

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

FORM 8-K/A
(Amendment No. 3)

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))
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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 (now known as 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. and the Company changed its name to SG Blocks, Inc.

On November 14, 2011, the Company filed an amendment to the Original 8-K and on December 20, 2011, the Company filed a second amendment to the Original 8-K. This Current Report on Form 8-K/A (the third amendment) is being filed to, among other things: (a) clarify disclosure regarding the relationship between the Company and certain of its suppliers and service providers, (b) clarify, among other things, certain line items mentioned in the Management's Discussion and Analysis of Financial Condition and Results of Operations, (c) provide additional disclosure in the footnotes to the beneficial ownership table information, (d) provide executive officer and director compensation for 2011, and (e) file as Exhibit 10.7 a copy of an agreement between the Company and ConGlobal Industries, Inc.

Item 2.01 Completion of Acquisition or Disposition of Assets.

Merger

Structure

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

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

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

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

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

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

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

Consideration

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

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

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

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

Indemnification of CDSI

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

Lock-Up Agreements

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

Charter Amendments

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

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

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

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

2011 Plan

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

Business

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

Overview

On October 25, 2010, SG Blocks, LLC (“**SG LLC**”), a Missouri limited liability company, merged with and into SG Building, which then continued the business of SG LLC. SG LLC was formed on January 23, 2007 and SG Building (formerly SG Blocks, Inc.) was formed in Delaware on August 16, 2010. SG Building was not engaged in any business prior to the merger with SG LLC in 2010.

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

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

Description of Business

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

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

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

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

Green Building

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

Description of the Product

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

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

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

The Process of the SG Building Conversion

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

Historical Use of Shipping Containers in Construction

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

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

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

Competition

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

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

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

Intellectual Property

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

The SG Buildings Network

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

The ConGlobal Agreement, in its current form, generally provides that during the term of the ConGlobal Agreement, SG Building will purchase its supply of SG Blocks™ for SG Building's business exclusively from ConGlobal within the "Territory", as defined in the ConGlobal Agreement, and within the "Field of Use", as defined in the ConGlobal Agreement. The ConGlobal Agreement defines "Territory" as all locations within the continental United States within a five hundred (500) mile radius of an existing ConGlobal site. The ConGlobal Agreement defines "Field of Use" as housing, office, and/or retail uses generally constructed as a permanent structures, but excludes uses exclusively for storage, mobile storage, temporary storage and commercial applications that:

- (1) are occupied by persons temporarily or infrequently (such as construction site temporary offices), or

- (2) are not assembled into buildings consisting of greater than 6 containers in size and not intended for use as permanent housing, office, and/or retail structures, or
- (3) are buildings of such nature that: (A) (i) they do not require a building or other permit or process from local government agencies, or (ii) are built from drawings, and/or specifications supplied to ConGlobal by the party buying the modified container(s) and (B) are for purposes that are not primarily for permanent housing, office and/or retail structures.

In the event a proposed use of shipping containers by ConGlobal is not clearly within or outside of the Field of Use, ConGlobal will notify SG Building of such proposed use and ConGlobal and SG Building will collaborate to determine whether such use is within the Field of Use and if so, whether (i) the proposed use by ConGlobal should be permitted; and (ii) if so, whether the proposed use should be performed on a shared or joint venture basis.

The ConGlobal Agreement also provides that ConGlobal will not supply SG Blocks™ to any entity competing with SG Building during the term of the ConGlobal Agreement unless SG Building fails to purchase at least sixty percent (60%) of its forecasted purchases, as defined, for two (2) consecutive years.

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

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. 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." 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. Immediately following the Merger, warrants to purchase 100,926 shares of Company common stock were forfeited by a warrant holder.

The Merger was a reverse merger that will be accounted for as a recapitalization of SG Building, and accordingly SG Building is deemed to be the accounting acquirer.

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	<u>\$ (1,247,644)</u>	<u>\$ (299,119)</u>	<u>\$ (948,525)</u>

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 carryforwards 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	<u>\$ (1,136,551)</u>	<u>\$ (586,351)</u>	<u>\$ (550,200)</u>

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.

The table below illustrates how the decrease of sales in engineering and project management jobs resulted from SG Building having fewer customers in these product areas with lower contracted dollar amounts than during the respective prior periods. The reduced number of customers and sales revenue in these product areas is due to management's decision to focus resources on larger block "green steel" projects and thus foregoing proposing on additional engineering and project management jobs during the nine months ended September 30, 2011.

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Increase/ (Decrease)
Engineering:			
Customer 1	-	19,052	(19,052)
Customer 2	-	12,488	(12,488)
Customer 3	-	1,731	(1,731)
Customer 4	-	7,579	(7,579)
Customer 5	-	4,927	(4,927)
Customer 6	4,190	70,471	(66,281)
Customer 7	1,500	-	1,500
Customer 8	300	-	300
Customer 9	750	-	750
	<u>6,740</u>	<u>116,248</u>	<u>(109,508)</u>
Project Management:			
Customer 1	-	333,963	(333,963)
Customer 2	-	5,610	(5,610)
Customer 3	-	8,367	(8,367)
Customer 4	-	1,877	(1,877)
Customer 5	1,932	136,047	(134,115)
Customer 6	52,831	-	52,831
Customer 7	10,132	-	10,132
Customer 8	14,349	-	14,349
	<u>79,244</u>	<u>485,864</u>	<u>(406,620)</u>

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 on projects with lower than usual gross profit margins in order to achieve initial building permit 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 carryforwards and accordingly no income tax benefit was provided.

Impact of Inflation

The impact of inflation upon SG Building's revenue and results 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.

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. As of September 30, 2011, we had cash and cash equivalents of \$955,136. 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 September 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 September 30, 2011, SG Building had no material off-balance sheet arrangements other than operating leases.

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

Critical Accounting Estimates and New Accounting Pronouncements

Critical Accounting Estimates

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

Share-Based Payments. SG Building adopted authoritative accounting guidance which establishes standards for share-based transactions in which 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 consolidated financial statements or disclosures.

Related Party Transactions

ConGlobal, a pre-Merger stockholder of SG Building and now a stockholder of the Company, 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 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, a pre-Merger stockholder of SG Building and now a stockholder of the Company, 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.

**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 Company 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)
Vector Group Ltd.(8)	3,508,519	8.8 %
Tag Partners, LLC (4)	2,658,127	6.7 %
SMA Development Group, LLC (5)	3,327,266	8.4 %
George Karfunkel (21)	2,018,519	5.1 %
Pro-Mall International, Ltd. (22)	2,018,519	5.1 %
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)	1,470,000	3.7 %
Brian Wasserman(3)(18)	333,334	*
Jennifer Strumingher (3)(7)(19)	83,334	*
All executive officers and directors as a group (9 persons)	9,982,865	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 39,779,506 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. Struminger 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. The business address for SMA Development Group, LLC is 912 Bluff Road - Brentwood, TN 37027.
- (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. Struminger each has a membership interest in TAG. Mr. Melton and Ms. Struminger 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. Struminger is a beneficial owner of such shares of Common Stock.
- (8) Richard J. Lampen, a director of the Company, serves as Executive Vice president of Vector Group Ltd. (“Vector”), a publicly traded NYSE listed holding company engaged principally in: (a) the manufacture and sale of cigarettes in the United States through its Liggett Group LLC and Vector Tobacco Inc. subsidiaries, and (b) the real estate business through its subsidiary, New Valley LLC. J. Bryant Kirkland III, a director of the Company, serves as Vice President, Treasurer and Chief Financial Officer of Vector. Neither Mr. Kirkland nor Mr. Lampen has investment authority or voting control over the 1,490,000 shares of Common Stock owned by Vector. The business address for Vector is 100 S.E. Second Street, Miami, Florida 33131. Based upon a Schedule 13D filed on December 1, 2011 with the SEC by Vector, the other executive officers and directors of Vector are:

Howard M. Lorber	Director; President and Chief Executive Officer
Marc N. Bell	Vice President, Secretary and General Counsel
Ronald J. Bernstein	Director
Stanley S. Arkin	Director
Henry C. Beinstein	Director
Bennett S. LeBow	Director, Chairman of the Board
Jeffrey S. Podell	Director
Jean E. Sharpe	Director

- (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) 1,044,584 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 83,334 shares that Ms. Strumingher has the right to acquire at within 60 days upon exercise of stock options.
- (20) Includes 5,595 shares held by Mr. Kirkland.

- (21) The business address for George Karfunkel is 1671 52nd Street, Brooklyn, NY 11204.
- (22) The business address for Pro-Mall International, Ltd. is P.O. Box 1586, Georgetown, Grand Cayman, Cayman Island KY1-1110. Based on information made available to the Company, Gustavo Moriera de Souza is the beneficial owner of Pro-Mall International, Ltd. RBC Trust Company is the nominee shareholder holding the shares of Pro-Mall International, Ltd.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth all compensation awarded to, paid to or earned by the following executive officers, for each of the Company and SG Building, for the fiscal year ended December 31, 2011 and 2010: (i) individuals who served as, or acted in the capacity of, the principal executive officers of the Company and SG Building for the fiscal year ended December 31, 2011; (ii) the two most highly compensated executive officers of the Company and SG Building, other than the principal executive officer, who were serving as executive officers at the end of the fiscal year ended December 31, 2011; and (iv) up to two additional individuals, other than former principal executive officers, for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer of the Company or SG Building at the end of the fiscal year ended December 31, 2011. No disclosure is made for any executive officer, other than the Principal Executive Officer, whose total compensation did not exceed \$100,000.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
SG Blocks, Inc. (formerly CDSI Holdings Inc.)						
Richard J. Lampen former President and Chief Executive Officer (1)	2011	-	-	-	-	None
	2010	-	-	-	-	None
Paul M. Galvin current Chief Executive Officer (2)	2011 (from 11/04/2011)	40,000	-	182,400(4)	-	222,400
	2010	-	-	-	-	None
Stevan Armstrong current President and Chief Operating Officer(3)	2011 (from 11/04/2011)	25,000	-	31,290(5)	-	56,290
	2010	-	-	-	-	None
Brian Wasserman current Chief Financial Officer	2011	-	-	91,200	20,000 (6(a))	111,200
	2010	-	-	-	-	None
SG Building Blocks, Inc. (formerly SG Blocks, Inc.)						
Paul M. Galvin current Chief Executive Officer (2)	2011 (until 11/03/2011)	200,00	25,000	-	-	225,000
	2010	221,000	-	-	-	221,000
Stevan Armstrong current President and Chief Operating Officer(3)	2011 (until 11/03/2011)	125,000	13,000	-	-	138,000
	2010	149,250	-	-	-	149,250
Brian Wasserman current Chief Financial Officer	2011	-	-	-	79,000(6(b))	79,000
	2010	-	-	-	-	None

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

Messrs. Lampen and Kirkland were the Company's sole executive officers in 2010 and did not receive any salary or other compensation from the Company in 2011 or 2010, other than normal compensation paid to directors (as described below). The Company was not party to any employment agreements or other compensation plans prior to the effective date of the Merger.

- (2) Mr. Galvin did not receive any compensation from the Company prior to the effective date of the Merger on November 4, 2011. The compensation reflected in the Summary Compensation Table reflects compensation paid before and after the effective date of the Merger. Compensation paid to Mr. Galvin before the effective date of the Merger was paid to Mr. Galvin by SG Building and its predecessor entity, SG LLC, in connection with his employment and other services provided to SG Building and SG LLC. Prior to the Merger, Mr. Galvin served as the Chief Executive Officer of SG Building and SG LLC and was the founder of SG LLC. As a member of SG LLC, Mr. Galvin was also entitled to certain member distributions.
- (3) Mr. Armstrong did not receive any compensation from the Company prior to the Effective Date of the Merger on November 4, 2011. The compensation reflected in the Summary Compensation Table reflects compensation paid before and after the effective date of the Merger. Compensation paid to Mr. Armstrong before the effective date of the Merger was paid to Mr. Armstrong by SG Building and its predecessor entity, SG LLC, in connection with his employment and other services provided to SG Building and SG LLC by Mr. Armstrong. Prior to the Merger, Mr. Armstrong served as the President and Chief Operating Officer of SG Building since April 2009 and as a director of SG Building and its predecessor entity since January 2007. Mr. Armstrong is a founder of SG LLC.
- (4) On November 7, 2011, an option to purchase 2,000,000 shares of the Company's common stock were granted to Mr. Galvin as part of direct compensation. Mr. Galvin was not granted any options in connection with his service on the Board. The amounts shown represent the aggregate grant date fair value of stock options granted to Mr. Galvin during 2011, as determined in accordance with ASC Topic 718.
- (5) On November 7, 2011, an option to purchase 300,000 shares of the Company's common stock were granted to Mr. Armstrong as part of direct compensation and options to purchase 50,000 shares were granted to Mr. Armstrong as compensation for serving on the Board of the Company. The number options granted in connection with service on the Board was determined by dividing \$10,000 by the Fair Market Value (as defined in the 2011 Plan) on the grant date (\$0.20). Notwithstanding this calculation, the amounts shown represent the aggregate grant date fair value of stock options granted to Mr. Armstrong during 2011, as determined in accordance with ASC Topic 718. See discussion of the 2011 Director Options under the section titled "Compensation of Directors".

(6) (a) Amount reflects payments to BAW pursuant to the Wasserman Agreement. Mr. Wasserman is the Chief Executive Officer of BAW, a financial consulting business.

(b) Amount reflects payments of 35,000 to BAW and payments of 44,000 to Janover, LLC, a public accounting firm that provided various services to SG LLC. Mr. Wasserman is a Partner and a Director of Forensic Services at Janover, LLC.

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

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

In the event that we terminate Mr. Galvin’s employment for any reason other than for “Cause” (as defined in his employment agreement), he may be entitled to receive compensation equal to one year of his base salary (currently \$240,000). In the event we terminate Mr. Armstrong’s or Ms. Strumingher’s employment for any reason other than for “Cause” (as defined in the employment agreements), such officer may be entitled to receive compensation equal to the lesser of one year of his or her base salary or the remaining salary due for the term of his or her employment agreement. Such lesser amount is currently one year of base salary, which is \$150,000 for Mr. Armstrong and \$100,000 for Ms. Strumingher. In addition to the foregoing payments, Messrs. Galvin and Armstrong and Ms. Strumingher may be entitled to receive a lump sum payment in an amount equal to a prorated portion of the greater of (i) any annual bonus payable in the year in which the termination of employment occurs or (ii) the terminated executive’s annual bonus in the year preceding the year of termination of employment. These additional amounts are not currently calculable.

Under the terms of Mr. Galvin’s employment agreement, upon a change of control followed within six (6) months by the termination of his employment, or a diminution in his duties, Mr. Galvin may be entitled to receive a severance payment equal to eighteen (18) months of his base salary (currently \$360,000, based on present base salary of \$240,000). Under the terms of Mr. Armstrong’s and Ms. Strumingher’s employment agreement, upon a change of control followed within six (6) months by the termination of such officer’s employment, or a diminution in his or her duties, Mr. Armstrong or Ms. Strumingher may be entitled to receive a severance payment equal to the lesser of eighteen (18) months of his or her base salary or the remaining salary due for the term. Such lesser amount is currently eighteen (18) months of base salary, which is \$225,000 for Mr. Armstrong (based on present \$150,000 base salary) and \$150,000 for Ms. Strumingher (based on present \$100,000 base salary). The SGB Employment Agreements all contain an 18-month non-compete provision upon termination which will be increased to two (2) years if the employee is terminated by the Company for “Cause” (as defined in the employment agreements).

Wasserman Consulting Agreement

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

Stock Options

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

2011 Option Grants

On November 7, 2011 and November 11, 2011, the Stock Option Committee of the Company's Board of Directors granted an aggregate 4,387,500 options to purchase common stock to the Named Executive Officers and certain other employees of the Company, to directors of the Company and to Mr. Wasserman, who is serving as the Chief Financial Officer of the Company pursuant to the Wasserman Agreement (the "**2011 Options**"), and approved the granting of 2,000,000 more options to Mr. Galvin (the "**Galvin Options**") on January 2, 2012, which are to be granted on same terms as the 2011 Options. The 2011 Options are 10 year options and were granted under the 2011 Plan at fair market value (as defined in the 2011 Plan) and, as approved by the Stock Option Committee, the Galvin Options (when granted) will be granted at fair market value on the day of grant. One third of the 2011 Options and the Galvin Options vest upon grant, the second third vests on the first anniversary of the grant date, and the remaining third vests on the second anniversary of the grant date.

Outstanding Equity Awards at Fiscal Year End

Option Awards				
Name	Option Vest Date(1)	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Richard J. Lampen	11/7/2011	16,666	0.2	11/6/2021
Former President and	11/7/2012	16,667	0.2	11/6/2021
Chief Executive Officer	11/7/2013	16,667	0.2	11/6/2021
Paul M. Galvin	11/7/2011	666,666	0.2	11/6/2021
Current Chief Executive	11/7/2012	666,667	0.2	11/6/2021
Officer	11/7/2013	666,667	0.2	11/6/2021
Stevan Armstrong	11/7/2011	116,666	0.2	11/6/2021
current President and	11/7/2012	116,667	0.2	11/6/2021
Chief Operating Officer	11/7/2013	116,667	0.2	11/6/2021

Compensation of Directors

Director Compensation Table

The table below summarizes the compensation paid by us to directors for the fiscal year ended December 31, 2011.

Name	Option Awards \$ (1)	Fees Earned or Paid in Cash (\$)	Total (\$)
Richard J. Lampen	4,560 (2)	\$5,000(3)	\$5,000
J. Bryant Kirkland III	5,700 (2)	\$5,000(3)	\$5,000
Robert M. Lundgren*	-	\$5,000(3)	\$5,000
Glenn L. Halpryn*	-	\$2,500(3)	\$2,500
Magrane+	5,700 (2)	-	5,700
Melton+	5,700 (2)	-	5,700
Tacopina+	4,560 (2)	-	4,560
Galvin+			(4)
Armstrong+			(4)

* **Resigned on the effective date of the Merger.**

+ **Appointed on the effective date of the Merger.**

- (1) The amounts shown represent the aggregate grant date fair value of stock options granted to Mr. Galvin during 2011, as determined in accordance with ASC Topic 718.
- (2) Following the effective date of the Merger, each director who was appointed to the Board, or continued to serve on the Board, received options in lieu of an annual retainer. On November 7, 2011, the Stock Option Committee established a per-meeting director's fee arrangement that provide for each director on the Audit Committee (Messrs. Kirkland, Magrane and Melton) to receive options to purchase \$12,500 worth of Company common stock for each Board or committee meeting attended by such director, and for each other director (other than Mr. Galvin) to receive options to purchase \$10,000 worth of Company common stock for each Board of Directors or committee meeting attended by such director. On November 7, 2011, the Company's Stock Option Committee granted options to purchase 50,000 shares of Company common stock to Messrs. Armstrong, Tacopina and Lampen, in connection with their service on the Board of Directors; and granted options to purchase 62,000 shares of Company common stock to Messrs. Kirkland, Magrane and Melton, in connection with their service on the Board of Directors (the "**2011 Director Options**"). The 2011 Director Options are included in the 2011 Options and have the same terms as described for the 2011 Options.
- (3) For the fiscal year ended December 31, 2011, we paid each director who served on the Board prior to the effective date of the Merger (November 4, 2011), an annual retainer of \$5,000, payable quarterly.
- (4) The compensation arrangements for Messrs. Galvin and Armstrong are disclosed in the Summary Compensation Table.

We also reimburse the directors for reasonable travel expenses incurred in connection with their activities on the Company's behalf.

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.

<u>Exhibit</u>	<u>Description</u>
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.
- 10.07** Collaboration and Supply Agreement, dated July 23, 2007, between SGBlocks, LLC (now known as SG Building, Inc.) and ConGlobal Industries, Inc.
- 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.
- 21.1 List of Subsidiaries. Incorporated herein by reference to Exhibit 21.1 to the Current Report on Form 8-K/A as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on December 20, 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). Incorporated herein by reference to Exhibit 99.01 to the Current Report on Form 8-K/A as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on November 14, 2011.
- 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. Incorporated herein by reference to Exhibit 99.02 to the Current Report on Form 8-K/A as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on November 14, 2011.

* Filed herewith.

** Filed herewith with confidential portions omitted pursuant to request for confidential treatment. The omitted portions have been separately filed with the SEC.

+ Includes compensatory plan or arrangement.

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: January 13, 2012

SG BLOCKS, INC.

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

SGBlocks Collaboration and Supply Agreement

This agreement (“Agreement”) is dated as of July 23, 2007, and is made between SGBlocks, LLC, a Missouri limited liability company (“SGB”) and ConGlobal Industries, Inc., a Delaware corporation (“CGI”).

Recitals:

- A. SGB has developed a methodology for the conversion of used shipping containers into “safe” and environmentally “green” structural building units for the construction industry, and designs, engineers, markets and promotes such products.
- B. CGI, as part of its business, repairs, fabricates and sells used shipping containers.
- C. SGB desires to create a mutually beneficial, long-term relationship with a supplier and fabricator that can convert used shipping containers into SGBlocks™ as defined below for resale to the construction trade by SGB.
- D. The parties desire to enter into such a relationship in accordance with the provisions of this Agreement.

Now, Therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby expressly acknowledged, the parties hereto agree as follows:

- 1. **Definitions.** As used in this Agreement, the following capitalized terms shall have the following meanings:
 - 1.1. “Affiliate” means, with respect to a party, any Person that controls, is controlled by, or is under common control with such party, where “control” means the possession, directly or indirectly, through one or more intermediaries, of the power to direct or cause the direction of the management or policies of a Person, whether by ownership, agreement, or otherwise.
 - 1.2. “Applicable Laws” means all laws, statutes, codes, ordinances, rules and regulations, writs, orders, directives, judgments, and decrees that are binding on or applicable to SGB or CGI (either directly or indirectly as a supplier to SGB), the SGBlocks™ and/or the Conversion Services.
 - 1.3. “Appraised Value” has the meaning set forth in the Operating Agreement.
 - 1.4. “Certification” means written certification provided by CGI to SGB required to be delivered by CGI to SGB that certifies, warrants and represents to SGB that such SGBlock™ (i) has been selected and Converted in accordance with the Required Standards; and (ii) meets all of the Specifications set forth in the Order therefor.
 - 1.5. “CGI Site” means the location of a CGI depot or premises at which Conversion Services can be performed.
 - 1.6. “Container” means a 40’ Intermodal High Cube “Corten” Steel Dry Container originating of construction methods qualifying its original use as a CSC (Convention of Safe Containers) intermodal unit unless otherwise specified in writing by SGB.

[+] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

- 1.7. "Conversion Services" means the services and activities necessary to Convert a Container into an SGBlock™.
- 1.8. "Convert" means to identify, select, modify, manufacture, fabricate and otherwise transform a Container into an SGBlock™ in a manner that complies with (i) the Required Standards, and (ii) any Specifications designated by SGB.
- 1.9. "Contract Year" means any consecutive twelve (12) month period commencing with the Effective Date or any anniversary thereof during the term of this Agreement.
- 1.10. "Delivery Point" means a location to which SGB is requested to deliver one or more SGBlocks™ by a customer.
- 1.11. "Excessive Performance Failure" means a repeated (at least five (5) repetitions within a rolling twelve (12) month period) failure of CGI to comply with the Standard Requirements, Specifications or other provisions of this Agreement of the same or substantially similar nature, written notices of which have been given by SGB to CGI in each instance, that has not been remedied to the reasonable satisfaction of SGB.
- 1.12. "Field of Use" means housing, office, and/or retail uses generally constructed as a permanent structures, but excludes uses exclusively for storage, mobile storage, temporary storage and commercial applications that:
- (1) are occupied by persons temporarily or infrequently (such as construction site temporary offices), or
 - (2) are not assembled into buildings consisting of greater than 6 Containers in size and not intended for use as permanent housing, office, and/or retail structures, or
 - (3) are buildings of such nature that: (A) (I) they do not require a building or other permit or process from local government agencies, or (ii) are built from drawings, and/or specifications supplied to CGI by the party buying the modified container(s), and (B) are for purposes that are not primarily for permanent housing, office and/or retail structures.

In the event a proposed use of Containers by CGI is not clearly within or outside of the Field of Use, CGI will notify SGB of such proposed use and the parties shall collaborate to determine whether such use is within the Field of Use and if so, whether (i) the proposed use by CGI should be permitted; and (ii) if so, whether the proposed use should be performed on a shared or joint venture basis.

- 1.13. "Intellectual Property Rights" means all intellectual property rights throughout the world, whether common law or statutory, whether existing now or in the future, including without limitation: (a) all patent rights and other rights in inventions and ornamental designs; (b) all copyrights and other rights in works of authorship, software, mask works, databases, compilations, and collections of information; (c) all rights in trademarks, service marks, and other proprietary trade designations; and (d) all rights in know-how and trade secrets.

[+] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

- 1.14. "Operating Agreement" means the Operating Agreement of SGBlocks, LLC dated as of _____, 2007, a copy of which has been provided to CGI.
- 1.15. "Order" has the meaning set forth in Schedule B, paragraph 3 below.
- 1.16. "Person" means an individual, corporation, limited liability company, partnership (of any type), trust or other entity.
- 1.17. "Qualified Subcontractor" means an Person engaged by CGI pursuant to a written subcontract with CGI to perform any portion of the Conversion Services with respect to an applicable Order and who has: (i) agreed in such subcontract to perform such Services in accordance with the provisions of this Agreement, and (ii) has consented in such subcontract to provide access to its premises where Conversion Services are being performed for the purpose of permitting SGB to exercise its inspection rights as set forth in Section 6.2 below.
- 1.18. "Qualified Subcontractor Site" means the premises or depot at which a Qualified Subcontractor performs Conversion Services.
- 1.19. "Required Standards" means the requirements and standards for the identification, selection, inspection, Certification and Conversion of Containers into SGBlocks™ attached hereto as **Schedule A**, as may be amended by mutual agreement of the parties from time to time.
- 1.20. "SGBlock™" or "SGBlocks™" means a Container that has been Converted in accordance with the Required Standards and applicable Specifications therefor, and has been ISBU-certified in accordance with the procedures set forth in the Required Standards.
- 1.21. "Specifications" means the engineering and design specifications designated by SGB in accordance with which a particular Container is required to be Converted into an SGBlock™ that are in addition to any requirements set forth in the Required Standards, and may include, without limitation, tolerances, measurements, engineering and other specifications.
- 1.22. "Territory" means all locations within the continental United States within a five hundred (500) mile radius of an existing CGI Site.

2. **Collaboration.**

- 2.1. **Goals.** The parties desire to cultivate a long-term relationship that will enable (i) CGI to establish and develop a successful business model for the provision of Conversion Services and the supply of SGBlocks™ to SGB, and (ii) SGB to expand and develop its business and source a reliable and continuous supply of "safe" and "green" structural building units made from used shipping containers to the construction industry. The parties further agree that it is in their mutual best interest to cooperate with each other to improve and adapt their respective business activities as reasonably necessary to promote and market products that will meet and exceed construction industry demand therefor, both with respect to quality, quantity and price. Each party will work in good faith to help achieve efficiencies of scale and improvements to the Conversion process to allow both parties to enhance profitability and remain competitive in the marketplace. The parties may mutually agree in writing from time to time to modify this Agreement in order to effectuate any such improvements.

[+] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

2.2. Meetings. Upon the request of either party, the parties shall meet from time to time in order to facilitate and refine their relationship, their respective businesses and otherwise collaborate on best practices for the manufacture and supply of SGBlocks™ to the construction industry as contemplated by this Agreement. Such meetings shall include strategic planning meetings called by SGB from time to time, the purpose of which shall be to review SGB business plans and develop strategic initiatives among SGB, CGI and other business stakeholders for the improvement of efficiency, profitability and stability of SGB's business.

2.3. Interest in SGB. As an inducement to enter into this Agreement, SGB has agreed to transfer to CGI as a Class B Member (as defined in the Operating Agreement) a "Percentage Interest" (as defined in the Operating Agreement) in SGB in accordance with the provisions set forth below.

- (a) Operating Agreement. Contemporaneously with the execution of this Agreement, CGI will execute the Operating Agreement as a Class B Member. CGI represents to SGB that it has reviewed the Operating Agreement, is familiar with its terms, has had the opportunity to review the Operating Agreement with counsel of its choice and agrees to the terms as set forth therein. CGI further acknowledges and agrees that as a Class B Member, CGI will have no voting rights in connection with operations or management of SGB.
- (b) Transfer of Interest. Upon execution of this Agreement by the parties and the Operating Agreement by CGI, SGB will issue to CGI as a Class B Member, a five percent (5%) Percentage Interest in SGB (the "SGB Interest"), one-half of which (2.5%) shall vest immediately. Provided this Agreement is then in full force and effect and CGI is then in compliance with the provisions hereof and of the Operating Agreement, the balance of the SGB Interest shall vest in CGI on the first anniversary of the Effective Date ("Full Vesting Date"). Notwithstanding the foregoing, if SGB sells all or substantially all of its business, assets or equity interests on or prior to the Full Vesting Date, the balance of the SGB Interest shall vest fully to CGI immediately prior to the close of the transaction therefor.
- (c) Subject to Operating Agreement. The SGB Interest shall be held by CGI in accordance with and subject to the provisions of the Operating Agreement.
- (d) Termination. In the event of the expiration or termination of this Agreement for any reason, SGB shall have the right, but not the obligation, at any time thereafter, by written notice to CGI, to purchase the SGB Interest in its entirety from CGI at the Appraised Value thereof calculated and established in the manner set forth in the Operating Agreement as of the date of such notice. Notwithstanding the provisions of the Operating Agreement, payment for such interest may be made by promissory note, the principal of which shall be paid in five (5) equal annual installments at an interest rate equal to the prime rate published by Citibank, N.A. as of the date the note is issued. SGB shall have the right to prepay the note, in whole or in part, at any time, provided that any partial prepayments shall be applied in the reverse order of maturity.

[+] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

3. Promotion.

3.1. Mutual. Each party agrees to use reasonable efforts to assist the other to promoting their respective businesses, including, without limitation, mentions on web sites, advertising, trade shows and the like.

3.2. CGI Sales. In addition, SGB agrees to provide SGBlock™ “product knowledge” to CGI sales personnel, and to train CGI’s national sales and general management staff regarding SGBlocks™ so as to enable CGI sales personnel (“CGI Representatives”) to market SGBlocks™ to customers within the Field of Use on a non-exclusive basis. CGI Sales Representatives shall have no authority to bind SGB to any sale, agreement or commitment. All sales of SGBlocks™ procured by CGI Sales Representatives may be accepted or rejected by SGB in its sole discretion. Any commission or other compensation payable to CGI Sales Representatives with regard to any sales of SGBlocks™ procured by them shall be paid by CGI and SGB shall have no obligation to compensate any CGI Sales Representative for any reason. CGI shall indemnify, defend and hold SGB harmless from any claims for compensation or otherwise made by CGI Sales Representatives with respect to any sales or attempted sales of SGBlocks™.

3.3. Information. Each party shall make available to the other party such information as may be reasonably necessary to market and sell SGBlocks™, including, without limitation, financial statements, company history and other information reasonably requested by potential customers of SGB, lenders to SGB and/or investors in SGB.

4. Supply of SGBlocks™.

4.1. Appointment. Subject to the provisions of this Agreement, SGB hereby appoints CGI as its exclusive supplier of SGBlocks™ for use within the Territory and within the Field of Use. CGI hereby accepts such appointment. The provisions of this Agreement shall govern all transactions between the parties with respect to the purchase and sale of SGBlocks™. Unless expressly accepted by the other party in a writing referring specifically to a term or condition and the modification or alteration thereto, no terms in any acknowledgments, invoices, quotations, acceptances or other documents shall be effective except as to: (i) identification of the SGBlock™, (ii) number of SGBlocks™ ordered; (iii) Specifications for a SGBlock™; and (iv) Delivery Points,

4.2. Supply Provisions. CGI shall supply SGBlocks™ to SGB in accordance with the provisions of Schedule B attached hereto.

5. Intellectual Property. As between SGB and CGI, SGB owns and shall at all times own all right, title and interest in all engineering drawings, schematics, plans, designs, modifications, Specifications, inventions (whether or not patentable), improvements (whether or not patentable), technology, know-how, and Confidential Information supplied, used or developed by SGB or jointly by SGB and CGI in connection with the SGBlocks™ and the methods of Conversion thereof, together with all Intellectual Property Rights embodied therein and/or appurtenant thereto. CGI shall, at SGB’s cost and expense, execute any and all documents reasonably necessary to vest and confirm such ownership in SGB. In no event shall CGI sell or modify a Container using the processes developed by SGB unless directed by SGB to do so, or unless the prior written consent of SGB is received.

[+] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

6. Administration.

- 6.1. Audit and Inspection.** CGI shall keep and maintain accurate and complete books and records (including accounting, sales, Conversion, Container history (if such information has been obtained by or provided to CGI), Certification records, subcontractor documentation, tariff and other relevant records, which records are referred to hereafter as “Block Records”) with respect to each SGBlock™ purchased by SGB for at least ten (10) years after the purchase thereof by SGB. To the extent Block Records can reasonably be made available to SGB electronically, CGI will provide such access. Upon reasonable advance written notice, SGB and/or its designated representatives shall have the right to inspect and audit any SGBlock™ Records to monitor CGI’s compliance with the provisions of this Agreement (“Audit”). To the extent any such Audit reveals any non-compliance by CGI with any of the provisions of this Agreement, CGI will immediately remedy such non-compliance and notify SGB upon completion of such remedy. To the extent any such Audit reveals any overcharges by CGI, then at SGB’s election, CGI shall either pay SGB the amount of such overcharges or grant CGI a credit against future purchases of SGBlocks™ from CGI. To the extent any such Audit reveals any undercharges by CGI, then SGB shall promptly pay CGI the amount of such undercharges.
- 6.2. Access.** Upon the request of SGB from time to time, CGI shall grant CGI and/or its representatives access to CGI Sites and/or Qualified Subcontractor Sites to assist, observe and/or monitor the selection of Containers and the performance of the Conversion Services being provided by CGI or its Qualified Subcontractors hereunder. To the extent SGB discovers any non-compliance with the provisions of this Agreement, then, in addition to any other rights and remedies it may have, SGB may notify CGI in writing and CGI shall promptly undertake all steps necessary to remedy such non-compliance.

7. Additional Agreements.

- 7.1. Trademark License.** The Required Standards provide for the marking and labeling of the SGBlocks™ using SGB’s trademarks, service marks and Certification marks or seals as specified therein (“SGMarks”). It is intended that CGI shall have the limited right and license to use the SGMarks strictly in the manner set forth in the Required Standards and as provided herein. Any other use of the SGMarks by CGI shall require the prior written approval of SGB. All goodwill accrued with respect to the use of the SGMarks shall inure to the exclusive benefit of SGB. CGI acknowledges and agrees that SGB is the sole and exclusive owner of the SGMarks and hereby agrees that it will not challenge SGB’s ownership thereof, will execute any instruments reasonably necessary to confirm ownership of the SGMarks in SGB, and shall cease all use of the SGMarks upon the effective date of any termination or expiration of this Agreement.
- 7.2. Mutual Representations.** Each party hereby represents to the other that: (i) it has obtained all approvals and consents necessary to enter into this Agreement; (ii) it has full authority to enter into and perform this Agreement in accordance with its terms and conditions, and that its signators hereto have full authority to execute this Agreement on its behalf; (iii) there are no other agreements or arrangements regarding which the execution of this Agreement would cause a default either currently or with the passage of time; (iv) it has not entered into any agreements that would conflict or interfere with its ability to comply with and perform this Agreement; and (v) it will comply with all Applicable Laws in connection with the performance of this Agreement.

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8. Restrictive Covenants.

8.1. Exclusive Purchase Restriction. During the term of this Agreement, SGB will purchase its supply of SGBlocks™ exclusively from CGI within the Field of Use and in the Territory (the “Exclusive Purchase Restriction”) subject to the following:

- (a) Remote Delivery Point. If the Delivery Point is outside of the Territory, SGB may:
 - (i) elect to purchase SGBlocks™ from an alternative supplier on such terms and conditions as SGB deems appropriate for so long as such Delivery Point remains outside of the Territory, provided, however, in each instance, SGB shall notify CGI in writing of the customer order for a Delivery Point outside of the Territory and within five (5) business days of delivery of such notice, CGI may elect to supply the SGBlocks™ to such Delivery Point outside of the Territory through a Qualified Subcontractor and SGB shall submit an Order therefor; or
 - (ii) SGB may nonetheless place an Order with CGI for delivery to a Delivery Point outside of the Territory and CGI shall accept such Order and supply such SGBlocks™ in accordance with the provisions of this Agreement.
- (b) Forces Majeure. In the event of the occurrence of Forces Majeure as set forth in Section 12.3 below; and/or
- (c) Inability to Deliver. In the event CGI is either unable to deliver or notifies SGB that it is unable to deliver SGBlocks™ pursuant to an Order within five (5) business days of the date specified therefor in an Order, in which event such right shall continue until such time as SGB, in its reasonable discretion, determines that the reasons for the failure or inability to deliver shall have been cured.

8.2. Opportunities Outside the Field of Use. If SGB discovers an opportunity to supply SGBlocks™ or Containers for purposes outside the Field of Use (“Outside Opportunity”), it shall first so notify CGI with respect to such opportunity and the parties will confer regarding whether SGB or CGI or both will pursue such Outside Opportunity. If CGI declines to participate with respect to the Outside Opportunity in all respects, SGB may, unless CGI disapproves, pursue the Outside Opportunity and fulfill any orders for SGBlocks™ or Containers through sources other than CGI. If CGI desires to participate in the Outside Opportunity, the parties shall collaborate and determine the manner in which the Outside Opportunity will be pursued (including, without limitation, considerations regarding whether the Outside Opportunity competes with CGI’s ongoing Container modification business outside the Field of Use), how the SGBlocks™ or Containers should be supplied to the potential customer, and the manner in which the parties will be compensated, all as determined at the time. By way of example, the parties may determine (i) to treat the Outside Opportunity in the same manner as other transactions pursuant to this Agreement within the Field of Use, (ii) to permit third parties to supply the Containers or SGBlocks™ for the Outside Opportunity (but only to the extent agreed upon by CGI), (iii) to have CGI act as the direct contact with the third party and provide SGB an agreed upon commission with respect to any sales, or (iv) such other methods as the parties may agree.

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8.3. Exclusive Supply.

- (a) Exclusive Supply Restriction. During the term of this Agreement, CGI shall not, directly or indirectly, for its own account or for the account of any third party (whether by ownership, management, operation or control of any other Person), make, manufacture, fabricate, convert, adapt, sell, modify, market, promote, supply or provide to any Person, any used shipping containers for use within the Field of Use (“Exclusive Supply Restriction”).
- (b) Failure to Meet Forecast. Notwithstanding the foregoing, if SGB fails to purchase at least sixty percent (60%) of Forecasted Purchases (as defined in **Schedule B**, paragraph 10) for two (2) consecutive Contract Years, CGI may declare the Exclusive Supply Restriction null and void by giving written notice thereof SGB within sixty (60) days after the completion of the second such Contract Year (“Non-Exclusive Notice”). If CGI timely provides the Non-Exclusive Notice, (i) the Exclusive Supply Restriction will be null and void and CGI may provide Conversion Services or supply used shipping containers that have been converted for use within the Field of Use to any Person, subject to the obligations of confidentiality set forth herein, (ii) the Exclusive Purchase Restriction shall become null and void and SGB may purchase SGBlocks™ or procure Conversion Services from any Person, and (iii) SGB shall have the right, but not the obligation, to purchase CGI’s SGB Interest in accordance with the provisions of Section 2.3 above.

8.4. Non-Solicitation Provision. Each party (“**First Party**”) covenants and agrees that during the term of this Agreement and for a period of one (1) year following the termination or other expiration of this Agreement, it shall not, directly or indirectly, whether alone or in association or combination with any other Person, as an officer, director, shareholder, member, manager, employee, agent, independent contractor, consultant, advisor, joint venturer, partner or otherwise, and whether or not for pecuniary benefit, solicit, assist the solicitation of, or encourage any employee or independent contractor of the other party (“**Other Party**”) or its Affiliates to terminate or otherwise modify that Person’s employment with or retention by such Other Party or its Affiliates for the purpose of encouraging or assisting that Person to become employed or retained by any other Person (including, without limitation, First Party) unrelated to the Other Party or its Affiliates.

8.5. Confidentiality.

- (a) Confidential Information. Subject to the exceptions set forth in Section 8.5(b) below, for purposes of this Agreement, the “**Confidential Information**” of a party, whether disclosed prior to or after the Effective Date, whether disclosed pursuant to a prior confidentiality agreement between the parties or any of their Affiliates, whether in oral, written, visual, electronic or other form, and regardless of whether marked or identified as “confidential” or “proprietary” at the time of disclosure, shall mean any and all business information, technical information, financial information, accounting information, marketing information, customer information, employee information, and sales contact information, and any other information that a reasonable person familiar with such party’s business and industry would consider confidential under the circumstances.

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- (b) Exceptions. Any particular item of information shall not be considered Confidential Information for purposes of this Agreement at such time, and solely to the extent, such information is: (a) known to the receiving party prior to any disclosure by or on behalf of the disclosing party; (b) rightfully acquired by the receiving party on a non-confidential basis from a third party legally entitled to disclose such information; (c) placed in the public domain through no wrongful act or fault of the receiving party; or (d) independently developed by the receiving party without reference to or reliance on the Confidential Information of the disclosing party.
- (c) Confidentiality Obligations. From time to time, each party may receive, observe, and/or have physical or electronic access to certain Confidential Information of the other party. Each party agrees, on behalf of itself and its employees, agents, independent contractors, and Affiliates, that it shall not access, use or disclose any Confidential Information of the other party for any purpose whatsoever, other than as necessary for the purpose of exercising its rights and performing its obligations under this Agreement. Each party shall protect the other party's Confidential Information from unauthorized access, use, and disclosure in the same manner that it protects its own Confidential Information of a similar nature, and with no less than a reasonable degree of care. In addition to, and not in limitation of the foregoing, neither party shall disclose any information about this Agreement without the prior written consent of the other.
- (d) Permitted Disclosures. Except as otherwise expressly authorized by the other party in writing, each party shall limit its disclosure of the other party's Confidential Information solely to its directors, officers, employees, agents, contractors, and legal and financial advisors who have a need to know such Confidential Information for a permitted purpose, and who are under a duty of confidentiality at least as protective and restrictive as the provisions of this Section 8.5. Each party shall notify its personnel and representatives of their obligations under this Section 8.5, and shall be responsible and jointly and severally liable for any breach of this Section 8.5 by such personnel or representatives.
- (e) Required Disclosures. If either party is requested to disclose any Confidential Information of the other party under any applicable law or in any judicial or administrative proceeding, then, except as otherwise required to comply with any court order or other applicable law, the party agrees to promptly notify the other party of such request so that the party may resist such disclosure or seek an appropriate protective order. If either party is nonetheless compelled to disclose any Confidential Information of the other party under applicable law or in such judicial or administrative proceeding, the party shall limit its disclosure to that which is required by applicable law or the relevant judicial or administrative body.
- (f) Return or Destruction. Upon the expiration or termination of this Agreement for any reason, each party shall, at the written election of the other party, promptly return or destroy any and all Confidential Information of the other party in its possession or control (including copies and summaries thereof).

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- (g) Survival of Confidentiality Obligations. The obligation to protect and maintain as confidential each item of Confidential Information shall survive any expiration or termination of this Agreement and shall continue in full force and effect until such time as such item is no longer considered Confidential Information as provided in Section 8.5(b) above.

8.6. Enforcement. The parties acknowledge and agree that a violation of any of the provisions of this Section 8 will cause irreparable injury to the non-breaching party and that monetary damages alone will be insufficient to remedy such breach. Therefore, in the event a party breaches any of the provisions of this Section 8, the non-breaching party, in addition to and not in limitation of any other rights or remedies that may be available at law or in equity, may apply to a court of competent jurisdiction for an injunction, temporary restraining order, specific performance or other applicable equitable relief.

9. Term and Termination.

9.1. Term. The term of this Agreement shall commence on the Effective Date and shall continue for a period of ten (10) years, unless terminated earlier in accordance with the provisions hereof.

9.2. Termination for Cause. Either party may terminate this Agreement for cause if the other party materially breaches this Agreement, and fails to cure the breach within ninety (90) days after receiving written notice of breach from the non-breaching party; **provided, however**, in the event the breaching party fails cure such breach within such period and the non-breaching party desires to terminate this Agreement, the non-breaching party will give the President or Manager of the breaching party additional written notice of such failure (“Presidential Notice”), and if such breach has not been cured or the parties have not otherwise agreed within ten (10) days of delivery of the Presidential Notice, the non-breaching party may terminate this Agreement without further notice. Either party may cancel any or all outstanding Orders, in whole or in part, without charge or liability in the event of a termination arising from the other party’s breach.

9.3. Termination for Convenience.

(a) Excessive Performance Failure. At any time after the occurrence of two (2) or more Excessive Performance Failures in any rolling twelve (12) month period. SGB may terminate this Agreement for convenience at any time upon at least ninety (90) days’ prior written notice to CGI without any liability therefor; provided, however that SGB shall remain responsible for any outstanding Orders submitted prior to the date of termination, unless otherwise cancelled in accordance with the provisions of this Agreement.

(b) Release of Exclusive Supply Restriction. In the event CGI declares the Exclusive Supply Restriction null and void in accordance with Section 8.3(b) above, either party shall have the right to terminate this Agreement for its convenience by giving at least one hundred eighty (180) days advance written notice thereof, provided that each party shall continue to fulfill its obligations under this Agreement during such period.

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- 9.4. Termination for Insolvency or Bankruptcy. Either party may terminate this Agreement upon written notice to the other party, and/or cancel any or all Orders, in whole or in part, without charge or liability, if the other party becomes or is declared insolvent, makes a general assignment for the benefit of creditors, suffers a receiver to be appointed for it, enters into an agreement for the composition, extension, or readjustment of all or substantially all of its obligations, files a voluntary petition in bankruptcy, or has an involuntary petition in bankruptcy filed against it, which petition is not dismissed with prejudice within sixty (60) days after filing.
- 9.5. Effects of Termination. Upon the expiration or termination of this Agreement for any reason: (a) CGI shall notify SGB promptly of all outstanding Orders; (b) SGB shall have the right to cancel any outstanding Orders, in whole or in part, in accordance with the provisions of this Agreement; (c) SGB may continue to place Orders provided herein; and (d) CGI shall continue to fulfill any such outstanding Orders and new Orders (only applicable with respect to a termination for convenience under Section 9.3 above) in accordance with the provisions of this Agreement.
- 9.6. Survival. This Agreement shall survive in its entirety with respect to all outstanding Orders submitted pursuant to this Agreement. In addition, Sections 1, 2.3, 5, 6, 7, 8.4, 8.5, 8.6, 9.5, 10, 11, and 12 and any other provisions of this Agreement, the Schedules hereto, and any Orders which by their nature extend beyond the expiration or termination of this Agreement, shall survive the expiration or termination of this Agreement for any reason, and shall bind the parties, their successors and assigns.

10. **Indemnification and Insurance.**

- 10.1. Indemnification Obligations. Each party (“**First Party**”) shall defend, indemnify, and hold harmless the other party and its directors, officers, employee, agents, and/or representatives (“**Representatives**”) from and against any and all losses, demands, claims, actions, suits, proceedings, damages, costs and direct expenses (including without limitation reasonable attorneys’ fees) (collectively, “**Claims**”), made, sustained or brought against the other party or its Representatives by any third party arising from or related to (a) any breach of any representation, warranty or covenant made by the First Party pursuant to this Agreement (including without limitation any bodily injury or property damage caused thereby), (b) the gross negligence or willful misconduct of First Party or its Representatives, (c) any violation of any Applicable Law by First Party or its Representatives.
- 10.2. Procedure. Upon receipt of notice of any Claim for which either party intends to seek indemnification from the other hereunder, the party seeking indemnification shall notify the indemnifying party thereof and the indemnifying party shall, at its costs and expense, defend such Claim with counsel of its choice, which counsel shall be reasonably satisfactory to the indemnified party. The indemnified party shall be entitled to participate in such claim or suit at its expense and with counsel of its choice. Such counsel shall be afforded access to all information pertinent to such Claim. The indemnifying party shall not settle or otherwise compromise any claim or suit for any reason other than the payment of money without the prior written consent of the indemnified party, which shall not be unreasonably withheld.
- 10.3. Insurance. Each of the parties shall procure and maintain such insurance coverages as the parties shall mutually agree from time to time pursuant to this Agreement, provided that each party shall maintain minimum commercial general liability insurance, including products liability insurance of not less than One Million Dollars (\$1,000,000.00) per occurrence and Two Million Dollars (\$2,000,000) aggregate, together with supplemental umbrella coverage for at least an additional four (4) million dollars; provided that the umbrella coverage or a portion thereof, may alternatively be provided through the primary insurance policy. Such policy or policies of insurance shall be written by insurance companies licensed to do business the United States of America, and shall be maintained in full force and effect, at each party’s sole cost and expense throughout the term of this Agreement. Upon request, a party shall furnish the other party a certificate or certificates from its insurance carrier(s) evidencing such insurance and naming the other party as an additional insured and providing that the other party shall receive at least 20 days’ prior written notice by the insurance carrier(s) of any change, cancellation or reduction in such coverage. In addition, the parties shall use reasonable efforts to coordinate their insurance coverages so as to achieve the maximum coverage at a reasonable cost.

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11. Alternative Dispute Resolution.

11.1. Mediation. In the event of any dispute relating to this Agreement, the parties shall, prior to instituting any arbitration proceeding or lawsuit (if applicable) on account of such dispute, refer such dispute to the President of SGB and the President of CGI, who shall, as soon as is practicable, and with the assistance of a mediator as provided below, attempt in good faith to resolve the dispute. The parties shall select a mediator who shall serve as an impartial facilitator of such discussion. If the Parties are unable to agree upon a mediator, a mediator shall be designated by the American Arbitration Association (“AAA”) office located in St. Louis, Missouri. The mediation shall be treated as a settlement discussion and therefore will be privileged and confidential. The mediator may not testify for either party or serve as an arbitrator in any later proceeding relating to the dispute, and no recording or transcript shall be made of the mediation proceedings. Each party shall bear its own costs in the mediation and the fees and expenses of the mediator shall be shared equally by the parties. If such dispute is not resolved within ninety (90) days of the first written request for mediation, either party may seek arbitration of the matter as set forth herein. Notwithstanding anything in this Agreement to the contrary, either party shall be entitled to seek equitable relief in a court of competent jurisdiction at any time if the same shall be necessary to prevent irreparable harm to any party.

11.2. Arbitration. Except with respect to equitable relief which may be obtained in a court of competent jurisdiction, if the parties are unable to resolve any dispute through the mediation provisions set forth above, such dispute shall be finally resolved by binding arbitration. The arbitration shall be in accordance with the Commercial Arbitration Rules (“Rules”) of the AAA which shall administer the arbitration and act as appointing authority; provided that the arbitrator(s) appointed with regard to the arbitration proceeding shall not be the same persons who served as mediated in any mediation between the parties. The parties agree to permit discovery proceedings of the type provided by the Federal Rules of Civil Procedure both in advance of, and during recesses of, the arbitration hearings, and any disputes relating to such discovery will be resolved by the arbitrator(s). In the event of any conflict between the Rules and the provisions of this Section 11.2, the provisions of this Section 11.2 shall govern. If the amount in controversy exceeds \$50,000, then the arbitration shall be heard and determined by a panel of three arbitrators selected in accordance with the procedures of the AAA. The arbitration, including the rendering of the award, shall take place in St. Louis, Missouri. Judgment upon the award of the arbitrators may be entered in any court having jurisdiction thereof. In the event of any arbitration or other legal proceeding brought by any party against another party with regard to any matter arising out of or related to this Agreement, each party hereby expressly agrees that the final award decision shall also provide for an allocation and division between the parties to the arbitration, on a basis which is just and equitable under the circumstances, of all costs of arbitration, including court costs and arbitrators’ and reasonable attorneys’, accountants’ and expert witness fees, costs and expenses fees (including disbursements) incurred in connection with such proceedings.

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12. Miscellaneous

12.1. Advertising and Publicity.

- (a) Permission Required. Neither party shall issue any press release, or make any other public statement relating to or connected with or otherwise arising out of this Agreement or the matters contained herein, without obtaining the other party's prior written approval to the contents and the manner of presentation and publication thereof, provided that nothing herein shall prevent any party from making any disclosures required by applicable law. Notwithstanding the foregoing, no written approval shall be necessary if a press release or public statement is within the guidelines of a marketing or advertising campaign or plan that has been approved by the parties in writing and in advance.
- (b) References. Any reference to a party ("**First Party**") or any of its Affiliates or use of a First Party's trademarks, trade names, service marks, logos or insignias by the other party in any of the other party's advertising or publicity materials shall comply with First Party's publicity and advertising guidelines.

12.2. Independent Contractor. At all times during this Agreement, each party shall act as and be an independent contractor of the other party and nothing contained in this Agreement or in any Purchase Order shall be construed to make either party the partner, joint venturer, principal, agent or employee of the other.

12.3. Forces Majeure. Neither CGI nor SGB shall be liable for a failure or violation of this Agreement that arises from causes or events beyond its reasonable control and without its fault or negligence, including labor disputes, wars, hostilities, public disorders, acts of public enemies, fires, floods, acts of God, prohibitions or restrictions by law and government regulations, and any other causes beyond a party's reasonable control ("Forces Majeure"). If the Forces Majeure continue for more than fifteen (15) days, SGB shall be permitted to purchase SGBlocks™ from alternative suppliers until such time as the Forces Majeure have passed; provided, however, that either party shall have the right to terminate its obligations under the applicable Order if such Forces Majeure lasts more than one hundred eighty (180) days. The party experiencing the Forces Majeure shall give notice in writing promptly after the occurrence thereof. The party experiencing the Forces Majeure shall use its commercially efforts to take measures and precautions to reduce the effect of such delay on the other party.

12.4. Assignment. Neither party shall have the right to assign this Agreement, or any of its rights or obligations under this Agreement or any Order for any purpose except as specifically permitted by this Agreement or with the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed.

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- 12.5. Severability.** In the event any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement and such provision shall, to the extent allowable by law, be modified so that it becomes enforceable and, as modified, shall be enforced as any other provision of this Agreement. If such provision cannot be so modified, this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.
- 12.6. Applicable Law.** This Agreement and all Orders submitted hereunder shall be governed by the laws of the State of Missouri without regard to conflict of laws and provisions thereof. Each party hereby consents to the jurisdiction and venue for the state and federal courts located in the City of St. Louis and/or St. Louis County, Missouri, and hereby agree to receive service of process by mail.
- 12.7. Remedies and Waiver.** The individual remedies reserved in this Agreement or in a Order shall be in addition to any remedies available at law or in equity. No waiver of any breach of any provision of this Agreement or of an Order shall be construed to constitute a waiver of any other breach of such provision or any other provisions.
- 12.8. Attorneys' and Experts' Fees & Costs.** If any action at law or in equity, including any arbitration proceeding, is necessary to enforce or interpret this Agreement or any Order, the prevailing party shall be entitled to an award of attorneys' and experts' fees, costs and expenses, including counsel's fees and expenses relating thereto.
- 12.9. Notices.** All communications and notices required or permitted to be given under this Agreement or any Order shall be sufficiently given if made in writing and personally served or sent by overnight courier, by registered mail or certified mail (first-class postage prepaid) and shall be deemed to have been given on the date delivered if sent by overnight courier or on the date delivered (or the date of refusal of delivery). For the purposes hereof, the addresses of the parties hereto (until notice of a change thereof served as provided in this Section 12.9) shall be as follows:

If to SGB: SGBlocks, LLC
 137 Fall River Rd
 Idaho Springs, Co 80452
 Attn: Bruce A Russell, Sole Manager
 brussell@sgblocks.com

With a copy to: Greensfelder, Hemker & Gale, P.C.
 10 South Broadway, Suite 2000
 St. Louis, Missouri 63102
 Attn: Bernard C. Huger, Esq.
 bch@greensfelder.com

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If to CGI: ConGlobal Industries, Inc.
2000 Crow Canyon Place
Suite 430
San Ramon, CA 94583
Attention: Mike Baldwin, President/CEO
mbaldwin@cgin.com

With a copy to: Porter & Hedges
1000 Main St
36th Floor
Houston, TX 77002
Attention: William Wiggins
bwiggins@porterhedges.com

12.10. Entire Agreement. This Agreement, including any terms, conditions, exhibits or schedules incorporated hereby by reference or otherwise referred to herein, embody the entire agreement between the parties on this subject, and supersede all previous or contemporaneous communications or agreements, whether written or oral, between the parties on this subject. No modification or amendment to this Agreement shall be effective unless made in writing and duly signed by an authorized representative of each of the parties.

12.11. Headings. The captions and headings included in this Agreement are for convenience only and in no way affect the meaning or interpretation of the terms and conditions themselves. References to those captions and headings are, unless the context clearly requires otherwise, references to captions and headings to this Agreement.

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IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Effective Date.

THIS AGREEMENT CONTAINS MEDIATION AND BINDING ARBITRATION PROVISIONS THAT MAY BE ENFORCED BY THE PARTIES.

SGBlocks, LLC (“SGB”)

ConGlobal Industries, Inc. (“CGI”)

By:

By:

/s/ Bruce Russell

/s/ Mike Baldwin

Name: Bruce Russell
Title: Sole Manager

Name: Mike Baldwin
Title: President/CEO

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Schedule A

Required Standards



(TO BE ADDED ... work in progress)

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Schedule B

Supply Provisions

CGI shall supply SGBlocks™ to SGB in accordance with the following provisions and subject to the other terms and conditions set forth in the Agreement.

1. **Sourcing of Containers.** CGI shall identify and procure Containers for Conversion to SGBlocks™ pursuant to purchase orders (“Orders”) placed by SGB with CGI from time to time. All Containers procured for Conversion shall satisfy the requirements therefor set forth in any Required Standards. CGI agrees that because of the known quality and history of Containers owned and controlled by Triton Container International Limited (“Triton”) CGI shall use reasonable efforts to procure Containers for Conversion from Triton.
2. **Price and Payment.** The price for each SGBlock™ shall be as set forth on **Schedule C** of the Agreement attached hereto. Payment for completed SGBlocks™ shall be made in accordance with the provisions of **Schedule C**. All invoices shall be payable within sixty (60) days from the date thereof, provided that CGI may not invoice SGB for an SGBlock™ that has not been completed. Anything herein to the contrary notwithstanding, SGB shall have no obligation to pay for any SGBlock™ unless and until CGI has provided SGB Certification thereof as required herein.
3. **Orders.** Subject to the provisions of this Agreement, CGI will Convert and sell to SGB, and SGB shall purchase from CGI, SGBlocks™ ordered by SGB from time to time by submission to CGI of a purchase order in form substantially as agreed by the parties from time to time (“Order”). All Orders will set forth the quantity of SGBlocks™ ordered, the Delivery Point for each SGBlock™, the Specifications for each SGBlock™ including, without limitation, shop and engineering drawings, and shipping instructions for each such SGBlock™. There shall be no minimum number of SGBlocks™ per Order. Unless otherwise expressly agreed by the parties in writing, each SGBlock™ ordered by SGB shall be Converted at the CGI Site closest to Delivery Point specified by SGB in the applicable Order.
4. **Order Confirmation.** CGI will confirm its acceptance of an Order within five (5) days of receipt thereof. If no confirmation is timely given, the Order will be deemed accepted. Such acceptance will constitute CGI’s agreement to supply the SGBlocks™ so ordered in conformance with the Specifications, Required Standards and the other provisions of this Agreement. If CGI rejects the Order, it will specify the reasons therefor in writing and the parties will collaborate to remedy the reasons for such rejection.
5. **Packing and Marking.** Each SGBlock™ and/or parts thereof shall be packaged, marked and shipped in accordance with SGB’s standard shipping procedures as set forth in the Required Standards or as otherwise provided by SGB to CGI. All SGBlocks™ shall bear the SGMarks as provided in the Required Standards unless otherwise set forth in an Order.
6. **Completion.** Each Order shall be completed and ready for delivery on or before the date specified therefor in the Order, provided that unless the parties expressly agree otherwise in the Order, all Orders shall be required to be started no more than five (5) business days from the submission thereof unless otherwise agreed upon. Best efforts shall be made to comply with all completion dates as specified in Order. Completion and delivery under Orders for multiple SGBlocks™ may be staggered as set forth and agreed upon in an applicable Order. In the event CGI becomes aware of any reason that an Order will not be completed timely, it shall immediately notify SGB and the parties shall collaborate in good faith to establish appropriate alternative completion dates.

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7. **Certification.** Upon completion of an SGBlock, CGI shall deliver to SGB a written Certification together with copies of all supporting documentation therefor, including, without limitation, the Person from whom the Container was purchased; to the extent reasonably available, all prior owners and lessees of the Container; and all shop drawings and Specifications used to Convert the Container into an SGBlock™.
8. **Cancellation of a Purchase Order.** SGB may cancel its purchase obligations under an Order, in whole or in part, with respect to any SGBlock™ not yet in the process of Conversion at no cost to SGB. A Purchase Order for a SGBlock for which Conversion has commenced may not be canceled.
9. **Shipment and Packaging.**
- 9.1 **Shipment.** CGI shall deliver completed SGBlocks™ to SGB in accordance with the instructions on the applicable Order or as otherwise agreed by the parties.
- 9.2 **Shipment, Title and Risk of Loss.** Title and risk for loss shall pass from CGI to SGB upon delivery of a SGBlock™ to SGB's designated carrier. CGI shall bear the risk of loss for all completed SGBlocks™ stored at a CGI Site. CGI shall comply with SGB's reasonable shipping and routing instructions and shall be responsible for any additional costs resulting from any unauthorized deviation therefrom. CGI shall not charge separately for packing, packaging, marking, or handling, unless SGB requires CGI to perform such duties in a manner inconsistent with CGI's standard practices as set forth in the Required Standards.
10. **Forecasts.** On or before each anniversary of the Effective Date, SGB shall provide CGI a written forecast of its contemplated purchases of SGBlocks™ for the upcoming year ("Forecasted Purchases"). Each such forecast shall be non-binding; provided however, if SGB fails to purchase at least sixty percent (60%) of the amount forecast for two (2) consecutive Contract Years, CGI shall have the right to terminate the Exclusive Purchase Restriction in the manner set forth in Section 8.2(b) of the Agreement.
11. **Product Warranty.** CGI represents and warrants that with respect to each SGBlock™ delivered by CGI to SGB, the selection of the Container, performance of the Conversion Services and the SGBlock™ delivered to SGB, will conform to and comply with all Required Standards as well as all Specifications provided to CGI by SGB in connection with the Order therefor. In the event any non-compliance with the Required Standards or applicable Specifications is discovered, then in addition to any other remedies available at law or in equity, CGI will either repair the SGBlock so as to be compliant therewith or, at SGB's election, replace the SGBlock™ at no additional cost or expense to SGB. To the extent there are freight or shipping charges incurred with respect to any such repair or replacement, such costs shall be borne and paid by CGI. Notwithstanding the foregoing, the above product warranty shall not apply with respect to engineering or design errors made by SGB and included in an Order provided by SGB to CGI.
12. **Storage.** SGB may elect to store SGBlocks™ ordered by SGB at an applicable CGI Site. CGI shall provide such storage services for the prices and in accordance with the provisions of **Schedule D**.

[+] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

13. **Subcontractors.** CGI shall have the right, but not the obligation, to engage one or more subcontractors to perform Conversion Services, provided that: (i) any such subcontractor shall be a “Qualified Subcontractor” as defined above; (ii) CGI notifies SGB of the engagement of a Qualified Subcontractor, together with its identity and the location at which the Conversion Services will be provided to CGI; and (iii) each SGBlock™ provided shall comply with all Required Standards and shall conform to all Specifications provided by SGB in the applicable Order. Upon the request of SGB, CGI will provide SGB copies of any agreements or consents executed by a Qualified Subcontractor as a condition of its qualification as such. If SGB in good faith believes that a Qualified Subcontractor has or will be unable to provide Conversion Services to CGI as required by this Agreement, SGB shall so notify CGI in writing, the parties shall consult with each other in good faith, and, if request by SGB, CGI will terminate any subcontractor arrangement it may have with the applicable subcontractor. CGI will in all cases be responsible for all SGBlocks™ for which Conversion Services have been provided by a subcontractor of CGI.

[+] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule C

Pricing and Payment

1. Purchase Price. The price for an applicable SGBlock™ payable by SGB to CGI shall be calculated in accordance with the following formula:

$$PP = [+], \text{ where}$$

- (i) “PP” means the “purchase price” payable by SGB to CGI for an SGBlock™;
- (ii) [+] means the [+] for a Container for the immediately prior [+] for such Containers from [+] Such [+] to be provided by CGI to SGB on a [+] basis);
- (iii) [+] means [+] which reflects the [+] for the SGBlocks™
- (iv) [+] means [+] plus a [+] of same; and
- (v) [+] means [+] which amount shall be assumed to be [+] as defined below; and
- (vi) [+] means the [+] at the applicable CGI Site [+] **Note:** To reflect actual [+] Upon SGB’s request, CGI will provide SGB with records and calculations of new tariff rates in such detail as to permit SGB to verify the accuracy of such tariff rates. Set forth below is a chart reflecting the Average Tariff Labor Rate in [+]. In no event shall any labor rate increase by [+] period.

Average Tariff Labor Rate for [+]									
[+]	Atlanta*	Charleston*	Chicago*	Houston*	Jax*	LA*	Memphis*	Norfolk	
<i>Labor</i>									
[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]
[+]	[+]		[+]	[+]	[+]	[+]	[+]	[+]	[+]
[+]	[+]	[+]	[+]		[+]		[+]	[+]	[+]
[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]
[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]
[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]
<i>Average</i>									
[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]
SGBlocks									
labor rate [+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]
[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]
[+]	Nola*	Oakland*	Portland*	Savannah*	Seattle*	Tacoma*	Average		
<i>Labor</i>									
[+]	[+]	[+]	[+]	[+]	[+]	[+]			[+]
[+]	[+]	[+]	[+]	[+]	[+]				[+]
[+]	[+]	[+]	[+]		[+]				[+]
[+]	[+]	[+]	[+]	[+]	[+]	[+]			[+]
[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]		[+]
[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]		[+]
[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]		[+]
<i>Average</i>									
[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]		[+]
SGBlocks									
labor rate [+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]		[+]
[+]	[+]	[+]	[+]	[+]	[+]	[+]	[+]		[+]

* Each a CGI Site

[+] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

2. Storage. See Schedule D.

3. Payment. SGB agrees to pay any undisputed invoice for work completed (including storage charges in accordance with **Schedule D**) within sixty (60) days from date of invoice. CGI will not invoice SGB for any Containers Converted into SGBlocks™ until fabrication process is complete. If SGB receives an invoice from CGI for work completed, or services rendered, the invoice will be considered in good order and accepted by SGB unless, written notice is provided to CGI by SGB within thirty (30) days of receipt of an invoice. The written notice will include details as to the nature of the dispute, and any undisputed amount will be processed and paid by SGB within the sixty (60) day terms outlined herein.

[+] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Schedule D

Storage

1. Storage Charges. Storage charges will be assessed by CGI to SGB for SGBlocks™ left at the applicable CGI Site after an SGBlock™ has been completed and a Certification therefor has issued, and will continue through the day the SGBlock™ leaves the CGI Site. Storage charges will accrue at a daily TEU (Twenty Foot Equivalent) rate of:

- (i) [+] per TEU per [+] for the West Coast CGI Sites including LA, Oakland, Portland, Seattle and Tacoma
- (ii) [+] per TEU per [+] for the Mid West and Gulf CGI Sites including Houston, New Orleans, Memphis, Chicago and Atlanta.
- (iii) [+] per TEU per [+] for the East Coast CGI Sites of Norfolk, Charleston, Savannah, and Jacksonville.

2. Handling. After Conversion each SGBlock™ will be placed in storage at the applicable CGI Site for the account of SGB. In addition to the applicable daily storage fees, CGI will assess a handling fee of [+] for each SGBlock™ placed in storage, and a handling fee of [+] for each SGBlock™ taken out of storage for shipment to a customer location. For avoidance of doubt, there will be no other handling charge(s) for any SGBlock™. Any additional or ancillary handling requirements to identify or sort Containers, put Containers into the shop area, wash area, or out of shop or wash area are to be provided by CGI at no additional charge by CGI to SGB.

3. Storage and Handling Rate Changes. All storage and handling rates are [+], and any changes or increase may occur [+], and in [+].

[+] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

January 13, 2012

VIA EDGAR AND ELECTRONIC MAIL

United States Securities and Exchange Commission
Division of Corporation Finance
100 F Street, N.E.
Washington, D.C. 20549
Attention: Amanda Ravitz, Aslynn Hogue and Geoff Kruczek

**Re: SG Blocks, Inc.
Amendment No. 2 to Form 8-K
Filed December 20, 2011
File No. 000-22563**

To Whom It May Concern:

We acknowledge receipt of the letter of comment dated January 3, 2012 from the Staff (the “**Comment Letter**”) with regard to the above-referenced matter. We have reviewed the Comment Letter with SG Blocks, Inc. (“**SG Blocks**”) and provide the following response on SG Blocks’ behalf. The page references below are to the filed version of Amendment No. 3 to the Current Report on Form 8-K/A (the “**Current Report**”) filed on the date hereof and to the marked copy of the Current Report sent via electronic mail to the SEC on the date hereof, as indicated. Capitalized terms used herein and not separately defined have the meanings given to them in the Current Report. Our responses are numbered to correspond to your comments.

Description of Business, (pages 6, 8, 9 filed / pages 6, 8, 9 marked)

1. *We note your revisions in response to prior comment 2. However, your disclosure here continues to indicate that other parties store and modify the containers, contrary to your disclosure on page 6. Please revise.*

Response:

Revised disclosure in the Current Report clarifies that the Company generally uses third parties to store and modify the containers.

2. The SG Buildings Network, (Exhibit 10.7)

Please expand your response to prior comment 1 to clarify how you concluded the supply agreement with ConGlobal is not material in its current form, given your disclosure regarding its “importance” and that ConGlobal appears to be your only source of containers.

Response:

A redacted copy of the ConGlobal Agreement that excludes certain pricing related information has been filed as Exhibit 10.7 to the Current Report and confidential treatment of the redacted information has been requested.

3. SG Building's Management's Discussion and Analysis . . . , (page 14 filed, page 14 marked)

The table added on page 11 in response to prior comment 4 appears to merely list customers and the decrease in revenues you received from them. It does not, however, appear to explain the reasons for such decreases. Please revise to describe those reasons.

Response:

Revised disclosure in the Current Report explains the reasons for the decrease in revenues from customers.

4. Security Ownership of Certain Beneficial Owners and Management, (page 24 filed, page 24 marked)

We note the entities added in response to prior comment 5. Please revise to identify the natural persons who have or share voting and/or investment control over the shares held by Pro-Mall International, Ltd.

Response:

Based on information made available to the Company, Gustavo Moriera de Souza is the beneficial owner of Pro-Mall International, Ltd. RBC Trust Company is the nominee shareholder holding the shares of Pro-Mall International, Ltd.

Per our discussion with Aslynn Hogue, SG Blocks is deferring the filing of an amendment to the Registration Statement on Form S-1 filed on December 5, 2011, until all overlapping comments with the Current Report have been resolved.

If you have any questions or request any further information, please contact either the undersigned at (212) 451-2252 or by email at kschlesinger@olshanlaw.com or Johnathan Duncan at (212) 451-2245 or by email at jduncan@olshanlaw.com.

Sincerely,

/s/ Kenneth A. Schlesinger
Kenneth A. Schlesinger