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

FORM 8-K/A

(Amendment No. 1)

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))

EXPLANATORY NOTE

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"), CDSI Holdings Inc., a Delaware corporation (now known as SG Blocks, Inc.) ("CDSI" or the "Company") 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.

As reported in the Current Report on Form 8-K filed by the Company on November 10, 2011 (the "Original 8-K"), Merger Sub merged with and into SG Building on November 4, 2011, with SG Building surviving the Merger and becoming a wholly-owned subsidiary and principal operating business of CDSI (the "Merger"). Upon consummation of the Merger, SG Building changed its name to SG Building Blocks, Inc.

This Current Report on Form 8-K/A is being filed to: (a) correct the beneficial ownership table information and related footnotes thereto included in the Original 8-K, (b) supplement the Original 8-K by providing an updated Management's Discussion and Analysis of Financial Condition and Results of Operations for the nine month period ended September 30, 2011 (the "Third Fiscal Quarter"), (c) supplement the Original 8-K by providing the financial statements required by Item 9.01(a) of the Original 8-K for the Third Fiscal Quarter in the form of an updated Exhibit 99.01, (d) supplement the Original 8-K by providing pro-forma financial statements required by Item 9.01(b) of the Original 8-K for the Third Fiscal Quarter in the form of an updated Exhibit 99.02, and (e) correct the Original 8-K by attaching the correct Consulting Agreement, dated November 7, 2011 between SG Blocks, Inc., BAW Holdings Corp. and BrianWasserman as Exhibit 10.6.

Except as described above, there are no other changes or modifications to the Original 8-K.

Item 2.01 Completion of Acquisition of Disposition of Assets.

FORWARD-LOOKING STATEMENTS

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" 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 our 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 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 offset by an increase in the gross profit percent in block "green steel" sales (from 29.6% in 2009 to 32.5% in 2010). The decrease in gross profit percentage for engineering and project management projects resulted from jobs which were priced below our normal margin in order to obtain product acceptance and building approvals.

Payroll and Related Expense

Payroll and related 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 Provision

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.

Nine Months Ended September 30, 2011 Compared to the Nine Months ended September 30, 2010:

Nine months ended September 30

	2011	2010	Change
Loss from operations	**(1,146,722)**	**(491,255)**	**(655,467)**
Other income (expenses):	**10,171**	**(95,096)**	**105,267**
Net Loss	**(1,136,551)**	**(586,351)**	**(550,200)**

Revenue

Revenue for the nine months ended September 30, 2011 was $2,821,613 compared to $1,538,013 for the nine months ended September 30, 2010. This increase of $1,283,600 results from an increase of $1,799,728 in block “green steel” sales reduced by $516,128 of lower sales in engineering and project management jobs.

Cost of Revenue and Gross Profit

Cost of revenue increased by $1,369,077 to $2,417,082 for the nine months ended September 30, 2011 from $1,048,005 for the nine months ended September 30, 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 $404,531 for the nine months ended September 30, 2011 from a gross profit of $490,008 for the nine months ended September 30, 2010. The gross profit percentage was 14.3% for the nine months ended September 30, 2011 as compared to a gross profit percentage of 31.9% for the nine months ended September 30, 2010. This decrease in gross profit percentage results from a decrease in the gross profit percent in block "green steel" sales (from 33.5% during the period in 2010 compared to 13.3% during the period in 2011) offset by an increase in gross profit percent in project management (from 25.6% during the period in 2010 to 44.4% during the period in 2011) and engineering (from 45.2% during the period in 2010 to 68.7% during the period in 2011). The decrease in the gross profit percentage for block "green steel" sales was partially the result of the Company bidding projects with lower than usual gross profit margins in order to achieve regulatory approvals and establish market share and proof of concept in certain product classes. The Company intends to leverage these initial projects to successfully execute similar projects at higher gross margin percentages. The decrease in gross profit percentage also resulted from an increase in commodities costs related to containers used in production.

Payroll and Related Expense

Payroll and related expense was relatively unchanged for the nine months ended September 30, 2011 ($697,305) compared to compensation expense for the nine months ended September 30, 2010 ($704,207).

Other Operating Expenses

Other operating expense for the nine months ended September 30, 2011 was $853,948 compared to $277,056 for the nine months ended September 30, 2010. The increase of $576,892 results from an increase of approximately (i) $326,000 in consulting and professional fees, (ii) $97,000 in marketing costs, (iii) $70,000 in travel and entertainment expenses, and (iv) $84,000 of general and administrative expenses. Operating expenses partially increased by approximately $125,000 due to non-recurring legal and accounting fees associated with the Merger.

Interest Expense

Interest expense for the nine months ended September 30, 2011 was $2,520 compared to $146,388 for the nine months ended September 30, 2010. This decrease results from the maturity and payment or conversion of outstanding interest bearing debts.

Other income (expense)

During the nine months ended September 30, 2011 and September 30, 2010 there was other income recognized from (1) cancellation of trade liabilities and unpaid interest of $61,733 and $41,982, respectively and (2) a change in the fair value of the derivative liability of $49,111 and ($9,275), respectively.

Income Tax Provision

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 $646,267 and $804,405 for the years ended December 31, 2010 and December 31, 2009, respectively. Operations since inception have been funded with the proceeds from equity and debt financings and sales activity. As of December 31, 2010, we had cash and cash equivalents of $1,038,661. We anticipate that our existing capital resources will enable us to continue operations through at least October 1, 2012.

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 repaid $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 repaid $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. 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 principals 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 we receive employee's services in exchange for equity instruments, such as common stock. These authoritative accounting standards require that we 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 the Company. The determination of the fair value of share-based payment awards on the date of grant is affected by our 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. We do not expect the adoption of this ASU to have a material impact on SG Building’s 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 s consolidated financial statements or disclosures.

Related Party Transactions

ConGlobal Industries, Inc. is a minority stockholder of SG Building and provides containers and labor on domestic projects. SG Building recognized Cost of Goods Sold of $845,692, $254,251 and $2,164,719, for services ConGlobal Industries, Inc. rendered during the years ended December 31, 2010 and 2009 and for the nine months ended September 30, 2011, respectively. For the year ended December 31, 2010 and for the nine months ended September 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 SG Building and is a building design, development and project delivery firm. SG Building 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 nine months ended September 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.

SG Building has accrued certain reimbursable expenses of owners of the Company. Such expenses amounted to $47,363, $35,226 and $0, for the years ended December 31, 2010 and 2009 and for the nine months ended September 30, 2011, respectively.

Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

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)	3,991,459	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)	100,000	*
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 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 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 3,508,519 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 1,333,332 shares that Mr. Galvin has the right to acquire at within 60 days upon exercise of stock options, including with regard to 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.

(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 100,000 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.

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 September 30, 2011 and September 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 2.01 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.), incorporated herein by reference to Exhibit 3.01 to the Current Report on form 8-K as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on November 10, 2011.
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. Incorporated herein by reference to Exhibit 10.02 to the Current Report on form 8-K as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on November 10, 2011.
10.03	Employment Agreement, dated October 26, 2010, between Paul Galvin and SG Building Blocks, Inc. (fka SG Blocks, Inc.). Incorporated herein by reference to Exhibit 10.03 to the Current Report on form 8-K as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on November 10, 2011.
10.04	Employment Agreement, dated October 26, 2010, between Stevan Armstrong and SG Building Blocks, Inc. (fka SG Blocks, Inc.). Incorporated herein by reference to Exhibit 10.04 to the Current Report on form 8-K as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on November 10, 2011.
10.05	Employment Agreement, dated October 26, 2010, between Jennifer Strumingher and SG Building Blocks, Inc. (fka SG Blocks, Inc.). Incorporated herein by reference to Exhibit 10.05 to the Current Report on form 8-K as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on November 10, 2011.
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. Incorporated herein by reference to Exhibit 16.01 to the Current Report on form 8-K as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on November 10, 2011.
17.01	Resignation Letter of Glenn L. Halpryn, dated October 19, 2011. Incorporated herein by reference to Exhibit 17.01 to the Current Report on form 8-K as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on November 10, 2011.

17.02	Resignation Letter of Robert Lundgren, dated October 19, 2011. Incorporated herein by reference to Exhibit 17.02 to the Current Report on form 8-K as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on November 10, 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 14, 2011

SG BLOCKS, INC.

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

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 performed 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 grant 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 Information 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 terms. 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 harmless 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

SG BLOCKS, INC.

Financial Statements

December 31, 2010 and 2009
and September 30, 2011

SG BLOCKS, INC.

Table of Contents

Report of Independent Registered Public Accounting Firm

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 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, New York

SG BLOCKS, INC.

Balance Sheets

	December 31, 2010	December 31, 2009	September 30, 2011
			(Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 1,038,661	$ 154,527	$ 955,136
Short-term investments	-	-	39,069
Accounts receivable, net	189,235	285,241	181,769
Costs and estimated earnings in excess of billings on uncompleted contracts	-	14,036	-
Inventory	376,150	77,112	510,518
Prepaid expenses and other current assets	27,778	34,000	7,778
Total current assets	1,631,824	564,916	1,694,270
Equipment, net	4,412	3,790	8,689
Totals	$ 1,636,236	$ 568,706	$ 1,702,959
Liabilities and Stockholders' Equity (Deficit)			
Current liabilities:			
Accounts payable and accrued expenses	$ 620,457	$ 464,882	$ 429,351
Accrued compensation and related costs	140,310	-	-
Accrued interest	554	69,075	-
Related party accrued expenses	47,363	35,226	-
Short-term notes payable	51,247	265,000	10,000
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	598,494
Convertible promissory notes, net of discount of $90,989	-	569,011	-
Derivative conversion option liabilities	-	99,261	-
Warrant liabilities	112,349	-	161,460
Total current liabilities	1,196,031	1,759,947	1,199,305
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 September 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 September 30, 2011	1,541	848	1,78
Additional paid-in capital	3,799,840	921,443	4,999,600
Accumulated deficit	(3,361,176)	(2,113,532)	(4,497,727)
Total stockholders' equity (deficit)	440,205	(1,191,241)	503,654
Totals	$ 1,636,236	$ 568,706	$ 1,702,959

SG BLOCKS, INC.

Statements of Operations

	Year Ended December 31, 2010	Year Ended December 31, 2009	Nine Months Ended September 30, 2011	Nine Months Ended Septemer 30, 2010
			(Unaudited)	*(Unaudited)*
Revenue:				
SG block sales	$ 1,190,004	$ 284,460	$ 2,735,629	$ 935,901
Engineering services	181,312	95,795	6,740	116,248
Project management	545,249	98,085	79,244	485,864
	1,916,565	478,340	2,821,613	1,538,013
Cost of revenue:				
SG block sales	803,453	200,330	2,370,930	622,804
Engineering services	104,369	39,412	2,111	63,729
Project management	431,337	49,951	44,041	361,472
	1,339,159	289,693	2,417,082	1,048,005
Gross profit	577,406	188,647	404,531	490,008
Operating expenses:				
Payroll and related expenses	963,075	172,537	697,305	704,207
General and administrative expenses	351,006	155,043	567,568	206,073
Marketing and business development expense	161,425	71,034	229,632	61,600
Pre-project expenses	35,758	8,170	56,748	9,383
Total	1,511,264	406,784	1,551,253	981,263
Operating loss	(933,858)	(218,137)	(1,146,722)	(491,255)
Other income (expense):				
Interest expense	(396,155)	(81,083)	(2,520)	(146,388)
Interest income	37	101	69	35
Change in fair value of derivative liabilities	9,275	-	(49,111)	9,275
Cancellation of trade liabiliites and unpaid interest	73,057	-	61,733	41,982
Total	(313,786)	(80,982)	10,171	(95,096)
Net loss	$ (1,247,644)	$ (299,119)	$ (1,136,551)	$ (586,351)

SG BLOCKS, INC.

Statements of Changes in Stockholders' Equity (Deficit)

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

	$0.001 Par Value Common Stock		Additional		
	Shares	Amount	Paid-in Capital	Accumulated Deficit	Total
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	-	-	-	(1,136,551)	(1,136,551)
Balance - September 30, 2011 (unaudited)	1,781,000	$ 1,781	$ 4,999,600	$ (4,497,727)	$ 503,654

SG BLOCKS, INC.

Statements of Cash Flows

	Year Ended December 31, 2009	Year Ended December 31, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
			(Unaudited)	*(Unaudited)*
Cash flows from operating expenses:				
Net loss	$ (1,247,644)	$ (299,119)	$ (1,136,551)	$ (586,351)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation expense	1,412	923	1,532	903
Interest expense related to amortization and acceleration of debt discount	163,784	8,272	-	74,446
Interest expense related to shares issued upon settlement of convertible debt	96,600	-	-	-
Change in fair value of derivative liabilities	(9,275)	-	49,111	(9,275)
Stock-based compensation	83,508	-	-	83,508
Bad debts expense	28,362	6,000	15,653	-
Cancellation of trade liabilities and unpaid interest	73,057	-	61,733	41,982
Changes in operating assets and liabilities:				
Accounts receivable	67,644	(253,031)	(8,187)	239,149
Costs and estimated earnings in excess of billings on uncompleted contracts	14,036	(14,036)	-	(22,273)
Inventory	(299,038)	(42,112)	(134,368)	20,171
Prepaid expenses and other current assets	6,222	-	20,000	18,975
Accounts payable and accrued expenses	82,518	(169,843)	(227,730)	83,661
Accrued compensation and related costs	140,310	(20,254)	(140,310)	
Accrued interest	(68,521)	56,198	(554)	13,719
Billings in excess of costs and estimated earnings on uncompleted contracts on uncompleted contracts	(82,278)	11,254	(1,800)	(44,149)
Deferred revenue	132,761	89,190	376,543	(80,989)
Related party accrued expenses	12,137	(19,709)	(72,472)	(10,117)
Net cash provided by (used in) operating activities	(804,405)	(646,267)	(1,197,400)	(176,640)
Cash flows used in investing activities				
Short-term investments	-	-	(39,069)	-
Purchase of equipment	(2,034)	(2,591)	(5,809)	(1,469)
Net cash used in investing activities	(2,034)	(2,591)	(44,878)	(1,469)
Cash flows from financing activities:				
Cash - overdraft	-	(99,639)	-	-
Proceeds from convertible notes payable	95,000	660,000	-	95,000
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)	(41,247)	(83,944)
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	135,000
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	803,385	1,158,753	61,832
Net increase (decrease) in cash	884,134	154,527	(83,525)	(116,277)
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	$ 955,136	$ 38,250
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	$ -	$ -	$ -

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 $646,267 and $804,405 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.

3. Summary of Significant Accounting Policies *(continued)*

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.

3. Summary of Significant Accounting Policies *(continued)*

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 September 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 nine months ended September 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.

3. Summary of Significant Accounting Policies *(continued)*

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 sheets as of December 31, 2010 and September 30, 2011.

3. Summary of Significant Accounting Policies *(continued)*

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 l)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Warrant Liabilities	$ 112,349	$ -	$ -	$ 112,349

	September 30, 2011	Quoted prices in active market for identical assets (Level l)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Warrant Liabilities	$ 161,460	$ -	$ -	$ 161,460

3. Summary of Significant Accounting Policies *(continued)*

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:

	December 31, 2010	December 31, 2009	September 30, 2011
Beginning balance	$ 99,261	$ -	$ 112,349
Aggregate fair value of conversion option liabilities and warrants issued	185,144	99,261	-
Change in fair value of conversion option liabilities and warrants	(9,275)	-	49,111
Settlement of conversion option liabilities included in additional paid in capital	(162,781)	-	-
Ending balance	$ 112,349	$ 99,261	$ 161,460

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 Note 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.

3. Summary of Significant Accounting Policies *(continued)*

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.

3. Summary of Significant Accounting Policies *(continued)*

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 September 30, 2011, 60% of the Company's accounts receivables were due from one customer.

3. Summary of Significant Accounting Policies *(continued)*

Revenues relating to three, two and three customers, respectively, represented approximately 96%, 68% and 87% of the Company's total revenues for the years ended December 31, 2010 and 2009, and for the nine months ended September 30, 2011, respectively.

Costs of revenue relating to one vendor represented approximately 60%, 77% and 90% of the Company's total cost of revenue for the years ended December 31, 2010 and 2009 and for the nine months ended September 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 September 30, 2011, the Company's accounts receivable consisted of the following:

	2010	2009	2011
SG block sales	$ 120,318	$ 193,248	$ 138,575
Engineering services	33,317	17,512	33,317
Project management	69,962	80,481	59,892
Total gross receivables	223,597	291,241	231,784
Less: allowance for doubtful accounts	(34,362)	(6,000)	(50,015)
Total net receivables	$ 189,235	$ 285,241	$ 181,769

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 September 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)	$ -

5. Costs and Estimated Earnings on Uncompleted Contracts *(continued)*

The above amounts are included in the accompanying balance sheets under the following captions at December 31, 2010 and 2009 and September 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 September 30, 2011, the Company's inventory consisted of the following:

	2010	2009	2011
Work in process	$ 376,150	$ 77,112	$ 510,518
	$ 376,150	$ 77,112	$ 510,518

7. Equipment

At December 31, 2010 and 2009 and September 30, 2011, the Company's equipment consisted of the following:

	2010	2009	2011
Computer equipment and software	$ 5,416	$ 3,382	$ 11,225
Furniture and other equipment	2,155	2,155	2,155
	7,571	5,537	13,380
Less: accumulated depreciation	(3,159)	(1,747)	(4,691)
	$ 4,412	$ 3,790	$ 8,689

7. Equipment *(continued)*

Depreciation expense for the years ended December 31, 2010 and 2009 and for the nine months ended September 30, 2011 and 2010 amounted to $1,412, $923, $1,532 and $903, respectively.

8. Convertible Promissory Notes

Convertible promissory notes consisted of the following:

Description	December 31, 2010	December 31, 2009	September 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	$ -

8. Convertible Promissory Notes *(continued)*

(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 nine months ended September 30, 2010 amounted to $74,446.

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 difference in fair value at September 30, 2010 and the settlement date was insignificant. 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.

8. Convertible Promissory Notes *(continued)*

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 September 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.

8. Convertible Promissory Notes *(continued)*

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 $47,284 for the years ended December 31, 2010 and 2009 and for the nine months ended September 30, 2010, respectively.

9. Short-Term Notes Payable

Other short-term notes payable consisted of the following:

Description	**December 31, 2010**	**December 31, 2009**	**September 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	-	-
Promissory note to LaBahn, with a face amount of $12,822, at 10% per annum (D)	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	$ 10,000

9. Short-Term Notes Payable *(continued)*

(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 repay Martha $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, $2,520 and $1,971 for the years ended December 31, 2010 and 2009, and for the nine months ended September 30, 2011 and 2010, respectively.

10. Related Party Notes Payable

	December 31, 2010	December 31, 2009	September 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 nine months ended September 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:

11. Income Taxes *(continued)*

Current:	
Federal	$ (126,649)
State	(32,391)
Total current provision	(159,040)
Deferred:	
Federal	(34,529)
State	(8,831)
Total deferred	(43,360)
Total benefit for income taxes	(202,400)
Less: valuation reserve	202,400
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	34.06%
State income taxes, net of federal benefit	5.28
Effect of change in tax status to C corporation	(23.11)
Other	(0.01)
Less valuation allowance	(16.22)
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.

11. Income Taxes *(continued)*

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	$ 159,741
Bad debt reserve	11,141
Employee stock compensation	32,802
Depreciation	(1,284)
Less valuation reserve	(202,400)
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 $202,400 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 $403,000 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 September 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	50,195
	653,080	762,351	85,984
Less: contract revenue earned during the period	(193,879)	(726,562)	(85,984)
	459,201	35,789	-
Contracts signed but not started	-	-	-
Balance - December 31 and September 30	$ 459,201	$ 35,789	$ -

Subsequent to September 30, 2011, the Company has received additional customer contracts totaling approximately $1,500.

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 nine months ended September 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 September 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.

14. Warrants *(continued)*

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 September 30, 2011 the value of the warrants were adjusted to their fair value which was approximately $161,460. The difference in fair value of $49,111 is included in the accompanying statement of operations.

The significant assumptions which the Company used to measure the fair value of warrants at September 30, 2011 is as follows:

Stock price	$	6.64
Term		4.08 Years
Volatility		50%
Risk-free interest rate		0.69%
Exercise prices	$	5.00
Dividend yield		0.00%
Current equity value	$	11,832,000
Return		0.69%
Delta		1/12
Up ratio		1.144
Down ratio		0.857
Up transition probability		0.5000

15. Stock Options and 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:

	Shares	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 – September 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 $2,164,719, for services ConGlobal Industries, Inc. rendered during the years ended December 31, 2010 and 2009 and for the nine months ended September 30, 2011, respectively. For the year ended December 31, 2010 and for the nine months ended September 30, 2011, $36,622 and $1,750, respectively, of such expenses are included in accounts payable and accrued expenses in the accompanying balance sheets.

16. Related Party Transactions *(continued)*

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 nine months ended September 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 $0, for the years ended December 31, 2010 and 2009 and for the nine months ended September 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 nine months ended September 30, 2011, the Company recognized debt forgiveness income of $61,733 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.

On July 27, 2011, CDSI Holdings Inc. ("CDSI") entered into a Merger Agreement and Plan of Reorganization, as amended by and among CDSI, CDSI Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of CDSI ("Merger Sub"), the Company, and certain stockholders of the Company. On November 4, 2011, Merger Sub merged with and into the Company, with the Company surviving the Merger and becoming a wholly-owned subsidiary and principal operating business of CDSI (the "Merger").

18. Subsequent Events *(continued)*

On November 7, 2011, the Company entered into separate employment and indemnification agreements with the Company's executive officers and directors and a separate consulting and indemnification agreement with the Company's Chief Financial Officer. In conjunction with these agreements, the Stock Option Committee of the Company's Board granted an aggregate 4,044,000 options to purchase Common Stock to Named Executive Officers and other employees and directors of the Company and approved the granting of 2,000,000 more options to the Company's Chief Executive Officer on January 2, 2012, which are all subject to a three year vesting schedule. Additionally 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 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 to receive options to purchase $10,000 worth of Company Common Stock for each Board or committee meeting attended by such director.

Exhibit 99.2

SG Blocks, Inc.
INTRODUCTION TO PRO FORMA CONDENSED
COMBINED FINANICAL STATEMENTS
(Unaudited)

The following unaudited pro forma condensed combined financial statements give effect to the proposed merger between SG Blocks, Inc. ("SG Blocks") and CDSI Holdings Inc. ("CDSI") and certain other transactions between SG Blocks and CDSI as provided for in the Merger Agreement and Plan of Reorganization Agreement dated July 27, 2011.

On July 27, 2011, SG Blocks and CDSI signed a Merger Agreement and Plan of Reorganization whereby at the closing 100% of the shares of SG Blocks will be cancelled and extinguished and converted into 36,050,764 shares of CDSI. As a result of the transaction, the former owners of SG Blocks will become the controlling stockholders of CDSI. Accordingly, the merger of SG Blocks and CDSI is a reverse merger that will be accounted for as a recapitalization of SG Blocks. Upon completion of the merger, CDSI 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 September 30, 2011 combines the balance sheets of SG Blocks and CDSI and gives pro forma effect to: (i) the reverse merger between SG Blocks and CDSI in which SG Blocks is deemed to be the acquiring entity for accounting purposes, (ii) 408,750 shares of CDSI common stock issued to Ladenburg, Thalmann & Co., and (iii) certain other transactions completed at the time of the merger as if SG Blocks and CDSI completed such transactions as of September 30, 2011. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2010 and nine months ended September 30, 2011 combine the statement of operations of SG Blocks and CDSI 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 SG Blocks appearing elsewhere herein, and the historical financial statements of CDSI, as filed with the Securities and Exchange Commission and issued in Form 10-K for the year ended December 31, 2010. 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:

- In connection with the merger the registrant will issue 36,050,764 shares of CDSI 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.

- In connection with the merger the registrant will issue 408,750 shares of CDSI common stock to Ladenburg Thalmann & Co., Inc., for merger related consulting fees. The value of these shares was based on valuation models developed by the Company.

- Upon consummation of the merger, all outstanding SG Blocks warrants will be cancelled and substituted with warrants of similar tenor to purchase an aggregate 1,145,509 shares of CDSI common stock.

- As a result of the merger, the current holders of common stock of CDSI will own an aggregate of 8% of CDSI 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 CDSI on a fully diluted bases and Ladenburg Thalmann & Co,, Inc will own an aggregate of 1% of the common stock of CDSI 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 CDSI will be eliminated to reflect the legal capitalization of the combined entity upon the completion of the merger.

Proforma Balance Sheet

September 30, 2011	Note:	CDSI Holdings, Inc. (1)	SG Blocks, Inc. (2)	Proforma Adj. - Debit	Proforma Adj. - Credit	Proforma As Adjusted
(Unaudited)						
Assets						
Current assets:						
Cash and cash equivalents		$ 3,072	$ 955,136			$ 958,208
Short-term investments		-	39,069			39,069
Accounts receivable, net		-	181,769			181,769
Costs and estimated earnings in excess of billings		-	-			-
on uncompleted contracts		-	-			-
Inventory		-	510,518			510,518
Prepaid expenses and other current assets		-	7,778			7,778
Total current assets		3,072	1,694,270	-	-	1,697,342
Equipment, net			8,689			8,689
Totals		$ 3,072	$ 1,702,959	$ -	$ -	$ 1,706,031
Liabilities and Stockholders' Equity (Deficit)						
Current liabilities:						
Accounts payable and accrued expenses		$ 87,699	$ 429,351			$ 517,050
Accrued compensation and related costs		-	-			-
Accrued interest		10,179	-			10,179
Related party accrued expenses		-	-			-
Short-term notes payable		-	10,000			10,000
Related party notes payable		-	-			-
Billings in excess of costs and estimated earnings		-	-			-
on uncompleted contracts		-	-			-
Deferred revenue		-	598,494			598,494
Convertible promissory notes, net of discount of $90,989		-	-			-
Derivative conversion option liabilities		-	-			-
Warrant liabilities		-	161,460			161,460
Total current liabilities		97,878	1,199,305	-	-	1,297,183
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	8,782,264		4,440,780
Accumulated deficit	3	(8,419,450)	(4,497,727)	-	8,419,450	(4,497,727)
Total stockholders' equity (deficit)		(163,306)	503,654	8,784,045	8,784,045	340,348
Totals		$ 3,072	$ 1,702,959	$ 8,784,045	$ 8,784,045	$ 1,706,031

NOTES TO UNAUDITED CONDENSED COMBINED PRO FORMA BALANCE SHEET

(1) Derived from the historical balance sheet of CDSI appearing in its form 10-Q filed on November 10,2011.
(2) Derived from the historical balance sheet of SG Blocks appearing elsewhere in this form 8-K.
(3) To record effect of reorganization and merger pursuant to the Merger Agreement dated July 27,2011 including:

a. Cancellation and extinguishment of all issued and outstanding SG Blocks common stock
b. Issuance of 36,050,741 CDSI common stock to the SG Blocks shareholders
c. Issuance of 408,750 CDSI common stock to Ladenburg Thalmann & Co., Inc.

Proforma Statement of Operations

Nine Months Ended September 30, 2011	Note:	**CDSI Holdings, Inc. (1)**	**SG Blocks, Inc. (2)**	**Proforma Adj. - Debit**	**Proforma Adj. - Credit**	**Proforma As Adjusted**
(Unaudited)						
Revenue:						
SG block sales		$ -	$ 2,735,629			$ 2,735,629
Engineering services		-	6,740			6,740
Project management		-	79,244			79,244
		-	2,821,613	-	-	2,821,613
Cost of revenue:						
SG block sales		-	2,370,930			2,370,930
Engineering services		-	2,111			2,111
Project management		-	44,041			44,041
		-	2,417,082	-	-	2,417,082
Gross profit		-	404,531	-	-	404,531
Operating expenses:						
Payroll and related expenses		-	697,305			697,305
General and administrative expenses	3	112,137	567,568		112,137	567,568
Marketing and business development expense	4	-	229,632	122,986		352,618
Pre-project expenses		-	56,748			56,748
Total		112,137	1,551,253	122,986	112,137	1,674,239
Operating loss		(112,137)	(1,146,722)	(122,986)	(112,137)	(1,269,708)
Other income (expense):						
Interest expense	3	(6,249)	(2,520)	(6,249)		(2,520)
Interest income		-	69			69
Change in fair value of derivative liabilities		-	(49,111)			(49,111)
Cancellation of trade liabiliites and unpaid interest		-	61,733			61,733
Total		(6,249)	10,171	(6,249)	-	10,171
Net loss		$ (118,386)	$ (1,136,551)	$ (129,235)	$ (112,137)	$ (1,259,537)
Net loss per share - basic and diluted:						
Basic and diluted		$ (0.04)				$ (0.03)
Weighted average shares outstanding:						
Basic and diluted		3,270,000				38,539,751

NOTES TO UNAUDITED CONDENSED COMBINED PRO FORMA STATEMENTS OF OPERATIONS

(1) Derived from the historical statement of operations of CDSI appearing in its form 10-Q filed on November 10, 2011.
(2) Derived from the historical statement of operations of SG Blocks appearing elsewhere in this form 8-K.
(3) Reflects elimination of operations of CDSI.
(4) Reflects a merger expense calculated based on the enterprise value of SG Blocks divided by the shares outstanding immediately after the merger.

Proforma Statement of Operations

Year Ended December 31, 2010	Note:	CDSI Holdings, Inc. (1)	SG Blocks, Inc. (2)	Proforma Adj. - Debit	Proforma Adj. - Credit	Proforma As Adjusted
(Unaudited)						
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 appearing in its form 10-K filed on January 31, 2011.
(2) Derived from the historical statement of operations of SG Blocks appearing elsewhere in this form 8-K.
(3) Reflects elimination of operations of CDSI.