pays Annual Bonuses for the calendar year in which the Termination Date occurs.

Notice by the Company to the Executive of its intention not to renew this Agreement, in accordance with paragraph 5(d) of this Agreement (including a required termination of his employment hereunder), shall not be deemed a termination without Cause or for Good Reason.

(b) Termination For Cause or Termination By the Executive Without Good Reason; Death or Disability. If the Executive's employment is terminated by the Company for Cause or by the Executive without Good Reason or in the event of the death or disability of the Executive, the Executive (or his estate, if appropriate) shall only be entitled to receive his Accrued Compensation, and his expenses incurred but not yet paid to the Executive. In addition, in the event of a termination by the Company for Cause or by the Executive without Good Reason, all of the Executive's options and other equity compensation (whether vested or unvested) shall terminate and be forfeited as of the date of termination of employment.

(c) Following a Change in Control. If Executive's employment is terminated under the circumstances set forth in Section 4(e) above, the Executive shall receive Accrued Compensation and the lesser of 18 months of Executive's base salary or Executive's base salary for the remaining number of months in the Term. Such payments shall be paid in accordance with the Company's regular payroll dates beginning on the 60th day after the Termination Date, provided Executive has fulfilled his obligations under Section 5(f).

(d) Non-Renewal. The Company may, at any time more than 60 days prior to the end of the Term, notify the Executive that the Term will not be extended. Executive shall receive the Accrued Compensation.

(e) No mitigation. In the event of any termination of employment, the Executive will be under no obligation to seek other employment, and there will be no offset against amounts due him on account of any remuneration attributable to any subsequent employer or claims asserted by the Company; provided, however, continuing benefit coverage will cease in the event the Executive commences subsequent employment which provides benefit coverage.

(f) Release Agreement. Any payments made pursuant to this paragraph 5 are contingent upon the Executive executing a Release Agreement in the form attached as Exhibit A.

6. <u>Confidentiality Agreement and Assignment of Intellectual Property</u>.

(a) Executive understands that during the Term, he may have access to unpublished and otherwise confidential information both of a technical and non-technical nature, relating to the business of the Company and any of its parents, subsidiaries, divisions, affiliates (collectively, "Affiliated Entities"), or clients, including without limitation any of their actual or anticipated business, research or development, any of their technology or the implementation or exploitation thereof, including without limitation information Executive and others have collected, obtained or created, information pertaining to clients, accounts, vendors, prices, costs, materials, processes, codes, material results, technology, system designs, system specifications, materials of construction, trade secrets and equipment designs, including information disclosed to the Company by others under agreements to hold such information confidential (collectively, the "Confidential Information"). Executive agrees to observe all Company policies and procedures concerning such Confidential Information. Executive further agrees not to disclose or use, either during his employment or at any time thereafter, any Confidential Information for any purpose, including without limitation any competitive purpose, unless authorized to do so by the Company in writing, except that he may disclose and use such information in the good faith performance of his duties for the Company. Executive's obligations under this Agreement will continue with respect to Confidential Information, whether or not his employment is terminated, until such information becomes generally available from public sources through no fault of Executive or any representative of Executive. Notwithstanding the foregoing, however, Executive shall be permitted to disclose Confidential Information as may be required by a subpoena or other governmental order, provided that he first notifies the Company of such subpoena, order or other requirement and such that the Company has the opportunity to obtain a protective order or other appropriate remedy.

(b) During Executive's employment, upon the Company's request, or upon the termination of his employment for any reason, Executive will promptly deliver to the Company all documents, records, files, notebooks, manuals, letters, notes, reports, customer and supplier lists, cost and profit data, e-mail, apparatus, computers, blackberries or other PDAs, hardware, software, drawings, blueprints, and any other material of the Company or any of its Affiliated Entities or clients, including all materials pertaining to Confidential Information developed by Executive or others, and all copies of such materials, whether of a technical, business or fiscal nature, whether on the hard drive of a laptop or desktop computer, in hard copy, disk or any other format, which are in his possession, custody or control. Executive may retain the Executive's rolodex and similar address books, provided however, that such items only include contact information.

(c) Executive will promptly disclose to the Company any idea, invention, discovery or improvement, whether patentable or not ("Creations"), conceived or made by his alone or with others at any time during his employment. Executive agrees that the Company owns any such Creations, conceived or made by Executive alone or with others at any time during his employment, and Executive hereby assigns and agrees to assign to the Company all rights he has or may acquire therein and agrees to execute any and all applications, assignments and other instruments relating thereto which the Company deems necessary or desirable. These obligations shall continue beyond the termination of his employment with respect to Creations and derivatives of such Creations conceived or made during his employment with the Company. The Company and Executive understand that the obligation to assign Creations to the Company shall not apply to any Creation which is developed entirely on his own time without using any of the Company's equipment, supplies, facilities, and/or Confidential Information unless such Creation (a) relates in any way to the business or to the current or anticipated research or development of the Company or any of its Affiliated Entities; or (b) results in any way from his work at the Company.

7. Competitive and Other Activity. The Executive acknowledges and agrees that a principal consideration for the agreement to make the payments provided in this Agreement by the Company to the Executive is the Executive's compliance with the undertakings set forth in this paragraph 7.

(a) Covenant Not to Compete. During the Executive's employment hereunder and for 18 months after the termination of the Executive's employment with the Company for any reason (except that if Executive's employment is terminated for Cause, for 24 months after the termination), the Executive will not, without the prior written consent of the Company, directly or indirectly, whether individually, as a director, stockholder, partner, owner, employee, consultant, or agent of any business, or in any other capacity, other than on behalf of the Company or any of its subsidiaries or affiliates,

(1) own, manage, control, be employed by, participate in, or be connected in any manner with the ownership, management, operation or control of any Competitor. The term "Competitor" shall mean anyone in a business competitive with the current or planned business of the Company;

(2) solicit the business of, attempt to solicit the business of, or perform any such services for, any person or entity that is a Client of the Company or any of its subsidiaries or affiliates. The term "Client," as used in this subparagraph applies to any person or entity that is or was a client of the Company during the 12 month period prior to the date the Executive ceases to be associated with the Company;

(b) Nothing in this Agreement shall prevent the Executive from owning directly or indirectly for passive investment purposes not intended to circumvent this Agreement, less than two percent (2%) of the publicly traded equity securities of any Competitor (so long as the Executive has no power to manage, operate, advise, consult with or control the competing enterprise and no power, alone or in conjunction with other affiliated parties, to select a director, general partner, or similar governing official of the competing enterprise other than in connection with the normal and customary voting powers afforded the Executive in connection with any permissible equity ownership).

(c) Non-Solicitation or Hire. During the Executive's employment hereunder and for 18 months after the termination of the Executive's employment with the Company for any reason (except that if the Executive's employment is terminated for Cause, for 24 months after the termination), the Executive will not, without the prior written consent of the Company, directly or indirectly, for the Executive's own account or for the account of any other person or entity with which the Executive is or shall become associated in any capacity, (i) solicit for employment, (ii) hire, or (iii) solicit to interfere with the business of the Company or any subsidiary or affiliate of the Company, any officer, employee, agent, consultant, or independent contractor of the Company or its subsidiaries or affiliates.

(d) Cooperation with the Company. During the Executive's employment hereunder and after the termination of the Executive's employment with the Company for any reason, the Executive will make herself available to the Company and its affiliated companies upon reasonable requests by the Company and its affiliated Company and its affiliated companies or their attorneys with respect to any potential or actual claims that may be brought by or against the Company or its affiliated companies or any of its or their predecessors ("Potential or Actual Claims"). Unless requested by the Company or its agents or attorneys, Executive shall not discuss with, be consulted by, act as a witness for, provide documents to or in any way assist any individuals or entities (or their agents or attorneys) regarding any Potential or Actual Claims, or otherwise believes his compliance is required by law, Executive shall notify the General Counsel or the Company promptly to permit the Company an opportunity to respond to such before he takes any action or makes any decisions regarding such subpoenaed in connection with any Potential or Actual Claims, or otherwise believes his compliance is required by law, Executive shall notify the General Counsel of the Company promptly to permit the Company an opportunity to respond to such before he takes any action or makes any decisions regarding such subpoena or other purported legal obligation. The Company shall reimburse Executive for reasonable out-of-pocket expenses (not including attorney's fees; provided that such might be paid in the event covered by the Company's or its affiliates' D&O insurance) incurred as a result of Executive's compliance with this provision.

(e) Remedy for Breach. The Executive hereby acknowledges that the provisions of this paragraph 7 and paragraph 6 are reasonable and necessary for the protection of the Company and its subsidiaries and affiliates. The Executive further acknowledges that the Company and its subsidiaries and affiliates may be irreparably harmed if such covenants are not specifically enforced. Accordingly, the Executive agrees that, in addition to any other relief to which the Company may be entitled, including claims for damages, the Company will be entitled to seek and obtain injunctive relief (without the requirement of any bond) from a court of competent jurisdiction for the purposes of restraining the Executive from an actual or threatened breach of such covenants. In addition, and without limiting the Company's other remedies, in the event of any breach by the Executive of such covenants, the Company will have no obligation to pay any future amounts as provided under paragraph 5 of this Agreement on or after the date of such breach.

(f) Restrictive Modification. If any of the rights or restrictions contained herein, including but not limited to this paragraph 7 and paragraph 6, shall be deemed to be unenforceable by reason of the extent, duration or geographical scope of such rights or restrictions, the parties hereby agree that a court of competent jurisdiction shall reduce such extent, duration and geographical scope and enforce such right or restriction in its reduced form for all purposes in the manner contemplated hereby; provided that such extent, duration and geographical scope shall only be reduced to the extent necessary in order to make such right or restriction enforceable.

8. Indemnification. The Company shall indemnify and hold the Executive harmless from any liabilities arising out of, or related to, his employment as an employee, officer and, if applicable, director of the Company and its subsidiaries and affiliates to the maximum extent allowable by law, provided such liabilities do not arise out of or relate to any fraudulent or criminal activity of Executive.

9. Miscellaneous.

(a) Restrictive Covenants. The Executive represents and warrants that he is not a party to or subject to any restrictive covenants, legal restrictions or other agreements in favor of any entity or person which would in any way preclude, inhibit, impair or limit the Executive's ability to perform his obligations under this Agreement, including, but not limited to, non-competition agreements, non-solicitation agreements or confidentiality agreements.

(b) Jurisdiction. The parties agree irrevocably to submit to the exclusive jurisdiction of the state or federal courts located in the State of New York, County of New York, for the purposes of any suit, action or other proceeding brought by any party arising out of a breach of any of the provisions of this Agreement and hereby waive, and agree not to assert by way of motion, as a defense or otherwise, in any such suit, action, or proceeding, any claims that they are not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper, or that the provisions of this Agreement may not be enforced in or by such courts.

(c) Notice. Any notice or other communication required or which may be given hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid, and shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission or, if mailed, four (4) days after the date of mailing, as follows:

If the Company, to:

SG Blocks, L.L.C.
912 Bluff Road
Brentwood, IN 37027
With a copy to:

Olshan Grundman Frome Rosenzweig & Wolosky LLP
Park Avenue Tower
65 East 55th Street
New York, New York 10022
Attn: Kenneth A. Schlesinger

If the Executive, to his home address set forth in the records of the Company.

Stevan Armstrong
912 Bluff Road
Brentwood, TN 37027

(d) Entire Agreement. This Agreement supersedes any and all existing agreements between the Executive and the Company relating to the terms and conditions of the Executive's employment.

(e) Amendments and Waivers. No provisions of this Agreement may be amended, modified, waived or discharged except as agreed to in writing by the Executive and the Company. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion will not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

(f) Successors and Assignability. This Agreement shall be binding upon and inure to the benefit of the Executive and the Company. Neither this Agreement nor any of the rights of the parties hereunder may be assigned by either party hereto except that the Company may assign its rights and obligations hereunder to a corporation or other entity that acquires substantially all of its assets. Any assignment or transfer of this Agreement in violation of the foregoing provisions will be void. If Executive should die after his Termination Date and while any amount payable hereunder would still be payable to Executive hereunder if Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devises, legates or other designees or, if there is no such designee, to Executive's estate.

(g) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and/or to be performed in that State, without regard to any choice of law provisions thereof.

(h) Withholdings. The Company shall withhold from any benefit provided or payment due hereunder the amount of withholding taxes due any federal, state, or local authority in respect of such benefit or payment and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such withholding taxes.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

(j) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of terms contained herein.

(k) Severability. If any provision of this Agreement is invalid or unenforceable, the balance of this Agreement will remain in effect, and if such provision is inapplicable to any person or circumstance, it will nevertheless remain applicable to all other persons and circumstances.

(l) Survival. The Executive's obligations in paragraphs 6 and 7 will survive the termination of this Agreement. The Company's obligations in paragraphs 5 and 8 will survive the termination of this Agreement.

10. Code Section 409A. The compensation and benefits payable under this Agreement, including without limitation the severance benefits described in Section 5, are not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code by virtue of combination for the short-term deferral exception and the exception for certain payments made upon involuntary separation from service. To the extent applicable, this Agreement shall be interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder. To the extent that any compensation or benefits hereunder constitute "nonqualified deferred compensation" within the meaning of Code Section 409A, the following rules shall apply:

A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment that are considered "nonqualified deferred compensation" under Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service."

For purposes of Code Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

All reimbursements under this Agreement shall be made as soon as practicable following submission of a reimbursement request, but no later than the end of the year following the year during which the underlying expense was incurred.

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

SG BLOCKS, INC.

By: /s/ Stevan M. Armstrong
Name: Stevan M. Armstrong

By: /s/ Paul M. Galvin
Name:
Title:

Exhibit 10.05

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is made as of October 29, 2010, by and between SG Blocks, Inc. (the "Company") and Jennifer Strumingher (the "Executive").

WITNESSETH:

WHEREAS, the Company desires to employ the Executive under the terms and conditions specified herein, and the Executive desires to be so employed by the Company.

NOW, THEREFORE, in consideration of the mutual promises and conditions set forth herein, the parties hereto agree as follows:

1. Term. The Company shall employ the Executive pursuant to the terms set forth in this Agreement effective as of October 29, 2010 (the "Effective Date"), and this Agreement shall continue in effect, unless terminated earlier pursuant to paragraph 4, until the third anniversary of the Effective Date (the "Term"). Negotiations regarding any extension of the Term shall commence promptly no later than 60 days prior to the end of the Term.

2. Duties and Authority.

(a) During the Term the Executive will be employed as the Chief Administrative Officer of the Company and will have such responsibilities and duties as are customarily attendant to her position as may be specified from time to time by the Chief Executive Officer of the Company or his designee. The Executive shall report directly to the Chief Executive Officer or his designee. The Executive shall also serve as an officer or director of such subsidiaries as the Chief Executive Officer or his designee may direct. The Executive agrees to devote substantially all of her business time and energies to the business of the Company.

(b) Without limiting the generality of the foregoing, Executive shall not, without the written approval of the Company, render services of a business or commercial nature on his own behalf or on behalf of any other person, firm, or corporation, whether for compensation or otherwise, during his employment hereunder, provided that the foregoing shall not prevent the Executive from (i) serving on the boards of directors of non-profit organizations and, with the prior written approval of the Board of Directors of the Company (the "Board"), other for profit companies, (ii) participating in charitable, civic, educational, professional, community or industry affairs, and (iii) managing Executive's passive personal investments so long as such activities in the aggregate do not materially interfere or conflict with Executive's duties hereunder or create a potential business or fiduciary conflict.

3. Compensation and Benefits. In full consideration for all services rendered by the Executive during the Term, the Executive will receive the following compensation and benefits during the Term:

(a) Base Salary. During the Term the Executive shall receive an annual base salary of one hundred thousand dollars ($100,000) less applicable federal, state and local taxes and withholdings, payable in accordance with the customary payroll practices of the Company ("Base Salary").

(b) Annual Bonus. For each full calendar year during the Term, the Executive will be eligible to receive an annual bonus ("Annual Bonus") as determined at the discretion of the Board.

(c) Equity Plan. In the event the Board of Directors of the Company establishes an equity plan for senior executives at Executive's level, Executive shall be eligible to participate in such plan pursuant to the terms of the plan. Executive understands such plan will be in the discretion of the Board of Directors of the Company.

(d) Expense Reimbursement. The Executive will be reimbursed for all appropriate business expenses that are approved and recorded in accordance with the policies of the Company or any of its affiliates, as appropriate, as in effect from time to time, to the extent such policies are consistent with Code Section 409A.

(e) Employee Benefits. The Executive shall be entitled to participate in all of the applicable benefit plans of the Company, pursuant to the terms of the plans, at a level of participation commensurate with other executives at his level. The Company may, at any time or from time to time, amend, modify, suspend or terminate any benefit plans or programs contemplated hereunder in this section 3(e) for any reason and without the Executive's prior written consent if such modification, suspension or termination is consistent for similarly situated employees.

(f) Vacation. The Executive shall accrue 20 days of vacation with pay per year.

4. Termination of the Executive's Employment.

(a) Death. The Executive's employment shall terminate immediately upon his death.

(b) Disability. The Executive's employment shall terminate immediately upon the Executive being Disabled. "Disabled" or a "Disability" shall mean a determination by the Company, as a result of a physical or mental illness, that Executive is unable to perform the essential functions of her job, with or without a reasonable accommodation, and she has been unable to do so for a period of not less than 90 days during any 365 day period during the Term.

(c) By the Company. The Company may terminate the Executive's employment in its sole discretion at any time during the term, with or without "Cause" (as defined below), upon written notice by the Company to the Executive, and the Executive's employment will terminate on the date notice is given or such date selected by the Company, in its sole discretion; provided, however, that the termination of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the Board setting forth the particular clause below that has triggered the termination for Cause. "Cause" shall mean (i) the Executive's willful failure to follow the lawful directions of the Chief Executive Officer, provided such directions are consistent with the status, scope and dignity of the Executive's position with the Company; (ii) willful acts of dishonesty, theft or fraud by Executive resulting or intending to result in personal gain or enrichment of Executive or any other person or entity at the expense of the Company; (iii) any act of a crime constituting a felony or fraud or dishonesty by the Executive that is being investigated by a federal, state or local governmental agency or authority which, in the reasonable judgment of the Company, may result in an indictment of the Executive; (iv) indictment, conviction of or entering of a plea of nolo contendere or the equivalents of such for a crime constituting a felony or in respect of an act of fraud or dishonesty, provided that such indictment is not dismissed within 10 days of its issuance; (v) willful misconduct by the Executive that is or will be injurious financially to the Company, including without limitation actions which result in a claim or lawsuit being threatened or filed against Company or any of its affiliates based on Executive's actions, or (vi) any other material breach of this Agreement by the Executive; provided, however, in the case of clause (vi), the Executive shall be entitled to written notice from the Company upon the Company's knowledge of the first occurrence of such breach and 10 days to cure the deficiency leading to the Cause determination, if such deficiency is curable.

(d) By the Executive. The Executive may terminate his employment with the Company during the Term upon at least 90 days prior written notice to the Company, with or without "Good Reason" (as defined below), and the Executive's employment will terminate upon the expiration of such 90 day period after such notice is given. "Good Reason" shall mean (i) a material reduction in the Executive's Base Salary; (ii) a material adverse diminution in the Executive's title, responsibilities, position, or duties or any material change of the Executive's primary responsibilities, in each case without the Executive's prior written consent; (iii) the relocation by the Company of the Executive's principal office of more than 30 miles, other than a relocation to any location in New York City or within a reasonable proximity to New York City or a relocation initiated by the Executive or to which the Executive has consented in writing; or (iv) a material breach of this Agreement by the Company; provided, however, in each case, the Company shall be entitled to written notice from the Executive of the first occurrence of such breach within 90 days of its occurrence and 30 days to cure the deficiency, if such deficiency is curable. Executive's termination with Good Reason must occur within one year of the first occurrence of such breach.

(e) Following a Change in Control. If Executive's employment is (i) terminated by the Company or its successor, without Cause, and not due to his Disability, death, voluntary resignation or (ii) terminated by the Executive with Good Reason, within six months of a Change in Control (as hereinafter defined), the Executive shall be entitled to receive a Change in Control Payment (as hereinafter defined) with respect to such termination. Termination of employment shall have the same meaning as separation from service under Code Section 409A and Regulation Section 1.409A-1(h).

(f) "Change of Control" means and includes each of the following:

(1) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d), and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors ("voting securities") of the Company that represent 50% or more of the combined voting power of the Company's then outstanding voting securities, other than

(i) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(ii) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(iii) an acquisition of voting securities pursuant to a transaction described in subsection (ii) below that would not be a Change of Control under subsection (ii), or

(iv) by a group consisting of TAG Partners, LLC, Steve Armstrong and Bruce Russell or their respective affiliates;

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this subsection (1): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 50% or more of the combined voting power of the Company's then outstanding voting securities;

(2) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of a merger, consolidation, reorganization, or business combination, a sale or other disposition of all or substantially all of the Company's assets, in each case, other than a transaction

(i) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least 50% of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this paragraph (2) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction;

For purposes of subsection (i) above, the calculation of voting power shall be made as if the date of the acquisition were a record date for a vote of Company's stockholders, and for purposes of subsection (ii) above, the calculation of voting power shall be made as if the date of the consummation of the transaction were a record date for a vote of the Company's stockholders.

(g) Notwithstanding the foregoing, the following events shall not constitute a "Change of Control": (i) a mere reincorporation of the Company; (ii) a transaction undertaken for the sole purpose of creating a holding company that will be owned in substantially the same proportion by the persons who held the Company's securities immediately before such transaction; (iii) the Company's (or any successor entity's) initial public offering of its equity securities; (iv) the Company becoming public by a reverse merger with a publicly-traded entity ; or (v) a transaction effected primarily for the purpose of financing the Company with cash (as determined by the Board in its discretion and without regard to whether such transaction is effectuated by a merger, equity financing or otherwise).

(h) For purposes of the definition of Cause and Good Reason, an act or failure to act by a party will not be deemed "willful" if done, or omitted to be done, in good faith without knowledge or awareness of the related violation or breach, and with reasonable belief that his/its action or omission was not materially detrimental to the other party.

(i) The effective date of any termination of the Executive's employment to this paragraph 4 shall be referred to herein as the "Termination Date."

5. Payment Upon Termination of Employment.

(a) Without Cause and Good Reason Termination. If, during the Term, except as set forth in subparagraph (d) below, the Executive's employment with the Company is terminated by the Company without Cause or the Executive terminates employment for Good Reason (each a "Qualifying Termination"), the Executive will be entitled to the following (less applicable federal, state and local withholdings), which shall be paid in accordance with the Company's regular payroll dates beginning on the 60th day after the Termination Date, provided Executive has fulfilled his obligations under Section 5(f):

(1) Accrued and unpaid salary and benefits to which the Executive has become entitled under this Agreement or otherwise as of the Termination Date ("Accrued Compensation");

(2) An amount equal to the lesser of (i) one year of the Executive's Base Salary or (ii) salary payments for the number of months left in the Term;

(3) Continuation of employee benefits pursuant to Section 3(e) hereof at the Company's expense, for the lesser of (i) nine months, or (ii) until such time as Executive is eligible for benefits from another source; and

(4) A lump sum payment in an amount equal to a prorated portion of the greater of (i) any annual bonus payable in the year in which Executive's termination of employment occurs or (ii) Executive's annual bonus in the year preceding the year of termination of employment. Such bonus shall be payable at the time when the Company pays Annual Bonuses for the calendar year in which the Termination Date occurs.

Notice by the Company to the Executive of its intention not to renew this Agreement, in accordance with paragraph 5(d) of this Agreement (including a required termination of his employment hereunder), shall not be deemed a termination without Cause or for Good Reason.

(b) Termination For Cause or Termination By the Executive Without Good Reason; Death or Disability. If the Executive's employment is terminated by the Company for Cause or by the Executive without Good Reason or in the event of the death or disability of the Executive, the Executive (or her estate, if appropriate) shall only be entitled to receive his Accrued Compensation, and his expenses incurred but not yet paid to the Executive. In addition, in the event of a termination by the Company for Cause or by the Executive without Good Reason, all of the Executive's options and other equity compensation (whether vested or unvested) shall terminate and be forfeited as of the date of termination of employment.

(c) Following a Change in Control. If Executive's employment is terminated under the circumstances set forth in Section 4(e) above, the Executive shall receive Accrued Compensation and the lesser of 18 months of Executive's base salary or Executive's base salary for the remaining number of months in the Term. Such payments shall be paid in accordance with the Company's regular payroll dates beginning on the 60th day after the Termination Date, provided Executive has fulfilled her obligations under Section 5(f).

(d) Non-Renewal. The Company may, at any time more than 60 days prior to the end of the Term, notify the Executive that the Term will not be extended. Executive shall receive the Accrued Compensation.

(e) No mitigation. In the event of any termination of employment, the Executive will be under no obligation to seek other employment, and there will be no offset against amounts due him on account of any remuneration attributable to any subsequent employer or claims asserted by the Company; provided, however, continuing benefit coverage will cease in the event the Executive commences subsequent employment which provides benefit coverage.

(f) Release Agreement. Any payments made pursuant to this paragraph 5 are contingent upon the Executive executing a Release Agreement in the form attached as Exhibit A.

6. Confidentiality Agreement and Assignment of Intellectual Property.

(a) Executive understands that during the Term, she may have access to unpublished and otherwise confidential information both of a technical and non-technical nature, relating to the business of the Company and any of its parents, subsidiaries, divisions, affiliates (collectively, "Affiliated Entities"), or clients, including without limitation any of their actual or anticipated business, research or development, any of their technology or the implementation or exploitation thereof, including without limitation information Executive and others have collected, obtained or created, information pertaining to clients, accounts, vendors, prices, costs, materials, processes, codes, material results, technology, system designs, system specifications, materials of construction, trade secrets and equipment designs, including information disclosed to the Company by others under agreements to hold such information confidential (collectively, the "Confidential Information"). Executive agrees to observe all Company policies and procedures concerning such Confidential Information. Executive further agrees not to disclose or use, either during his employment or at any time thereafter, any Confidential Information for any purpose, including without limitation any competitive purpose, unless authorized to do so by the Company in writing, except that she may disclose and use such information in the good faith performance of his duties for the Company. Executive's obligations under this Agreement will continue with respect to Confidential Information, whether or not his employment is terminated, until such information becomes generally available from public sources through no fault of Executive or any representative of Executive. Notwithstanding the foregoing, however, Executive shall be permitted to disclose Confidential Information as may be required by a subpoena or other governmental order, provided that she first notifies the Company of such subpoena, order or other requirement and such that the Company has the opportunity to obtain a protective order or other appropriate remedy.

(b) During Executive's employment, upon the Company's request, or upon the termination of his employment for any reason, Executive will promptly deliver to the Company all documents, records, files, notebooks, manuals, letters, notes, reports, customer and supplier lists, cost and profit data, e-mail, apparatus, computers, blackberries or other PDAs, hardware, software, drawings, blueprints, and any other material of the Company or any of its Affiliated Entities or clients, including all materials pertaining to Confidential Information developed by Executive or others, and all copies of such materials, whether of a technical, business or fiscal nature, whether on the hard drive of a laptop or desktop computer, in hard copy, disk or any other format, which are in his possession, custody or control. Executive may retain the Executive's rolodex and similar address books, provided however, that such items only include contact information.

(c) Executive will promptly disclose to the Company any idea, invention, discovery or improvement, whether patentable or not ("Creations"), conceived or made by her alone or with others at any time during his employment. Executive agrees that the Company owns any such Creations, conceived or made by Executive alone or with others at any time during his employment, and Executive hereby assigns and agrees to assign to the Company all rights she has or may acquire therein and agrees to execute any and all applications, assignments and other instruments relating thereto which the Company deems necessary or desirable. These obligations shall continue beyond the termination of her employment with respect to Creations and derivatives of such Creations conceived or made during his employment with the Company. The Company and Executive understand that the obligation to assign Creations to the Company shall not apply to any Creation which is developed entirely on her own time without using any of the Company's equipment, supplies, facilities, and/or Confidential Information unless such Creation (a) relates in any way to the business or to the current or anticipated research or development of the Company or any of its Affiliated Entities; or (b) results in any way from his work at the Company.

7. Competitive and Other Activity. The Executive acknowledges and agrees that a principal consideration for the agreement to make the payments provided in this Agreement by the Company to the Executive is the Executive's compliance with the undertakings set forth in this paragraph 7.

(a) Covenant Not to Compete. During the Executive's employment hereunder and for 18 months after the termination of the Executive's employment with the Company for any reason (except that if Executive's employment is terminated for Cause, for 24 months after the termination), the Executive will not, without the prior written consent of the Company, directly or indirectly, whether individually, as a director, stockholder, partner, owner, employee, consultant, or agent of any business, or in any other capacity, other than on behalf of the Company or any of its subsidiaries or affiliates,

(1) own, manage, control, be employed by, participate in, or be connected in any manner with the ownership, management, operation or control of any Competitor. The term "Competitor" shall mean anyone in a business competitive with the current or planned business of the Company;

(2) solicit the business of, attempt to solicit the business of, or perform any such services for, any person or entity that is a Client of the Company or any of its subsidiaries or affiliates. The term "Client," as used in this subparagraph applies to any person or entity that is or was a client of the Company during the 12 month period prior to the date the Executive ceases to be associated with the Company;

(b) Nothing in this Agreement shall prevent the Executive from owning directly or indirectly for passive investment purposes not intended to circumvent this Agreement, less than two percent (2%) of the publicly traded equity securities of any Competitor (so long as the Executive has no power to manage, operate, advise, consult with or control the competing enterprise and no power, alone or in conjunction with other affiliated parties, to select a director, general partner, or similar governing official of the competing enterprise other than in connection with the normal and customary voting powers afforded the Executive in connection with any permissible equity ownership).

(c) Non-Solicitation or Hire. During the Executive's employment hereunder and for 18 months after the termination of the Executive's employment with the Company for any reason (except that if the Executive's employment is terminated for Cause, for 24 months after the termination), the Executive will not, without the prior written consent of the Company, directly or indirectly, for the Executive's own account or for the account of any other person or entity with which the Executive is or shall become associated in any capacity, (i) solicit for employment, (ii) hire, or (iii) solicit to interfere with the business of the Company or any subsidiary or affiliate of the Company, any officer, employee, agent, consultant, or independent contractor of the Company or its subsidiaries or affiliates.

(d) Cooperation with the Company. During the Executive's employment hereunder and after the termination of the Executive's employment with the Company for any reason, the Executive will make herself available to the Company and its affiliated companies upon reasonable requests by the Company and its affiliated Company and its affiliated companies or their attorneys with respect to any potential or actual claims that may be brought by or against the Company or its affiliated companies or any of its or their predecessors ("Potential or Actual Claims"). Unless requested by the Company or its agents or attorneys, Executive shall not discuss with, be consulted by, act as a witness for, provide documents to or in any way assist any individuals or entities (or their agents or attorneys) regarding any Potential or Actual Claims, or otherwise believes his compliance is required by law, Executive shall notify the General Counsel or the Company promptly to permit the Company an opportunity to respond to such before she takes any action or makes any decisions regarding such subpoenaed in connection with any Potential or Actual Claims, or otherwise believes his compliance is required by law, Executive shall notify the General Counsel of the Company promptly to permit the Company an opportunity to respond to such before she takes any action or makes any decisions regarding such subpoena or other purported legal obligation. The Company shall reimburse Executive for reasonable out-of-pocket expenses (not including attorney's fees; provided that such might be paid in the event covered by the Company's or its affiliates' D&O insurance) incurred as a result of Executive's compliance with this provision.

(e) Remedy for Breach. The Executive hereby acknowledges that the provisions of this paragraph 7 and paragraph 6 are reasonable and necessary for the protection of the Company and its subsidiaries and affiliates. The Executive further acknowledges that the Company and its subsidiaries and affiliates may be irreparably harmed if such covenants are not specifically enforced. Accordingly, the Executive agrees that, in addition to any other relief to which the Company may be entitled, including claims for damages, the Company will be entitled to seek and obtain injunctive relief (without the requirement of any bond) from a court of competent jurisdiction for the purposes of restraining the Executive from an actual or threatened breach of such covenants. In addition, and without limiting the Company's other remedies, in the event of any breach by the Executive of such covenants, the Company will have no obligation to pay any future amounts as provided under paragraph 5 of this Agreement on or after the date of such breach.

(f) Restrictive Modification. If any of the rights or restrictions contained herein, including but not limited to this paragraph 7 and paragraph 6, shall be deemed to be unenforceable by reason of the extent, duration or geographical scope of such rights or restrictions, the parties hereby agree that a court of competent jurisdiction shall reduce such extent, duration and geographical scope and enforce such right or restriction in its reduced form for all purposes in the manner contemplated hereby; provided that such extent, duration and geographical scope shall only be reduced to the extent necessary in order to make such right or restriction enforceable.

8. Indemnification. The Company shall indemnify and hold the Executive harmless from any liabilities arising out of, or related to, his employment as an employee, officer and, if applicable, director of the Company and its subsidiaries and affiliates to the maximum extent allowable by law, provided such liabilities do not arise out of or relate to any fraudulent or criminal activity of Executive.

9. Miscellaneous.

(a) Restrictive Covenants. The Executive represents and warrants that she is not a party to or subject to any restrictive covenants, legal restrictions or other agreements in favor of any entity or person which would in any way preclude, inhibit, impair or limit the Executive's ability to perform his obligations under this Agreement, including, but not limited to, non-competition agreements, non-solicitation agreements or confidentiality agreements.

(b) Jurisdiction. The parties agree irrevocably to submit to the exclusive jurisdiction of the state or federal courts located in the State of New York, County of New York, for the purposes of any suit, action or other proceeding brought by any party arising out of a breach of any of the provisions of this Agreement and hereby waive, and agree not to assert by way of motion, as a defense or otherwise, in any such suit, action, or proceeding, any claims that they are not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper, or that the provisions of this Agreement may not be enforced in or by such courts.

(c) Notice. Any notice or other communication required or which may be given hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid, and shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission or, if mailed, four (4) days after the date of mailing, as follows:

If the Company, to:

[ ]
[ ]
[ ]

With a copy to:

Olshan Grundman Frome Rosenzweig & Wolosky LLP
Park Avenue Tower
65 East 55th Street
New York, New York 10022
Attn: Kenneth A. Schlesinger

If the Executive, to her home address set forth in the records of the Company.

[ ]
[ ]
[ ]

(d) Entire Agreement. This Agreement supersedes any and all existing agreements between the Executive and the Company relating to the terms and conditions of the Executive's employment.

(e) Amendments and Waivers. No provisions of this Agreement may be amended, modified, waived or discharged except as agreed to in writing by the Executive and the Company. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion will not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

(f) Successors and Assignability. This Agreement shall be binding upon and inure to the benefit of the Executive and the Company. Neither this Agreement nor any of the rights of the parties hereunder may be assigned by either party hereto except that the Company may assign its rights and obligations hereunder to a corporation or other entity that acquires substantially all of its assets. Any assignment or transfer of this Agreement in violation of the foregoing provisions will be void. If Executive should die after his Termination Date and while any amount payable hereunder would still be payable to Executive hereunder if Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devises, legates or other designees or, if there is no such designee, to Executive's estate.

(g) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and/or to be performed in that State, without regard to any choice of law provisions thereof.

(h) Withholdings. The Company shall withhold from any benefit provided or payment due hereunder the amount of withholding taxes due any federal, state, or local authority in respect of such benefit or payment and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such withholding taxes.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

(j) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of terms contained herein.

(k) Severability. If any provision of this Agreement is invalid or unenforceable, the balance of this Agreement will remain in effect, and if such provision is inapplicable to any person or circumstance, it will nevertheless remain applicable to all other persons and circumstances.

(l) Survival. The Executive's obligations in paragraphs 6 and 7 will survive the termination of this Agreement. The Company's obligations in paragraphs 5 and 8 will survive the termination of this Agreement.

10. Code Section 409A. The compensation and benefits payable under this Agreement, including without limitation the severance benefits described in Section 5, are not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code by virtue of combination for the short-term deferral exception and the exception for certain payments made upon involuntary separation from service. To the extent applicable, this Agreement shall be interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder. To the extent that any compensation or benefits hereunder constitute "nonqualified deferred compensation" within the meaning of Code Section 409A, the following rules shall apply:

A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment that are considered "nonqualified deferred compensation" under Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service."

For purposes of Code Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

All reimbursements under this Agreement shall be made as soon as practicable following submission of a reimbursement request, but no later than the end of the year following the year during which the underlying expense was incurred.

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

SG BLOCKS, INC.

By: /s/ Jennifer Strumingher
Name: Jennifer Strumingher
Title: Chief Administrative Officer

By: /s/ Paul M. Galvin
Name: Paul M. Galvin
Title: Chairman and CEO

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") is made and entered into as of the 7th day of November 2011, by and among SG Blocks, Inc., with an address at 400 Madison Avenue Suite 16C, New York, New York 10017 (the "Company"), BAW Holdings Corp., a New York corporation, with an address at 100 Quentin Roosevelt Blvd, Garden City, NY 11530 (the "BAW") and Brian A. Wasserman ("Wasserman" together with BAW "Consultant").

WITNESSETH:

In consideration of the agreements, provisions, promises and covenants contained herein, and for other consideration as hereinafter described, the parties hereto agree as follows:

1. Retention. The Company hereby retains the Consultant, and the Consultant hereby accepts such retention by the Company, for the Term (as hereinafter defined), in accordance with the terms and conditions hereinafter set forth.

2. Term of Retention. Unless earlier terminated as hereinafter provided, the term of the Consultant's retention under this Agreement (the "Term") shall be for a period of three (3) years, commencing November 7, 2011, and ending November 7, 2014. In the event that the Consultant continues in the retention of the Company after the end of the Term, then unless otherwise agreed to by the Consultant and the Company in writing, the Consultant's continued retention by the Company shall, notwithstanding anything to the contrary expressed or implied herein, be terminable by either party at will. It is expressly understood and agreed that the Company does not now have, nor hereafter shall have, any obligation to continue the Consultant in its retention after the Term ends, and that the Consultant does not now have, nor hereafter shall have, any obligation to continue its retention by the Company after the Terms ends.

3. Duties.

(a) The Consultant shall be retained to provide services inclusive of the services listed on Exhibit A attached hereto (collectively the "Services").

(b) The BAW shall arrange for Wasserman to perform the Services provided for this Agreement. No one else other than Wasserman shall perform Services without the Company's prior written consent.

(c) Consultant shall devote such time to the affairs of the Company as is necessary to render the Services contemplated by this Agreement in a professional and workmanlike manner and to fulfill the statutory and fiduciary duties of the Chief Financial Officer of the Company. Consultant agrees to make itself available to the officers and the board of directors (the "Board") of the Company, subject to reasonable advance notice and mutually convenient scheduling, for the purpose of participating in telephone conferences with the officers and Board of the Company and advising the Company in the preparation of any reports, products or licenses, and/or other material and documentation ("Documentation") as shall be necessary, in the reasonable opinion of the Company's management and Board.

(d) In the performance of Services, Consultant will (i) assist and support the Company's compliance with the requirements of the Securities Exchange Act of 1934, as amended, Securities Act of 1933, as amended, the Sarbanes Oxley Act of 2002 (the "SOA") and the rules and regulations of the Securities and Exchange Commission promulgated thereunder (including Section 404 of the SOA related to internal controls and Sections 302 and 906 of the SOA related to certifications) and any other applicable Federal or state securities law, and act in a manner consistent with regards thereto, and (ii) not cause the Company to violate, any statue or regulation or any order, writ, judgment, or decree of any court, arbitrator or governmental authority applicable to the Company and its subsidiaries and affiliates.

(e) The Company and Consultant understand and agree that Consultant is currently actively engaged with other ventures and that Consultant's efforts in connection with these other ventures hereunder shall not interfere with its obligations to the Company.

4. Independent Contractor Status.

(a) The Consultant's engagement hereunder shall be as an independent contractor, rather than as an employee of the Company, and the Consultant shall not be entitled to any benefits available to employees of the Company. Nothing contained herein shall be interpreted or construed as creating or establishing the relationship of employer-employee between the Company and the Consultant. The Consultant acknowledges that it will be solely responsible for any federal, state or local income or self employment taxes arising with respect to its fees hereunder, and the Company shall not be obligated to withhold or pay any payroll taxes of any kind with regard to Consultant. The Consultant also acknowledges that it has no state law workers' compensation rights with respect to its services under this Agreement.

(b) The Consultant shall have no power to enter into any agreement on behalf of, or otherwise bind the Company. Without limiting the foregoing, Consultant shall not enter into any contract or commitment on behalf of the Company without the Company's prior written consent.

5. Compensation. In consideration for the Services to be perfoimed by Consultant for the Company, the Company agrees that the Consultant shall be entitled to compensation as follows:

(a) Cash Compensation for Services. Consultant shall receive the sum of Ten Thousand Dollars ($10,000) per month (the "Cash Compensation") payable within five (5) business days of the beginning of each month, provided, however, that no Cash Compensation shall be payable if the Agreement is terminated pursuant to Section 7.

(b) In the event Wasserman resigns from BAW or if either BAW or Wasserman resign from this engagement with the Company, cease to provide the Services to the Company, or otherwise terminate this Agreement, the Company shall pay Consultant all Cash Compensation lawfully due to Consultant through such date, and the Company shall have no further obligation to pay Cash Compensation to Consultant after such date.

(c) Option Compensation for Services.

(i) Upon execution of this Agreement, the Company will issue to Wasserman an option (the "Option"), in the form of Exhibit B to this Agreement, to purchase one million (1,000,000) shares of the outstanding shares of the Company's common stock (the "Option Shares") at an exercise price of $.20 per share, exercisable in whole or in part for ten (10) years from the vesting date. The option shall vest as follows:

- 1/3 on November 7, 2011
- 1/3 on November 7, 2012
- 1/3 on November 7, 2013

---

6. Expenses of Consultant. It is expressly understood that each party shall be responsible for its own nominal and reasonable out-of-pocket expenses. Upon the Company's receipt of appropriate documentation, Consultant shall be reimbursed for all reasonable out-of-pocket expenses that have been pre-approved in writing by the Company.

7. Termination for Cause.

(a) In addition to any other rights or remedies available to the Company pursuant to this Agreement, the Company may terminate this Agreement for "Cause", which shall be defined as: (i) willful misconduct in the performance of Consultant's duties, (ii) fraud, embezzlement, dishonesty or theft by Consultant in connection with the performance of the Services, (iii) Consultant's conviction of, or plea of nolo contendere to, a felony or an act of moral turpitude, (iv) breach by Consultant of any material term(s) of this Agreement, or any representation or warranty of this Agreement if not cured after Notification, as provided in Section 7(b) below, (v) Consultant's insolvency or filing of a petition under the federal bankruptcy laws, or (vi) any assignment by Consultant of this Agreement to a third party. Any termination of this Agreement shall act as notice of non-renewal.

(b) The Company will, upon breach by Consultant of any terms or provisions of this Agreement, notify Consultant in writing of such breach (the "Notification"). If the Consultant fails to cure the breach within ten (10) days of Notification, this Agreement will be deemed terminated as of the Notification date.

8 . Termination Upon Death of Wasserman. In the event of the death of Wasserman during the Term, this Agreement shall terminate effective immediately, provided however, that the Company shall pay to Consultant the Cash Compensation payable pursuant to Section 5(a), pro rated through the effective date of termination.

9. Termination for Disability. If as a result of incapacity due to physical or mental illness or injury, Wasserman shall have been absent from his duties preventing him from performing the Services hereunder for ninety (90) consecutive days, the Company shall be entitled to terminate this Agreement. Thirty (30) days after giving written notice (which may occur before or after the end of such ninety (90) day period, but which shall not be effective earlier than the last day of such ninety (90) day period), the Company may terminate this Agreement, provided Wasserman is unable to resume his performance of the Services at the conclusion of such notice period. In the event this Agreement is terminated as a result of Wasserman's disability, Consultant shall receive from the Company the Cash Compensation payable pursuant to Section 5(a), pro rated through the effective date of termination.

10. Representations, Warranties and Covenants; SEC and Legal Compliance.

(a) Safeguard Information and Materials. Consultant acknowledges that by the very nature of its relationship with the Company, it will, from time to time, have knowledge of or access to material non-public information. "Non-public information" is information marked as "confidential" or otherwise denoted as such, or which is information any person using reasonable judgment would conclude as being "non-public" or confidential information. Consultant hereby agrees and covenants that it will utilize its commercially reasonable efforts to safeguard and prevent the dissemination of such information to third parties unless authorized in writing by the Company to do so as may be necessary in the performance of its Services under this Agreement.

(b) Conflict With Other Agreements. Both parties acknowledge that the execution, delivery and performance of this Agreement, in the time and manner herein specified, and specifically with regard to the acknowledgment described in Section 3(d), will not conflict with, result in a breach of, or constitute a default under any existing agreement, indenture, or other instrument to which the Consultant is a party or by which either entity may be bound.

(c) Compliance. Consultant is, and during the term hereof, will be, in compliance with all applicable laws and regulations.

(d) Authorization. The individuals whose signatures appear below are authorized to sign this Agreement on behalf of their respective corporations.

(e) Qualifications. Consultant represents and warrants to the Company that (i) it has the experience and ability as may be necessary to perform all the required Services with a high standard of qualify, and (ii) all Services will be performed in a workmanlike and professional manner.

(f) Consultant represents that it is engaged in the financial consulting business. Consultant further represents that it is not in the business of raising money. Consultant represents that it intends to remain in the financial consulting business for the foreseeable future.

(g) Consultant represents to the Company that it has not in the past two (2) years and is not presently in the business of raising money and that there has been no broker or finder involved in any manner in connection with the introduction of the investors to the Company, other than the Consultant, and agrees to indemnify the Company against, and hold the Company harmless from, any claim made by any other party for a broker's or finder's fee or other similar payment based upon any agreements, arrangements, or understanding made by Consultant.

(h) Neither Wasserman nor any entity controlled by Wasserman has been involved in any legal proceeding listed in Item 401(f) of Regulation SK.

11. Confidentiality. Consultant and Wasserman agree to regard and preserve as confidential at all times during Consultant's retention by the Company and thereafter all Confidential Information (as defined below) pertaining to the Company's business that has been or may be obtained by Consultant or Wasserman in the course of this retention by the Company whether Consultant or Wasserman has such information in memory or in writing or other physical form. Neither Consultant nor Wasserman will, without written authority from the Company to do so, use for its or his benefit or purposes or disclose to others for any reason, either during the Term or thereafter, except as required by the Services hereunder, any Confidential Information connected with the business of the Company. This provision shall not apply to Confidential Infoimation known to Consultant or Wasserman prior to Consultant's retention hereunder, or after the Confidential Information has been voluntarily disclosed to the public, independently developed and disclosed by others, or otherwise enters the public domain through lawful means.

For purposes of this Agreement, “Confidential Information” shall mean any information relating to the business of the Company or any of its affiliates that has not previously been publicly released by duly authorized representatives of the Company and shall include (but shall not be limited to) Company information encompassed in all plans, proposals, computer programs, business, marketing and sales plans and strategies, financial information, costs, research information, pricing information, customer and vendor identity, records, files and information, and all methods, concepts, information, knowledge and ideas reasonably related to the business of the Company.

12. Competition; Nonsolicitation; Nondisparagement.

(a) During the Term of this Agreement (as extended by the parties pursuant to Section 2) and for a period of one (1) year following the termination of this Agreement, the Consultant will not, without the prior written consent of the Company, engage in “Competition” with the Company. For purposes of this Agreement, “Competition” shall be defined as engaging in or carrying on any enterprise or business activity (directly or indirectly, whether as an advisor, principal, agent, partner, officer, director, employee, stockholder, associate or consultant to any person, partnership, corporation or other business entity) relating to or that is competitive with the business of the Company.

(b) The Consultant hereby covenants and agrees that, during the Term (as extended pursuant to Section 2) and for a period of two (2) years following the termination of this Agreement, the Consultant will not solicit or induce ·any customer or client of the Company to terminate or otherwise to cease, reduce, or diminish in any way its relationship with the Company.

(c) The Consultant hereby covenants and agrees that, during the Term (as extended pursuant to Section 2) and for a period of two (2) years following the termination of this Agreement, it will not attempt to influence, persuade or induce, or assist any other person in so persuading or inducing, any employee of the Company or any recruit, candidate, or applicant for employment with the Company to give up, or to not commence, employment or a material or exclusive business relationship with the Company.

(d) The Consultant agrees that, during the Term (as extended pursuant to Section 2) and for a period of two (2) years following the termination of this Agreement, it will not engage in any conduct that is injurious to the reputation(s) and interest(s) of the Company and/or the Company's past or present directors, officers, agents, fiduciaries, trustees, administrators, employees or assigns, including but not limited to disparaging (or inducing or encouraging others to disparage) the Company and/or any of the foregoing individuals. For purposes of this Agreement, the term “disparage” includes without limitation, making any statement that would adversely affect in any manner the conduct of the Company's business(es), the business reputation of the Company and/or any of the foregoing individuals, and/or the personal reputation of any of the foregoing individuals.

(e) If any of the foregoing provisions of this Section 12 is found by any court, agency or arbitrator of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

(f) The Consultant acknowledges and agrees that any violation of any of the covenants of this Section 12 shall constitute a material breach of this Agreement and further acknowledges and agrees the remedy at law available to the Company for any such breach would be inadequate and that damages flowing from such breach may not readily be susceptible to being measured in monetary teims. Accordingly, the Consultant acknowledges, consents and agrees that, in addition to any other rights or remedies which the Company may have at law, in equity or under this Agreement, upon adequate proof of its violation of such covenants and demonstration of a reasonable likelihood of actual damage, the Company will be entitled to immediate injunctive relief and may obtain a temporary order restraining any

threatened or further breach.

---

13. Indemnification. The Company agrees to indemnify, defend and hold Consultant and its employees, agents and affiliates hainiless from and against any and all loss, claim, damage, liability and expense (including, without limitation, all reasonable costs of investigation, legal and other fees and expenses incurred in connection with, and any amounts paid in settlement of, any action, suit or proceeding or any claim asserted), to which Consultant may become subject under the United States or foreign securities laws, any applicable statute or regulation of any jurisdiction at common law (whether tort, contract or any other basis), or which may result from any claim or allegation that the Company has infringed the intellectual property rights of any third party, or which may otherwise result from the Company's willful misconduct or gross negligence as per the attached separate Indemnification Agreement included as Exhibit C.

14. Assignment. This Agreement may not be assigned or delegated by Consultant without the prior written consent of the Company.

15. Waiver. The waiver by either party of a breach of any provision of this Agreement shall not constitute or be construed as a waiver of any future breach of any provision(s) in this Agreement.

16. Severability. The provisions of this Agreement shall be severable and the invalidity of any provision, or portion thereof, shall not affect the enforceability of the remaining provisions of this Agreement.

17. Complete Agreement; Modification. This Agreement sets forth the entire agreement between the parties relative to the subject matter herein. Modification or amendment of any of the provisions of this Agreement shall not be valid unless in writing and signed by the parties hereto.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

19. Notices. All notices pertaining to this Agreement shall be in writing and transmitted either by (a) personal hand delivery, (b) certified or registered mail, return receipt requested, or (c) reputable overnight courier service. All notices shall be sent to the following addresses unless either party gives written notice of a change of address:

If to the Company: SG Blocks, Inc.
400 Madison Avenue
Suite 16C
New York, New York 10017
Attn: Paul Galvin, CEO

If to Consultant: BAW Holdings Corp.
100 Quentin Roosevelt Blvd
Garden City, New York 11530
Attn: Brian A. Wasserman

20. Headings. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

21. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

22. Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of each of the parties and their respective successors and assigns.

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

THE COMPANY:
SG Blocks, Inc.
By: /s/ Paul M. Galvin
Paul M. Galvin, CEO

THE COMPANY:
BAW Holdings Corp.
By: /s/ Brian A. Wasserman
Brian A. Wasserman

/s/ Brian A. Wasserman
Brian A. Wasserman, individually

Exhibit 16.01

[Letterhead]

November 9, 2011

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-7561

Commissioners:

We have read SG Blocks, Inc.'s (fka CDSI Holding, Inc.) statements included under Item 4.01 of its Form 8-K dated November 4, 2011, and we agree with such statements concerning our firm.

/s/ Becher Della Torre Gitto & Company PC

Exhibit 17.01

CDSI HOLDINGS INC.
100 S.E. Second Street
Miami, Florida 33131
Attn: Board of Directors

Re: Resignation

I hereby resign as a Director of CDSI Holdings Inc. (the "Company"), effective immediately upon the Effective Time (as defined in the Merger Agreement and Plan of Reorganization, dated as of July 27, 2011, as amended on September 8, 2011, among the Company, CDSI Merger Sub, Inc., SG Blocks, Inc. ("SG Blocks") and certain of the stockholders of SG Blocks.

/s/ Glenn L. Halpryn
Glenn L. Halpryn

Dated the 19th day of October, 2011

Exhibit 17.02

CDSI HOLDINGS INC.
100 S.E. Second Street
Miami, Florida 33131
Attn: Board of Directors

Re: Resignation

I hereby resign as a Director of CDSI Holdings Inc. (the "Company"), effective immediately upon the Effective Time (as defined in the Merger Agreement and Plan of Reorganization, dated as of July 27, 2011, as amended on September 8, 2011, among the Company, CDSI Merger Sub, Inc., SG Blocks, Inc. ('SG Blocks") and certain of the stockholders of SG Blocks.

/s/ Robert Lundgren
Robert Lundgren

Dated the 19th day of October, 2011

Exhibit 99.01

SG BLOCKS, INC.

Financial Statements

December 31, 2010 and 2009
and June 30, 2011

SG BLOCKS, INC.

Table of Contents

Financial Statements	Page
Balance Sheets	F-19
Statements of Operations	F-20
Statement of Changes in Stockholders' Equity (Deficit)	F-21
Statements of Cash Flows	F-22
Notes to Financial Statements	F-23 – F-38

INDEPENDENT AUDITORS' REPORT

To the Stockholders of

SG Blocks, Inc.

We have audited the accompanying balance sheets of SG Blocks, Inc. (the "Company") as of December 31, 2010 and 2009, and the related statements of operations, stockholders' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards established by the Auditing Standards Board (United States) and in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SG Blocks, Inc., as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

September 16, 2011

/s/ MARCUM LLP
Marcum LLP
New York, NY

SG BLOCKS, INC.

Balance Sheets

	December 31, 2010	December 31, 2009	June 30, 2011
			(Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 1,038,661	$ 154,527	$ 1,542,998
Accounts receivable, net	189,235	285,241	170,163
Costs and estimated earnings in excess of billings on uncompleted contracts	—	14,036	—
Inventory	376,150	77,112	344,923
Prepaid expenses and other current assets	27,778	34,000	11,111
Total current assets	1,631,824	564,916	2,069,195
Equipment, net	4,412	3,790	8,084
Totals	$ 1,636,236	$ 568,706	$ 2,077,279
Liabilities and Stockholders' Equity (Deficit)			
Current liabilities:			
Accounts payable and accrued expenses	$ 620,457	$ 464,882	$ 426,159
Accrued compensation and related costs	140,310	—	—
Accrued interest	554	69,075	2,588
Related party accrued expenses	47,363	35,226	25,109
Short-term notes payable	51,247	265,000	51,247
Related party notes payable	—	84,224	—
Billings in excess of costs and estimated earnings on uncompleted contracts	1,800	84,078	—
Deferred revenue	221,951	89,190	406,660
Convertible promissory notes, net of discount of $90,989	—	569,011	—
Derivative conversion option liabilities	—	99,261	—
Warrant liabilities	112,349	—	110,420
Total current liabilities	1,196,031	1,759,947	1,022,183
Stockholders' equity (deficit):			
Preferred stock, $0.01 par value, 1,000,000 shares authorized; 0 issued and outstanding at December 31, 2010 and 2009 and June 30, 2011	—	—	—
Common stock, $0.001 par value, 5,000,000 shares authorized; 1,541,000 issued and outstanding at December 31, 2010, 848,167 issued and outstanding at December 31, 2009 and 1,781,000 issued and outstanding at June 30, 2011	1,541	848	1,781
Additional paid-in capital	3,799,840	921,443	4,999,600
Accumulated deficit	(3,361,176)	(2,113,532)	(3,946,285)
Total stockholders' equity (deficit)	440,205	(1,191,241)	1,055,096
Totals	$ 1,636,236	$ 568,706	$ 2,077,279

SG BLOCKS, INC.

Statements of Operations

	Year Ended December 31, 2010	Year Ended December 31, 2009	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
			(Unaudited)	*(Unaudited)*
Revenue:				
SG block sales	$ 1,190,004	$ 284,460	$ 2,523,599	$ 718,596
Engineering services	181,312	95,795	4,190	74,765
Project management	545,249	98,085	64,894	462,681
	1,916,565	478,340	2,592,683	1,256,042
Cost of revenue:				
SG block sales	803,453	200,330	2,178,696	485,532
Engineering services	104,369	39,412	713	36,917
Project management	431,337	49,951	37,904	329,360
	1,339,159	289,693	2,217,313	851,809
Gross profit	577,406	188,647	375,370	404,233
Operating expenses:				
Payroll and related expenses	963,075	172,537	468,597	465,648
General and administrative expenses	351,006	155,043	311,537	160,044
Marketing and business development expense	161,425	71,034	165,600	44,337
Pre-project expenses	35,758	8,170	45,165	9,383
Total	1,511,264	406,784	990,899	679,412
Operating loss	(933,858)	(218,137)	(615,529)	(275,179)
Other income (expense):				
Interest expense	(396,155)	(81,083)	(2,034)	(94,905)
Interest income	37	101	27	34
Change in fair value of derivative liabilities	9,275	—	1,929	(14,559)
Cancellation of trade liabilities and unpaid interest	73,057	—	30,498	41,982
Total	(313,786)	(80,982)	30,420	(67,448)
Net loss	$ (1,247,644)	$ (299,119)	$ (585,109)	$ (342,627)

SG BLOCKS, INC.

Statement of Changes in Stockholders' Equity (Deficit)

For the Years Ended December 31, 2009 and December 31, 2010 and
For the Six Months Ended June 30, 2011 (Unaudited)

	$0.001 Par Value Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance – January 1, 2009	848,167	$ 848	$ 902,643	$ (1,814,413)	$ (910,922)
Capital contributed	—	—	18,800	—	18,800
Net loss	—	—	—	(299,119)	(299,119)
Balance – December 31, 2009	848,167	848	921,443	(2,113,532)	(1,191,241)
Issuance of common stock	65,048	65	159,935	—	160,000
Repurchase and retirement of common stock	(17,749)	(18)	(49,982)	—	(50,000)
Stockholder loan conversion	33,559	34	94,966	—	95,000
Reclassification of derivative conversion options liabilities upon settlement of convertible notes	—	—	162,781	—	162,781
Shares issued upon settlement of convertible debt	19,320	19	96,581	—	96,600
Stock-based compensation	17,655	18	83,490	—	83,508
Stock issued in private offering, net of warrant liabilities in the amount of $112,349, and closing costs in the amount of $431,450	575,000	575	2,330,626	—	2,331,201
Net loss	—	—	—	(1,247,644)	(1,247,644)
Balance – December 31, 2010	1,541,000	1,541	3,799,840	(3,361,176)	440,205
Issuance of common stock	240,000	240	1,199,760	—	1,200,000
Net loss	—	—	—	(585,109)	(585,109)
Balance – June 30, 2011 (unaudited)	1,781,000	$ 1,781	$ 4,999,600	$ (3,946,285)	$ 1,055,096

SG BLOCKS, INC.

Statements of Cash Flows

	Year Ended December 31, 2010	Year Ended December 31, 2009	Six Months Ended June 30, 2011 *(Unaudited)*	Six Months Ended June 30, 2010 *(Unaudited)*
Cash flows from operating expenses:				
Net loss	$ (1,247,644)	$ (299,119)	$ (585,109)	$ (342,627)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation expense	1,412	923	1,048	574
Interest expense related to amortization and acceleration of debt discount	163,784	8,272	—	49,632
Interest expense related to shares issued upon settlement of convertible debt	96,600	—	—	—
Change in fair value of derivative liabilities	(9,275)	—	(1,929)	14,559
Stock-based compensation	83,508	—	—	83,508
Bad debts expense	28,362	6,000	—	—
Cancellation of trade liabilities and unpaid interest	73,057	—	30,498	41,982
Changes in operating assets and liabilities:				
Accounts receivable	67,644	(253,031)	19,072	83,606
Costs and estimated earnings in excess of billings on uncompleted contracts	14,036	(14,036)	—	(35,196)
Inventory	(299,038)	(42,112)	31,227	42,112
Prepaid expenses and other current assets	6,222	—	16,667	28,975
Cash – overdraft	—	(99,639)	—	—
Accounts payable and accrued expenses	82,518	(169,843)	(224,796)	343,929
Accrued compensation and related costs	140,310	(20,254)	(140,310)	(141,208)
Accrued interest	(68,521)	56,198	2,034	(6,094)
Billings in excess of costs and estimated earnings on uncompleted contracts on uncompleted contracts	(82,278)	11,254	(1,800)	(30,606)
Deferred revenue	132,761	89,190	184,709	(89,190)
Related party accrued expenses	12,137	(19,709)	(22,254)	(10,117)
Net cash provided by (used in) operating activities	(804,405)	(745,906)	(690,943)	33,839
Cash flows used in investing activities				
Purchase of equipment	(2,034)	(2,591)	(4,720)	—
Cash flows from financing activities:				
Proceeds from convertible notes payable	95,000	660,000	—	—
Principal payments on convertible notes payable	(660,000)	—	—	—
Proceeds from short-term notes payable	41,247	60,000	—	—
Principal payments on short-term notes payable	(255,000)	(20,000)	—	(105,000)
Proceeds from related party notes payable	—	189,058	—	—
Principal payments on related party notes payable	(84,224)	(104,834)	—	(84,224)
Stockholder capital contributions	—	118,800	—	—
Proceeds from issuances of common stock	160,000	—	1,200,000	100,000
Purchase and retirement of common stock	(50,000)	—	—	—
Proceeds from issuance of common stock and warrants in private offering	2,443,550	—	—	—
Net cash provided by (used in) financing activities	1,690,573	903,024	1,200,000	(89,224)
Net increase in cash	884,134	154,527	504,337	(55,385)
Cash and cash equivalents – beginning of year/period	154,527	—	1,038,661	154,527
Cash and cash equivalents – end of year/period	$ 1,038,661	$ 154,527	$ 1,542,998	$ 99,142
Supplemental disclosure of cash flow information:				
Cash paid during the year/period for:				
Interest	$ 129,033	$ 14,505	$ —	$ 10,881
Supplemental disclosure of non-cash information:				
Conversion of debt to common stock	$ 95,000	$ —	$ —	$ —

Notes to Financial Statements
For the Years Ended December 31, 2010 and 2009 and the Six Months Ended June 30, 2011 and 2010
(Information Relating to the Six Months Ended June 30, 2011 and 2010 is Unaudited)

1. Description of Business

SG Blocks, LLC (a Missouri Limited Liability Company formed on January 23, 2007) began operations in 2007. On October 25, 2010, SG Blocks, LLC completed a common control merger with SG Blocks, Inc. (a Delaware corporation incorporated on August 16, 2010), with SG Blocks, Inc. being the surviving Corporation (the "Company"). In connection with the merger, all of the outstanding membership units were retroactively restated to shares of common stock. The Company is a provider of code engineered cargo shipping containers modified for use in "green" construction. The Company also provides engineering and project management services related to the use of modified containers in construction.

2. Liquidity and Financial Condition

Since inception, the Company has generated losses from operations and the Company anticipates it will continue to generate losses from operations for the foreseeable future. As of December 31, 2010 and 2009, the Company's stockholders' equity (deficit) was approximately $440,200 and ($1,191,200), respectively. Net cash used in operating activities was $804,405 and $745,906 for the years ended December 31, 2010 and 2009, respectively. Operations since inception have been funded with the proceeds from equity and debt financings and sales activity. As of December 31, 2010, the Company had cash and cash equivalents of $1,038,661. It is anticipated that existing capital resources will enable the Company to continue operations through at least October 1, 2012.

3. Summary of Significant Accounting Policies

Accounting estimates — The preparation of financial statements in conformity with generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Significant areas which require the Company to make estimates include revenue recognition, stock-based compensation, derivatives and allowance for doubtful accounts. Actual results could differ from those estimates.

Operating cycle — The length of the Company's contracts varies, but is typically between one to two years. Assets and liabilities relating to long-term contracts are included in current assets and current liabilities in the accompanying balance sheets as they will be liquidated in the normal course of contract completion, which at times could exceed one year.

Revenue recognition — The Company accounts for its long-term contracts associated with the design, engineering, manufacture and project management of building projects and related services, using the percentage-of-completion accounting method. Under this method, revenue is recognized based on the extent of progress towards completion of the long-term contract.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance. General and administrative costs, marketing and business development expenses and pre-project expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenue when realization is probable and the amount can be reliably estimated.

The asset, "Costs and estimated earnings in excess of billing on uncompleted contracts," represents revenue recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billing in excess of revenue recognized.

The Company offers a one-year warranty on completed contracts. The Company has not incurred any losses to date and nor does it anticipate incurring any losses for warranties that are currently outstanding. Accordingly no warranty reserve is considered necessary for any of the periods presented.

The Company also supplies repurposed containers to its customers. In these cases, the Company serves as a supplier to its customers for standard and made to order products that it sells at fixed prices. Revenue from these contracts is generally recognized when the products have been delivered to the customer, accepted by the customer and collection is reasonably assured. Revenue is recognized upon completion of the following: an order for product is received from a customer; written approval for the payment schedule is received from the customer and the corresponding required deposit or payments are received; a common carrier signs documentation accepting responsibility for the unit as agent for the customer; and the unit is delivered to the customer's shipping point.

Amounts billed to customers in a sales transaction for shipping and handling are classified as revenue. Products sold are generally paid for based on schedules provided for in each individual customer contract including upfront deposits and progress payments as products are being manufactured.

Funds received in advance of meeting the criteria for revenue recognition are deferred and are recorded as revenue when they are earned.

Marketing expenses — Marketing expenses are expensed as incurred.

Cash and cash equivalents — The Company considers cash and cash equivalents to include all short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less.

Accounts receivable — Accounts receivable are receivables generated from sales to customers and progress billings on performance type contracts. Amounts included in accounts receivable are deemed to be collectible within the Company's operating cycle. Management provides an allowance for doubtful accounts based on the Company's historical losses, specific customer circumstances, and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have been exhausted and the prospects for recovery are remote.

The Company has a factoring agreement in place as of December 31, 2010 and 2009 and June 30, 2011. The agreement provides for the Company to receive an advance of 75% of any accounts receivable of which it factors. The factoring agreement also provides for discount fees ranging from 2.5% to 7.5% of the face value of any accounts receivable factored. The factoring agreement is with recourse except in an instance where the customer is insolvent. For years ended December 31, 2010 and 2009 and for the six months ended June 30, 2011, there has been no activity with regard to this agreement.

Inventory — Raw construction materials (primarily shipping containers) are valued at the lower of costs (first-in, first-out method) or market. Finished goods and work-in-process inventories are valued at the lower of costs or market, using the specific identification method.

Equipment — Equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated lives of each asset. Estimated useful lives for significant classes of assets are as follows: computer and software 3 to 5 years and equipment 5 years. Repairs and maintenance are charged to expense when incurred.

Convertible instruments — The Company accounts for hybrid contracts such as convertible notes that feature conversion options in accordance with applicable generally accepted accounting principles ("GAAP"). Accounting Standards Codification ("ASC") 815 "Derivatives and Hedging Activities," ("ASC 815") requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria includes circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

Conversion options that contain variable settlement features such as provisions to adjust the conversion price upon subsequent issuances of equity or equity linked securities at exercise prices more favorable than that featured in the hybrid contract generally result in their bifurcation from the host instrument.

The Company accounts for convertible instruments, when the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, in accordance with ASC 470-20 “Debt with Conversion and Other Options” (“ASC 470-20”). Under ASC 470-20 the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. The Company accounts for convertible instruments (when the Company has determined that the embedded conversion options should be bifurcated from their host instruments) in accordance with ASC 815. Under ASC 815, a portion of the proceeds received upon the issuance of the hybrid contract are allocated to the fair value of the derivative. The derivative is subsequently marked to market at each reporting date based on current fair value, with the changes in fair value reporting in results of operations.

Common stock purchase warrants and other derivative financial instruments — The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) provides a choice of net-cash settlement or settlement in the Company’s own shares (physical settlement or net-share settlement) providing that such contracts are indexed to the Company's own stock as defined in ASC 815-40 “Contracts in Entity's Own Equity”. The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company’s control) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). The Company assesses classification of common stock purchase warrants and other free standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities or equity is required.

The Company’s free standing derivatives consist of warrants to purchase common stock that were issued to a placement agent involved with the private offering memorandum as described in Note 14. The Company reevaluated the common stock purchase warrants to assess their proper classification in the balance sheet as of December 31, 2010 and determined that the common stock purchase warrants feature a characteristic permitting cash settlement at the option of the holder. Accordingly, these instruments have been classified as derivative liabilities in the accompanying balance sheet as of December 31, 2010 and June 30, 2011.

Fair value measurements — Financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are carried at cost, which the Company believes approximates fair value due to the short-term nature of these instruments.

The Company measures the fair value of financial assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company maximized the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The Company uses three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Quoted prices for similar assets and liabilities in active markets or inputs that are observable.
Level 3	Inputs that are observable (for example, cash flow modeling inputs based on assumptions).

Financial liabilities measured at fair value on a recurring basis are summarized below:

	December 31, 2009	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative Conversion Option Liabilities	$ 99,261	$ —	$ —	$ 99,261

	December 31, 2010	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Warrant Liabilities	$ 112,349	$ —	$ —	$ 112,349

	June 30, 2011	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Warrant Liabilities	$ 110,420	$ —	$ —	$ 110,420

The derivative conversion option liabilities and warrant liabilities are measured at fair value using the lattice pricing model and are classified within Level 3 of the valuation hierarchy.

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial liabilities that are measured at fair value on a recurring basis:

	June 30, 2011	December 31, 2010	December 31, 2009
Beginning balance	$ 112,349	$ 99,261	$ —
Aggregate fair value of conversion option liabilities and warrants issued	—	185,144	99,261
Change in fair value of conversion option liabilities and warrants	(1,929)	(9,275)	—
Settlement of conversion option liabilities included in additional paid in capital	—	(162,781)	—
Ending balance	$ 110,420	$ 112,349	$ 99,261

The significant assumptions and valuation methods that the Company used to determine fair value and the change in fair value of the Company's derivative financial instruments are discussed in Note 8 and 14 (disclosure of convertible promissory notes and warrants).

In accordance with the provisions of ASC 815, the Company presented the conversion option liability and warrant liabilities at fair value on its balance sheet, with the corresponding changes in fair value recorded in the Company's statement of operations for the applicable reporting periods. As disclosed in Note 8 and 14, the Company computed the fair value of the derivative liability at the date of issuance and the reporting dates of December 31, 2009 and 2010 using both the Black-Scholes option pricing and lattice pricing methods. The value calculated using the lattice pricing method is within 1% of the value determined under the Black-Scholes method.

The Company developed the assumptions that were used as follows: The fair value of the Company's common stock was obtained from valuation models developed by the Company. The results of the valuation were accessed for reasonableness by comparing such amount to sales of other equity and equity linked securities to unrelated parties for cash and intervening events affected in the price of the Company's stock. The term represents the remaining contractual term of the derivative; the volatility rate was developed based on analysis of the Company's historical stock price volatility and the historical volatility rates of several other similarly situated companies (using a number of observations that was at least equal to or exceeded the number of observations in the life of the derivative financial instrument at issue); the risk free interest rates were obtained from publicly available US Treasury yield curve rates; the dividend yield is zero because the Company has not paid dividends and does not expect to pay dividends in the foreseeable future.

Share-based payments — The Company accounts for share based payments in accordance with ASC 718 "Compensation — Stock Compensation" which results in the recognition of expense under applicable GAAP and requires measurement of compensation cost for all share based payment awards at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. The fair value of restricted stock is determined based on the number of shares granted and the fair value of our common stock on date of grant. The recognized expense is net of expected forfeitures.

Income taxes — The Company accounts for income taxes pursuant to ASC 740, *"Income Taxes",* and provides for income taxes utilizing the asset and liability approach. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes generally represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from the differences between the financial and tax bases of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted.

The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. The Company recognizes liabilities for anticipated tax audit issues based on the Company's estimate of whether, and the extent to which, additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when the liabilities are no longer determined to be necessary. If the estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

As a result of the merger, described in Note 1, beginning on October 25, 2010, the Company's results of operations are taxed as a C Corporation. Prior to the merger, the Company's operations were organized as a limited liability company, whereby the Company elected to be taxed as a partnership and the income or loss was required to be reported by each respective member on their separate income tax returns. Therefore, no provision for income taxes has been provided in the accompanying financial statements for periods prior to October 25, 2010.

This change in tax status to a taxable entity resulted in the recognition of deferred tax assets and liabilities based on the expected tax consequences of temporary differences between the book and tax basis of the Company's assets and liabilities as of December 31, 2010.

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the difference between the financial statement basis and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company estimates the degree to which tax assets and credit carryforwards will result in a benefit based on expected profitability by tax jurisdiction. A valuation allowance for such tax assets and loss carryforwards is provided when it is determined to be more likely than not that the benefit of such deferred tax asset will not be realized in future periods. If it becomes more likely than not that a tax asset will be used, the related valuation allowance on such assets would be reduced.

Concentrations of credit risk — Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash and cash equivalents. The Company places its cash with high credit quality institutions. At times, such amounts may be in excess of the FDIC insurance limits. The Company has not experienced any losses in such account and believes that it is not exposed to any significant credit risk on the account.

With respect to receivables, concentrations of credit risk are limited to a few customers in the construction industry. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers other than normal lien rights. At December 31, 2010 and 2009, 54% and 67%, respectively, of the Company's accounts receivable were due from one customer. That customer's balance has subsequently been received in full. At June 30, 2011, 52% of the Company's accounts receivables were due from one customer.

Revenues relating to three, two and one customers, respectively, represented approximately 96%, 68% and 78% of the Company's total revenues for the years ended December 31, 2010 and 2009, and for the six months ended June 30, 2011, respectively.

Costs of revenue relating to one vendor represented approximately 60%, 77% and 84% of the Company's total cost of revenue for the years ended December 31, 2010 and 2009 and for the six months ended June 30, 2011. The Company believes it would be able to use other vendors at reasonable comparable terms if needed.

4. Accounts Receivable

At December 31, 2010 and 2009 and June 30, 2011, the Company's accounts receivable consisted of the following:

	2010	2009	2011
SG block sales	$ 120,318	$ 193,248	$ 106,313
Engineering services	33,317	17,512	33,317
Project management	69,962	80,481	64,895
Total gross receivables	223,597	291,241	204,525
Less: allowance for doubtful accounts	(34,362)	(6,000)	(34,362)
Total net receivables	$ 189,235	$ 285,241	$ 170,163

5. Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings on uncompleted contracts consist of the following at December 31, 2010 and 2009 and June 30, 2011:

	2010	2009	2011
Costs incurred on uncompleted contracts	$ —	$ 91,764	$ —
Estimated earnings	—	110,181	—
	—	201,945	—
Less: billings to date	(1,800)	(271,987)	—
	$ (1,800)	$ (70,042)	$ —

The above amounts are included in the accompanying balance sheets under the following captions at December 31, 2010 and 2009 and June 30, 2011.

	2010	2009	2011
Costs and estimated earnings in excess of billings on uncompleted contracts	$ —	$ 14,036	$ —
Billings in excess of cost and estimated earnings on uncompleted contracts	(1,800)	(84,078)	—
	$ (1,800)	$ (70,042)	$ —

Although management believes it has established adequate procedures for estimating costs to complete on open contracts, it is at least reasonably possible that additional significant costs could occur on contracts prior to completion. The Company periodically evaluates and revises its estimates and makes adjustments when they are considered necessary.

6. Inventory

At December 31, 2010 and 2009 and June 30, 2011, the Company's inventory consisted of the following:

	2010	2009	2011
Work in process	$ 376,150	$ 77,112	$ 344,923
	$ 376,150	$ 77,112	$ 344,923

7. Equipment

At December 31, 2010 and 2009 and June 30, 2011, the Company's equipment consisted of the following:

	2010	2009	2011
Computer equipment and software	$ 5,416	$ 3,382	$ 10,136
Furniture and other equipment	2,155	2,155	2,155
	7,571	5,537	12,291
Less: accumulated depreciation	(3,159)	(1,747)	(4,207)
	$ 4,412	$ 3,790	$ 8,084

Depreciation expense for the years ended December 31, 2010 and 2009 and for the six months ended June 30, 2011 and 2010 amounted to $1,412, $923, $1,048 and $574, respectively.

8. Convertible Promissory Notes

Convertible promissory notes consisted of the following:

Description	December 31, 2010	December 31, 2009	June 30, 2011
Convertible promissory note to Plaza Construction Corporation with a face amount of $500,000 (and a net related discount of $90,989), at 5% per annum, compounded monthly(A)	$ —	$ 409,011	$ —
Convertible promissory note to The Stahmer Family Trust with a face amount of $60,000, at 24% per annum, compounded annually(B)	—	60,000	—
Convertible promissory note to The Stahmer Family Trust with a face amount of $50,000, at 24% per annum, compounded annually(B)	—	50,000	—
Convertible promissory note to William LaBahn with a face amount of $50,000, at 24% per annum, compounded annually(B)	—	50,000	—
Convertible promissory notes to certain partners and associates of Olshan Grundman Frome Rosenweig & Wolosky, LLP with a total face amount of $65,000, at 1% per annum, compounded annually(C)	—	—	—
Convertible promissory note to Christopher Melton with a face amount of $30,000, at 1% per annum, compounded annually(C)	—	—	—
Total convertible promissory notes	$ —	$ 569,011	$ —

(A) On November 25, 2009, the Company issued a convertible promissory note to Plaza Construction Corporation ("Plaza") in exchange for $500,000. The note and all accrued and unpaid interest was due on November 25, 2010, bore interest at an annual rate of 5% per annum, compounded monthly and was guaranteed by a stockholder of the Company. Plaza had the right to convert any unpaid principal and interest on this note, at any time, into a fixed percentage of the then outstanding shares of common stock. The conversion price was subject to an adjustment in the event that the Company subsequently issues equity securities or equity linked securities at a price more favorable than the exercise price of the conversion option embedded in the note. The Company bifurcated the derivative from its debt host in accordance with ASC 815. The issuance date fair value of the derivative amounted to $99,261. Consequently, the Company recorded a discount of $99,261 on the note, which was amortized over the term of the note, using the effective interest method. During the years ended December 31, 2010 and 2009, $90,989 and $8,272, respectively, of the discount has been charged to interest expense. Amortization of the discount for the six months ended June 30, 2010 amounted to $49,632.

The significant assumptions which the Company used to measure the fair value at November 29, 2009 (issuance date) and December 31, 2009 of conversion option liability was as follows:

Stock price	$4.73
Term	1 year
Volatility	50%
Risk-free interest rate	2.01%
Current equity value	$4,000,000
Dividend yield	0.00
Return	0.47%
Up Ratio	1.144
Down Ratio	0.857
Up Transition Probability	0.5001

The difference in fair value at the issuance date of November 25, 2009 and December 31, 2009 was insignificant. The Company estimated the fair value of this derivative using the lattice valuation model. The fair value of this conversion liability at the settlement date (October 29, 2010) was $89,986 and at December 31, 2009 was $99,261. The fair value of this conversion liability at the settlement date was calculated based on the potential converted value over principal and interest that Plaza received upon settlement of the note. The conversion option liability was reclassified into equity upon settlement of the convertible note.

On October 29, 2010, Plaza received $523,014 for both principal and interest as part of the proceeds from the private offering. As a result of the Company retiring the note prior to maturity, Plaza also received 2% of all outstanding shares of the Company. At such time there were 966,000 shares of common stock outstanding, and therefore, Plaza received 19,320 shares of common stock with a fair value of $96,600. In addition, the Company owes Plaza a cash obligation fee of $50,000 which is included in interest expense for the year ended December 31, 2010 and consequently is included in accounts payable and accrued expenses as of December 31, 2010 and June 30, 2011.

(B) As part of a maximum loan facility of $310,000, during May and June of 2009, the Company issued three convertible notes; two notes were issued to The Stahmer Family Trust ("Stahmer Trust") in the amounts of $60,000 and $50,000, and one note was issued to William LeBahn ("LeBahn") in the amount of $50,000. The notes had original maturity dates ranging from May 28 to June 19, 2010, bore interest at an annual rate of 24% per annum, and were convertible into a fixed percentage of the then outstanding shares of common stock of the Company. The fair value of this conversion option liability was de minims. In the event of a default, as outlined in the underlying agreements, the entire unpaid balances of the notes were convertible into common stock of the Company. The entire principal amounts outstanding on all three notes, were repaid during 2010.

As a result of settlement agreements with Stahmer Trust and LeBahn, during 2010, unpaid interest totaling $13,749 was forgiven, and is included as other income on the accompanying statements of operations for the year ended December 31, 2010. Also, unpaid interest totaling $41,247 on the notes, were included into new notes payable agreements, as disclosed in Note 9.

(C) In August 2010, the Company issued three convertible promissory notes to certain partners and associates of Olshan Grundman Frome Rosenzqeig & Wolosky, LLP ("OGFRW, LLP") in the aggregate principal amount of $65,000 and also issued one convertible promissory note to Christopher Melton in the principal amount of $30,000. The OGFRW, LLP notes had an original maturity date of February 5, 2011 and the note to Christopher Melton had an original maturity date of August 3, 2011. All of these notes bore interest at an annual rate of 1% per annum, and were convertible into a fixed percentage of the then outstanding shares of common stock of the Company. The fair value of these conversion option liabilities were determined to be $72,795 utilizing the Black-Scholes method. For the year ended December 31, 2010, $72,795 for the amount of the discount on the notes is included as a component of interest expense in the accompanying statements of operations. In 2010 in conjunction with the private offering memorandum, these notes were converted into 33,559 shares of the Company's common stock based upon the contractual terms of the conversion option. The conversion option liability was reclassified into equity upon settlement of the convertible notes.

The significant assumptions which the Company used to measure the fair value at the issuance date of conversion option liability is as follows:

Stock price	$5.00
Term	0.5 to 1 year
Volatility	50%
Risk-free interest rate	2.01%
Dividend yield	0.00
Exercise price	$2.78 to 3.11

Interest expense for convertible promissory notes amounted to $54,011, $24,183 and $27,473 for the years ended December 31, 2010 and 2009 and for the six months ended June 30, 2010, respectively.

9. Short-Term Notes Payable

Other short-term notes payable consisted of the following:

Description	December 31, 2010	December 31 , 2009	June 30, 2011
Promissory note to Mike Labadie, with a face amount of $75,000, at 15% per annum(A)	$ —	$ 55,000	$ —
Promissory note to Roger Hackett, with a face amount of $50,000, at 7% per annum(B)	—	50,000	—
Promissory note to Stahmer Trust, with a face amount of $28,425, at 10% per annum(C)	28,425	—	28,425
Promissory note to LaBahn, with a face amount of $12,822, at 10% per annum(D)	12,822	—	12,822
Promissory notes to Labadie and Martha Labadie, with a total face amount of $150,000, at 12.5% per annum(E)	—	150,000	—
Promissory note to James Southard, with a total face amount of $10,000(F)	10,000	10,000	10,000
Total other short-term notes payable	$ 51,247	$ 265,000	$ 51,247

(A) During 2008, the Company received an advance totaling $75,000 from Mike Labadie (“Labadie”) and was due on demand. The note bore interest at the rate of 15% per annum. The note was guaranteed by a related party. During 2010 the Company settled outstanding interest on this loan by negotiating forgiveness of $11,326 of accrued interest (See Note 17) and repaying the remaining interest and outstanding principal in full.

(B) On March 3, 2009, the Company issued a $50,000 promissory note to Roger Hackett. The note and unpaid interest had an original maturity date of March 3, 2010, and bore interest at an annual rate of 7% per annum. The note was repaid in 2010.

(C) During 2010, the Company settled outstanding interest on convertible notes with Stahmer Trust in the amount of $28,425, as disclosed in Note 8, by issuing this promissory note. This note bore interest at the rate of 10% per annum. The note matured and was paid on August 12, 2011.

(D) During 2010, the Company settled outstanding interest on a convertible note with LaBahn in the amount of $12,822, as disclosed in Note 6, by issuing this promissory note. This note bore interest at the rate of 10% per annum. The note matured and was paid on August 12, 2011.

(E) On August 18, 2008, the Company entered into an agreement with Labadie and Martha Labadie ("Martha"), in which the Company received $150,000 for the purpose of constructing a 1,600 square foot shipping container home ("Harbinger House") as a demonstration unit to be used for display at conventions. Per the terms of the agreement, the Company had the option, if exercised by February 28, 2009, to repay the $150,000 of principal and 12.5% interest, or to sell the property to a third party and repay the $150,000 of principal and 30% of any net profits received from the sale. If neither event occurred, the Company had the obligation to repurchase the property at $150,000 plus $25,000 to settle the note. The Company repaid the $150,000 plus $25,000 during 2010.

The Harbinger House was damaged during transport during 2008 and was written down to an impaired value of $35,000 as of December 31, 2009 and included as part of inventory. The Harbinger House was scrapped in 2011, and therefore the book value has been written off as of December 31, 2010.

(F) During March 2009, the Company received an advance from James Southard in the amount of $10,000. The note is non-interest bearing and is due on demand.

Interest expense for other short-term notes payable amounted to $2,340, $30,096, $2,034 and $1,971 for the years ended December 31, 2010 and 2009, and for the six months ended June 30, 2011 and 2010, respectively.

10. Related Party Notes Payable

	December 31, 2010	December 31, 2009	June 30, 2011
Promissory notes to SG Blocks Financial, LLC, with a total face amount of $86,260, at 5% – 10% per annum(A)	$ —	$ 63,168	$ —
Promissory notes to Gary Tave, with a total face amount of $73,326(B)	—	21,056	—
Total related party notes payable	$ —	$ 84,224	$ —

(A) During 2009, the Company entered into various promissory notes with SG Blocks Financial, LLC ("SG Financial"), and a stockholder of the Company totaling $126,260. SG Financial is a wholly owned limited liability company, whose only member is the same stockholder of the Company, who is a party to this agreement. The sole purpose of SG Financial is to enter into these notes with the Company. All of the notes were short term and bore interest at rates between 5% and 10%. The notes were repaid in full during 2009 and 2010.

(B) During 2009, the Company entered into various promissory notes with Gary Tave, a director of the Company totaling $73,326, with stated interest totaling $3,500. All of the notes were short term. The proceeds from these notes were used for the sole purpose of purchasing materials. The notes provided for a security interest in a certain receivable of the Company. The notes were repaid in full during 2010.

Interest expense for other related party notes payable amounted to $345, $10,682 and $345 for the years ended December 31, 2010 and 2009 and for the six months ended June 30, 2010, respectively.

11. Income Taxes

Prior to the merger on October 25, 2010, the Company's results of operations were taxed as a limited liability company, whereby the Company elected to be taxed as a partnership and the income or loss was required to be reported by each respective member on their separate income tax returns. Therefore, no provision for income taxes has been provided in the accompanying consolidated financial statements for periods prior to October 25, 2010. As a result of the Acquisition, beginning on October 25, 2010, the Company's results of operations are taxed as a C Corporation. The Company's benefit for income taxes consists of the following for the year ended December 31, 2010:

Current:	
Federal	$ (125,487)
State	(32,094)
Total current provision	(157,581)
Deferred:	
Federal	(34,993)
State	(8,950)
Total deferred	(43,943)
Total benefit for income taxes	(201,524)
Less: valuation reserve	201,524
Income Tax provision	$ —

The change in tax status to a taxable entity resulted in a net deferred tax benefit of $0 being recognized and included in the tax benefit for the year ended December 31, 2010. The tax benefit for the year ended December 31, 2010 also includes a tax benefit of $0 which was determined using an effective tax rate of 0.00% for the period from October 26, 2010 (the date on which the tax status changed to a C Corporation) to December 31, 2010.

A reconciliation of the federal statutory rate of 0% for 2010 to the effective rate for income from operations before income taxes is as follows:

Benefit for income taxes at federal statutory rate	34.00%
State income taxes, net of federal benefit	5.28
Effect of change in tax status to C corporation	(22.94)
Other	0.16
Less valuation allowance	(16.50)
Effective income tax rate	0.00%

The temporary differences between recognition of expenses on the financial statements and tax return relate primarily to differences in depreciation methods and change in allowance for doubtful accounts.

The tax effects of these temporary differences along with the net operating losses, net of an allowance for credits, have been recognized as deferred tax assets at December 31, 2010 as follows:

Net operating loss carryforward	$ 157,581
Bad debt reserve	11,141
Employee stock compensation	32,802
Less valuation reserve	(201,524)
Net deferred tax asset	$ —

The Company establishes a valuation allowance if based on the weight of available evidence, it is more likely than not that some portion or all of the deferred assets will be realized. The valuation allowance increased $201,524 during 2010, offsetting the increase in the deferred tax asset attributable to the net operating loss and reserves.

As of December 31, 2010, the Company has a net operating loss carry forward of approximately $402,000 for Federal tax purposes. The net operating loss expires through 2030.

The Company recognizes interest and penalties related to uncertain tax positions in general and administrative expenses. As of December 31, 2010, the Company has no unrecognized tax positions, including interest and penalties. The tax years 2007-2010 are still open to examination by the major tax jurisdictions in which the Company operates. The Company files returns in the United States Federal tax jurisdiction and various other state jurisdictions.

12. Construction Backlog (unaudited)

The following represents the backlog of signed engineering and project management contracts in existence at December 31, 2010 and 2009 and June 30, 2011:

	2009	2010	2011
Balance – January 1	$ 636,919	$ 459,201	$ 35,789
New contracts and change orders during the period	16,161	303,150	33,296
	653,080	762,351	69,085
Less: contract revenue earned during the period	(193,879)	(726,562)	(69,085)
	459,201	35,789	—
Contracts signed but not started	—	—	—
Balance – December 31 and June 30	$ 459,201	$ 35,789	$ —

Subsequent to June 30, 2011, the Company has received additional customer contracts totaling approximately $3,060,000.

13. Stockholders' Equity

Common stock — Effective October 25, 2010, in conjunction with the merger of SG Blocks, LLC and SG Blocks, Inc., the members of SG Blocks, LLC received the number of shares of common stock of the Company which was equal to their percentage ownership interest in the LLC. The total shares issued were 966,000 shares. The total amount of capital contributed to the LLC since its inception was $1,267,533 and was transferred to additional paid in capital of the Company.

Issuance of common stock — For the year ended December 31, 2010, the Company issued 65,048 shares of common stock for a total amount of $160,000. For the six months ended June 30, 2011, the Company issued 240,000 shares of common stock for a total amount of $1,200,000.

Repurchase and retirement of common stock — During 2010, the Company repurchased and retired 17,749 shares of its common stock for a total amount of $50,000.

Private offering memorandum — In September 2010, the Company offered through a private offering memorandum ("PPM") to sell up to 800,000 shares of its common stock at $5 per share. As of December 31, 2010, the Company had sold 575,000 shares and raised $2,875,000 through this PPM. The Company incurred $431,450 in closing costs from the PPM, and also issued warrants valued at $112,349 (See Note 14).

The Company as part of the PPM has share agreements which contain registration rights that have a cash penalty payable monthly to the shareholders equal to 1% of the proceeds of the offering based on certain criteria not being met as defined in the share agreements. As required under ASC Subtopic 450-20 "Loss Contingencies", the Company must accrue an estimated loss for a loss contingency if information available before the financial statements are issued indicates that it is both probable and reasonably estimated. The Company does not consider this loss as being probable and does not consider it necessary to establish a reserve for an estimated loss accrual as of December 31, 2010 and June 30, 2011.

14. Warrants

In conjunction with the PPM in October 2010, the Company issued warrants to Ladenburg Thalmann & Co. Inc. ("Ladenburg"), the placement agent for the PPM. The warrants entitle Ladenburg to purchase up to a total of 51,750 shares of common stock, $0.001 par value par value, for $5 per share. The warrants expire October 28, 2015. The warrants are exercisable, at the option of the holder, at any time prior to their expiration. The fair value of warrants issued to placement agents were calculated utilizing the probability weighted binomial method. The warrants issued to the placement agent contain provisions that make them redeemable for cash by the holder of the warrant under certain circumstances that are not within the control of the Company. Accordingly, the fair market value of the warrants as of the date of issuance has been classified as liabilities. The value of the warrants at December 31, 2010 was approximately $112,349.

The significant assumptions which the Company used to measure the fair value of warrants at December 31, 2010 is as follows:

Stock price	$5.02
Term	4.82 Years
Volatility	50%
Risk-free interest rate	2.01%
Exercise prices	$5.00
Dividend yield	0.00%
Current equity value	$7,827,000
Return	2.01%
Delta	1/12
Up ratio	1.145
Down ratio	0.858
Up transition probability	0.5001

At June 30, 2011 the value of the warrants were adjusted to their fair value which was approximately $110,420. The difference in fair value of $1,929 is included in the accompanying statement of operations.

The significant assumptions which the Company used to measure the fair value of warrants at June 30, 2011 is as follows:

Stock price	$5.02
Term	4.33 Years
Volatility	50%
Risk-free interest rate	1.76%
Exercise prices	$5.00
Dividend yield	0.00%
Current equity value	$7,827,000
Return	2.24%
Delta	1/12
Up ratio	1.145
Down ratio	0.858
Up transition probability	0.5001

15. Stock Grants

In April 2010, prior to the PPM, the Company established the SG Blocks 2010 Restricted Unit Plan (the "2010 Plan"). Under the 2010 Plan, the Company awarded restricted stock grants to eligible employees as determined by the Board of Directors, and were subject to certain vesting and forfeiture requirements. Per the 2010 Plan, the maximum restricted stock grants that could be granted were equal to a percentage interest in the Company of 3.52% of the total equity of the Company. During April 2010, the Company granted the total maximum allowable percentage of restricted stock grants, which equaled 17,655 shares of common stock. These shares vest upon a one year service condition. Vesting is accelerated upon the following events: an event constituting change of control, an initial public offering of the Company's securities, the death or disability of the participant, or termination without cause, as outlined in the underlying agreement. For the year ended December 31, 2010, the Company recognized stock-based compensation expense of $83,508, which is included in payroll and related expenses on the accompanying statement of operations.

The summary of activity for the Company's restricted stock grants is presented as follows:

		Weighted Average Fair Value Per Share
Balance – January 1, 2010	$ —	$ —
Granted	17,655	4.73
Vested	—	—
Forfeited/Cancelled	—	—
Balance – December 31, 2010	$ 17,655	$ 4.73
Granted	—	—
Vested	—	—
Forfeited/Cancelled	—	—
Balance – June 30, 2011	$ 17,655	$ 4.73

16. Related Party Transactions

ConGlobal Industries, Inc. is a minority stockholder of the Company and provides containers and labor on domestic projects. The Company recognized Cost of Goods Sold of $845,692, $254,251 and $1,851,782, for services ConGlobal Industries, Inc. rendered during the years ended December 31, 2010 and 2009 and for the six months ended June 30, 2011, respectively. For the year ended December 31, 2010 and for the six months ended June 30, 2011, $36,622 and $1,750, respectively, of such expenses are included in accounts payable and accrued expenses in the accompanying balance sheet.

The Lawrence Group is a minority stockholder of the Company and is a building design, development and project delivery firm. The Company recognized Pre-project Expenses of $5,483 and $7,527 for consulting services The Lawrence Group rendered during the years ended December 31, 2010 and 2009, respectively. For the years ended December 31, 2010 and 2009 and for the six months ended June 30, 2011, $103,782, $98,300, and $103,782, respectively, of such expenses are included in accounts payable and accrued expenses in the accompanying balance sheets.

The Company has accrued certain reimbursable expenses of owners of the Company. Such expenses amounted to $47,363, $35,226 and $25,109, for the years ended December 31, 2010 and 2009 and for the six months ended June 30, 2011, respectively.

17. Cancellation of Trade Liabilities and Unpaid Interest

During 2010, the Company recognized debt forgiveness income of $73,057 as shown on the accompanying statements of operations. Of that amount, $25,075 represents forgiveness of interest on notes payable and $47,982 represents forgiveness of trade accounts payable resulting from settlement agreements with vendors. For the six months ended June 30, 2011, the Company recognized debt forgiveness income of $30,498 which represents forgiveness of trade accounts payable resulting from settlement agreements with vendors.

18. Subsequent Events

Management has evaluated events and transactions occurring after the date of the balance sheet and through the date of the independent registered public accounting firm report to determine whether any of these events or transactions were required to be recognized or disclosed in the financial statements. The date of the independent auditors’ report is the date that the financial statements were available to be issued.

PRO FORMA INFORMATION

The following unaudited pro forma condensed combined financial statements give effect to the proposed merger between the Company and SG Blocks and certain other transactions between the Company and SG Blocks as provided for in the Merger Agreement.

On July 27, 2011, the Company and SG Blocks signed the Merger Agreement whereby at the closing 100% of the shares of SG Blocks will be canceled and extinguished and converted into 36,050,741 shares of the Company's common stock. As a result of the transaction, the former owners of SG Blocks will become the controlling stockholders of the Company. Accordingly, the merger of the Company and SG Blocks is a reverse merger that will be accounted for as a recapitalization of SG Blocks. Upon completion of the merger, the Company will change its name to SG Blocks, Inc. The unaudited pro forma information is presented for illustration purposes only in accordance with the assumptions set forth below and in the notes to the pro forma condensed combined financial statements.

The unaudited pro forma condensed combined balance sheet as of June 30, 2011 combines the balance sheets of the Company and SG Blocks and gives pro forma effect to: (i) the reverse merger between the Company and SG Blocks in which SG Blocks is deemed to be the acquiring entity for accounting purposes, (ii) 408,750 shares of the Company's common stock issued to Ladenburg and (iii) certain other transactions completed at the time of the merger as if the Company and SG Blocks completed such transactions as of June 30, 2011. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2010 and six months ended June 30, 2011 combine the statement of operations of the Company and SG Blocks for each of those periods and give pro forma effect to these transactions as if they were completed on January 1, 2010 and January 1, 2011, respectively.

The unaudited pro forma balance sheet and statements of operations should be read in conjunction with the separate historical financial statements of the Company and SG Blocks appearing elsewhere herein. These pro forma condensed combined financial statements may not be indicative of what would have occurred if the reverse acquisition had actually occurred on the indicated dates and they should not be relied upon as an indication of future results of operations.

Substance of the transaction

At the closing of the merger:

- The Company will issue 36,050,741 shares of common stock with a par value of $0.01 to the shareholders of SG Blocks in exchange for all outstanding shares of SG Blocks common stock.
- The Company will issue 408,750 shares of common stock to Ladenburg for merger related consulting fees. The value of these shares was based on valuation models developed by the Company.
- All outstanding SG Blocks warrants will be cancelled and substituted with warrants of similar tenor to purchase an aggregate 1,145,509 shares of the Company's common stock.
- The current holders of the Company's common stock will own an aggregate of 8% of the Company's common stock on a fully diluted basis, the stockholders and warrant holders of SG Blocks will beneficially own an aggregate of 91% of the common stock of the Company on a fully diluted bases and Ladenburg will own an aggregate of 1% of the common stock of the Company on a fully diluted basis (not including warrants to purchase shares of SG Blocks stock it will receive in the merger as a result of it currently holding warrants to purchase shares of SG Blocks common stock). The accumulated deficit of the Company will be eliminated to reflect the legal capitalization of the combined entity upon the completion of the merger.

SG BLOCKS, INC.

Proforma Balance Sheet
(Unaudited)

June 30, 2011	Note:	**CDSI Holdings Inc.[(1)]**	**SG Blocks, Inc.[(2)]**	**Proforma Adj. – Debit**	**Proforma Adj. – Credit**	**Proforma As Adjusted**
Assets						
Current assets:						
Cash and cash equivalents		$ 13,430	$ 1,542,998			$ 1,556,428
Accounts receivable, net		—	170,163			170,163
Costs and estimated earnings in excess of billings on uncompleted contracts		—	—			—
Inventory		—	344,923			344,923
Prepaid expenses and other current assets		—	11,111			11,111
Total current assets		13,430	2,069,195	—	—	2,082,625
Equipment, net			8,084			8,084
Totals		$ 13,430	$ 2,077,279	$ —	$ —	$ 2,090,709
Liabilities and Stockholders' Equity (Deficit)						
Current liabilities:						
Accounts payable and accrued expenses		$ 37,962	$ 426,159			$ 464,121
Accrued compensation and related costs		—	—			—
Accrued interest		8,253	2,588			10,841
Related party accrued expenses		—	25,109			25,109
Short-term notes payable		—	51,247			51,247
Related party notes payable		—	—			—
Billings in excess of costs and estimated earnings on uncompleted contracts		—	—			—
Deferred revenue		—	406,660			406,660
Convertible promissory notes, net of discount of $90,989		—	—			—
Derivative conversion option liabilities		—	—			—
Warrant liabilities			110,420			110,420
Total current liabilities		46,215	1,022,183	—	—	1,068,398
Revolving credit promissory note from related party		68,500				68,500
Stockholders' equity (deficit):						
Preferred stock		—	—	—	—	—
Common stock	3	32,700	1,781	1,781	364,595	397,295
Additional paid-in capital	3	8,223,444	4,999,600	8,720,243		4,502,801
Accumulated deficit	3	(8,357,429)	(3,946,285)	—	8,357,429	(3,946,285)
Total stockholders' equity (deficit)		(101,285)	1,055,096	8,722,024	8,722,024	953,811
Totals		$ 13,430	$ 2,077,279	$ 8,722,024	$ 8,722,024	$ 2,090,709

NOTES TO UNAUDITED CONDENSED COMBINED PRO FORMA BALANCE SHEET

(1) Derived from the historical balance sheet of CDSI Holdings, Inc. appearing elsewhere in this form 14C.

(2) Derived from the historical balance sheet of SG Blocks Inc. appearing elsewhere in this form 14C.

(3) To record effect of reorganization and merger pursuant to the Merger Agreement dated July 27, 2011 including:

a. Cancelation and extinguishment of all issued and outstanding SG Blocks, Inc. common stock

b. Issuance of 36,050,741 CDSI, Inc. common stock to the SG Blocks, Inc. shareholders

c. Issuance of 408,750 CDSI, Inc. common stock to Ladenburg Thalmann & Co., Inc.

SG BLOCKS, INC.

Proforma Statement of Operations
(Unaudited)

Six Months Ended June 30, 2011	Note:	**CDSI Holdings Inc.** [(1)]	**SG Blocks, Inc.** [(2)]	**Proforma Adj. – Debit**	**Proforma Adj. – Credit**	**Proforma As Adjusted**
Revenue:						
SG block sales		$ —	$ 2,523,599			$ 2,523,599
Engineering services		—	4,190			4,190
Project management		—	64,894			64,894
		—	2,592,683	—	—	2,592,683
Cost of revenue:						
SG block sales		—	2,178,696			2,178,696
Engineering services		—	713			713
Project management		—	37,904			37,904
		—	2,217,313	—	—	2,217,313
Gross profit		—	375,370	—	—	375,370
Operating expenses:						
Payroll and related expenses		—	468,597			468,597
General and administrative expenses	3	52,042	311,537		52,042	311,537
Marketing and business development expense	4	—	165,600	92,610		258,210
Pre-project expenses		—	45,165			45,165
Total		52,042	990,899	92,610	52,042	1,083,509
Operating loss		(52,042)	(615,529)	(92,610)	(52,042)	(708,139)
Other income (expense):						
Interest expense	3	(4,323)	(2,034)	(4,323)		(2,034)
Interest income		—	27			27
Change in fair value of derivative liabilities		—	1,929			1,929
Cancellation of trade liabiliites and unpaid interest		—	30,498			30,498
Total		(4,323)	30,420	(4,323)	—	30,420
Net loss		$ (56,365)	$ (585,109)	$ (96,933)	$ (52,042)	$ (677,719)
Net loss per share – basic and diluted: Basic and diluted		$ (0.02)				$ (0.02)
Weighted average shares outstanding: Basic and diluted		3,270,000				37,944,887

NOTES TO UNAUDITED CONDENSED COMBINED PRO FORMA STATEMENTS OF OPERATIONS

(1) Derived from the historical statement of operations of CDSI Holdings Inc. appearing elsewhere in this form 14C.

(2) Derived from the historical statement of operations of SG Blocks Inc. appearing elsewhere in this form 14C.

(3) Reflects elimination of operations of CDSI.

(4) Reflects a merger expense calculated based on the enterprise value of SG Blocks, Inc. divided by the shares outstanding immediately after the merger.

SG BLOCKS, INC.

Proforma Statement of Operations
(Unaudited)

Year Ended December 31, 2010	Note:	CDSI Holdings Inc. (1)	SG Blocks, Inc.(2)	Proforma Adj. – Debit	Proforma Adj. – Credit	Proforma As Adjusted
Revenue:						
SG block sales		$ —	$ 1,190,004			$ 1,190,004
Engineering services		—	181,312			181,312
Project management		—	545,249			545,249
		—	1,916,565	—	—	1,916,565
Cost of revenue:						
SG block sales		—	803,453			803,453
Engineering services		—	104,369			104,369
Project management		—	431,337			431,337
		—	1,339,159	—	—	1,339,159
Gross profit		—	577,406	—	—	577,406
Operating expenses:						
Payroll and related expenses		—	963,075			963,075
General and administrative expenses	3	35,520	351,006		35,520	351,006
Marketing and business development expense		—	161,425			161,425
Pre-project expenses		—	35,758			35,758
Total		35,520	1,511,264	—	35,520	1,511,264
Operating loss		(35,520)	(933,858)	—	(35,520)	(933,858)
Other income (expense):						
Interest expense	3	(2,510)	(396,155)	(2,510)		(396,155)
Interest income	3	1	37	1		37
Change in fair value of derivative liabilities		—	9,275			9,275
Cancellation of trade liabiliites and unpaid interest		—	73,057			73,057
Recovery of unclaimed property	3	2,825	—	2,825		—
Total		316	(313,786)	316	—	(313,786)
Net loss		$ (35,204)	$ (1,247,644)	$ 316	$ (35,520)	$ (1,247,644)
Net loss per share – basic and diluted:						
Basic and diluted		$ (0.01)				$ (0.05)
Weighted average shares outstanding:						
Basic and diluted		3,223,562				23,497,814

NOTES TO UNAUDITED CONDENSED COMBINED PRO FORMA STATEMENTS OF OPERATIONS

(1) Derived from the historical statement of operations of CDSI Holdings Inc. appearing elsewhere in this form 14C.

(2) Derived from the historical statement of operations of SG Blocks Inc. appearing elsewhere in this form 14C.

(3) Reflects elimination of operations of CDSI.