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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2014**

OR

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

For the transition period from ____________ to ____________

Commission file number: 000-22563

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

Delaware	**95-4463937**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3 Columbus Circle, 16th Floor, New York, NY	**10019**
(Address of principal executive offices)	(Zip Code)

(212) 520-6218
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

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

The aggregate market value of the common stock held by non-affiliates of SG Blocks, Inc. as of June 30, 2014 was approximately $5,731,554.

As of March 27, 2015, the issuer had a total of 42,918,927 shares of common stock outstanding.

SG BLOCKS, INC.
FORM 10-K

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PART I

ITEM 1 BUSINESS

FORWARD-LOOKING STATEMENTS

Certain statements made in this Annual Report on Form 10-K (the "Annual Report") are "forward-looking statements" regarding the plans and objectives of management for future operations. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of ours to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of us. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, particularly in view of our limited operations, the inclusion of such information should not be regarded as a representation by us or any other person that the objectives and plans of ours will be achieved. Readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date on which such statements are made. Factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, the factors set forth in this report under the headings "The Company", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". We do not undertake to update any forward-looking statement that may be made from time to time on our behalf.

THE COMPANY

DESCRIPTION OF BUSINESS

Background of SG Blocks, Inc.

SG Blocks, Inc. was previously known as CDSI Holdings, Inc. and PC411, Inc., and was incorporated in Delaware on December 29, 1993. SG Blocks, Inc. (and together with its subsidiaries, as context requires) is referred to herein as "we," "our," "us" or the "Company". On January 12, 1999, the Company's stockholders voted to change the corporate name of the Company from PC411, Inc. to CDSI Holdings Inc. Prior to May 1998, the Company's principal business was an on-line electronic delivery information service that transmitted name, address, telephone number and other related information digitally to users of personal computers. In May 1998, the Company acquired Controlled Distribution Systems, Inc. ("CDS"), a company engaged in the marketing and leasing of an inventory control system for tobacco products. In February 2000, the Company announced that CDS will no longer actively engage in the business of marketing and leasing the inventory control system. In November 2003, the Company and CDS (a wholly-owned subsidiary) merged with the Company as the surviving corporation. Immediately prior to the merger between the Company's wholly-owned subsidiary, CDSI Merger Sub, Inc. and SG Building (described below under the heading "SG Blocks Merger") the Company was a shell company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934 (the "Exchange Act"), seeking acquisition and investment opportunities.

Background of SG Building Blocks, Inc.

On October 25, 2010, SG Blocks, LLC ("SG LLC"), a Missouri limited liability company, merged with and into SG Building Blocks, Inc. ("SG Building"), which was formerly known as SG Blocks, Inc., then continued the business of SG LLC. SG LLC was formed on January 23, 2007 and SG Building 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.

SG Blocks Merger

On July 27, 2011, the Company entered into a Merger Agreement and Plan of Reorganization (the “Merger Agreement”) by and among the Company, CDSI Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company (“Merger Sub”), SG Building, and certain stockholders of SG Building. The merger contemplated by Merger Agreement was completed on November 4, 2011 (the “Merger”). Upon the consummation of the transactions contemplated by the Merger Agreement, Merger Sub was merged with and into SG Building, with SG Building surviving the Merger and becoming a wholly-owned subsidiary, and only operating business of, the Company. 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.

Upon consummation of the Merger, the holders of common stock of SG Building received an aggregate of 36,050,764 shares of common stock in the Company. Additionally, Ladenburg Thalman & Co. Inc. ("Ladenburg") received 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. Immediately following the Merger, warrants to purchase 100,926 shares of Company common stock were forfeited by a warrant holder. As a result of the foregoing, the holders of Company common stock prior to the Merger owned an aggregate of 8% of the Company common stock on a fully diluted basis immediately after the Merger, the stockholders and warrant holders of SG Building before the Merger beneficially owned an aggregate of 91% of the Company common stock on a fully diluted basis immediately after the Merger, and Ladenburg owned an aggregate of 1% of the Company common stock on a fully diluted basis immediately after the Merger (not including warrants to purchase shares of Company common stock it received in the Merger as a result of it holding warrants to purchase shares of SG Building common stock prior to the Merger).

Overview

The principal business of the Company, through 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 proprietary structural steel framing system and the use thereof.

During 2011, the Company formed SG Blocks Sistema De Constucao Brasileiro LTDA. (“SG Brazil”), a wholly owned subsidiary of the Company. SG Brazil was formed in order to actively explore opportunities in Brazil. SG Brazil is currently inactive.

SG Building’s products have been featured in reports by several leading media outlets including Fortune, NY Times, 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 “Description of Business” section as “SG Blocks™”. A combination of engineering and architecture is used to make the containers adaptable for a wide variety of commercial and residential uses.

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 has been asked to explore by clients, 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. We believe SG Building's 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 robust 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 erected in less time than traditional construction methods.

Also, SG Building builds off of an alternative steel framing system that provides different benefits to customers.

The Process of the SG Building Conversion

Containers are selected, starting with International Convention for Safe Containers ("CSC") approved units, 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 require structural changes, wall reconfigurations, the creation of window and door openings, and ceiling alterations to allow sheetrock hanging. The exterior walls and roof structure are then insulated with a high tech waterproof ceramic insulation. The SG 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.

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, we believe SG Building is positioned as the leader in this new technology industry.

We believe SG Building has debunked the architectural notion that structures built with containers look as if they were built with containers. Through concentrated education and promotion, we believe SG Building 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.

We believe SG Building can distinguish itself from its competitors on the basis of cost and construction time. SG Building’s construction method is typically less expensive than traditional construction methods, particularly in urban locations and multi-story projects. Construction time is typically reduced by 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.

Customers

SG Building counts among its customers such notable brands as Schneider Electric, Starbucks Coffee Company, Lacoste, Equinox Fitness Clubs, Bareburger and Puma.

The SG Buildings Network

One of our stockholders, ConGlobal Industries, Inc. ("ConGlobal"), is also one of our important affiliates. ConGlobal is one of the largest depot operators in the United States. ConGlobal operates container repair and storage depots throughout the United States, as well as in 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). Through SG Building, we currently have an exclusive 10 year Collaboration and Supply Agreement, dated July 23, 2007, 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, we will purchase our 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 us of such proposed use and we 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.

We have seven employees, not including Brian Wasserman who is serving as our Chief Financial Officer pursuant to a consulting agreement. We also hire independent contractors on an as-needed basis.

On August 27, 2012, we entered into a two-year consulting agreement with Donald Trump, Jr. (the "Trump Agreement"). Pursuant to the Trump Agreement, Mr. Trump Jr. will serve as a consultant to the Company on matters relating to business development and provide advice on products and operations. Mr. Trump Jr. was granted options to purchase 1,000,000 shares of the Company common stock. Such grant was made pursuant to a grant letter and priced at Fair Market Value on the date of grant.

On December 9, 2014, we entered into a one-year consulting agreement with Admiral Edmund P. Giambastiani, Jr. U.S. Navy (ret) (the "2014 Giambastiani Agreement"). Pursuant to the 2014 Giambastiani Agreement, Mr. Giambastiani will serve as a consultant to the Company on matters relating to business development and provide advice on products and operations. Mr. Giambastiani was granted options to purchase 120,000 shares of Company common stock. Such grants were made pursuant to our 2014 Incentive Stock Plan (the "2014 Plan") or pursuant to separate grant letters and priced at Fair Market Value on the date of grant. Our previous two-year consulting agreement with Mr. Giambastiani expired in accordance with its terms on December 31, 2013.

ITEM 1A. RISK FACTORS.

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below before making an investment decision. If any of the following risks or uncertainties occur, our business, prospects, financial condition or operating results could be materially adversely affected, the trading price of our common stock could decline, and you may lose all or part of your investment. In assessing the risks described below, you should also refer to the other information contained in this Annual Report, including our consolidated financial statements and the related notes and schedules, before deciding to purchase any shares of our common stock.

Risks Relating to the Company

If we are not successful in our efforts to increase sales or raise capital, we will experience a shortfall in cash over the next twelve months and our ability to raise capital may be limited.

As of December 31, 2014 and 2013, SG Building, our wholly-owned subsidiary, had cash and cash equivalents of $884,188 and $594,248, respectively. However, during the fiscal years ended December 31, 2014 and 2013, we reported a net loss of $1,537,315 and $2,163,302, respectively. We incurred additional losses during the quarter ended March 31, 2015. If we are not successful with our marketing efforts to increase sales, we will experience a shortfall in cash over the next twelve months. If necessary, we will implement a plan to fund such a deficit which could include, among other things, reducing operating expenses in an amount sufficient to operate the business for a reasonable period of time. During 2013 we received an aggregate of $1,850,000 from the issuance of convertible debentures (the "Existing Debentures"). On April 10, 2014, we entered into an Exchange Agreement (the "Exchange Agreement"), with certain of Holders of the Existing Debentures pursuant to which Existing Debentures with a stated maturity value of $1,680,000 were surrendered in exchange for (a) new Senior Convertible Debentures with a stated interest rate of eight percent (8%) per year, a stated maturity value of $1,915,200, a conversion price of $.25 per share, subject to adjustment, with a final maturity date of April 1, 2016 (the "2014 Exchange Debentures"), and (b) five (5) year warrants to purchase up to 7,660,830 shares of the Company's common stock at an exercise price of $.275 per share (110% of the conversion price), subject to adjustment (the "2014 Exchange Warrants"). Existing Debentures with a maturity value of $392,000 will be paid in accordance with the original terms.

Also on April 10, 2014, we entered into a Securities Purchase Agreement (the "2014 SPA") pursuant to which we issued and sold (a) $2,080,500 (maturity value) in Senior Convertible Debentures for a subscription amount of $1,825,000, that have the same terms as the 2014 Exchange Debentures, including a stated interest rate of eight percent (8%) per year and a conversion price of $.25 per share, subject to adjustment, with a final maturity date of April 1, 2016 (the "2014 New Debentures" together with the 2014 Exchange Debentures, the "2014 Debentures") and (b) five (5) year warrants to purchase up to 8,322,000 shares of the Company's common stock at an exercise price of $.275 per share (110% of the conversion price), subject to adjustment (the "2014 New Warrants" together with the 2014 Exchange Warrants, the "2014 Warrants"). Holders of the 2014 Debentures are referred to in this Annual Report on Form 10-K as the "2014 Holders".

We may also seek to obtain debt or additional equity financing to address any shortfalls in our cash. The type, timing and terms of the financing we may select will depend on, among other things, our cash needs, the availability of other financing sources and prevailing conditions in the financial markets. However, there can be no assurance that we would be able to secure additional funds if needed and that if such funds are available, whether the terms or conditions would be acceptable to us. In such case, the further reduction in operating expenses might need to be substantial in order for us to ensure enough liquidity to sustain our operations. It will also be difficult for us to make any acquisitions unless we can raise additional capital. Any financing would be dilutive to our stockholders.

The Company has identified cost reduction measures which when implemented would result in a reduction in employee headcount, reduction in base salaries to senior executives and employees, and other cost savings measures. These actions have been implemented and have begun to result in annual cost savings.

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

Our ability to achieve profitability will depend upon our ability to generate and sustain substantially increased revenues. We may incur operating losses in the future as we execute our growth strategy. We intend to make significant expenditures related to marketing, expansion of our website, hiring of additional personnel, and development of our technology and infrastructure. Although SG Building generated revenue from operations during the fiscal years ended December 31, 2014 and 2013, it has incurred net losses of $1,537,315 and $2,163,302, respectively, during such periods. The likelihood that we will generate net income in the future must be considered in light of the difficulties facing the construction and construction management industries as a whole, economic conditions, the competitive environment in which we operate and the other risks and uncertainties discussed in this Annual Report. Our operating results for future periods are subject to numerous uncertainties, and it may not achieve sufficient revenues to sustain or increase profitability on a quarterly or annual basis.

The Company's ability to continue as a going concern is contingent upon securing additional capital.

The Company expects that through the next 10 to 16 months, the capital requirements to fund the Company's growth and to cover the operating costs of a public company will consume substantially all of the cash flows that it expects to generate from its operations, as well as from the proceeds of intended issuances of debt and equity securities. The Company further believes that during this period, while the Company is focusing on the growth and expansion of its business, the gross profit that it expects to generate from operations will not generate sufficient funds to cover these anticipated operating costs. Accordingly, the Company requires external funding to sustain operations and to follow through on the execution of its business plan. However, there can be no assurance that the Company's plans will materialize and/or that the Company will be successful in funding estimated cash shortfalls through additional debt or equity capital and through the cash generated by the Company's operations. Given these conditions, the Company's ability to continue as a going concern is contingent upon it being able to secure an adequate amount of debt or equity capital to enable it to meet its cash requirements. In addition, the Company’s ability to continue as a going concern must be considered in light of the problems, expenses and complications frequently encountered by entrants into established markets, the competitive environment in which the Company operates and the current capital raising environment.

The exercise of outstanding warrants and options will dilute the percentage ownership of then-existing stockholders.

As of March 27, 2015, there are outstanding Warrants to purchase 25,572,059 shares of common stock and options to purchase 15,425,001 shares of common stock. We also have outstanding convertible debt which is initially convertible into approximately 15,982,800 shares of the Company's common stock. However, the terms of the convertible debentures provide that under certain circumstances the number of shares issuable upon the conversion of the debentures can be increased based on the market price of the Company's common stock at the time of conversion. Accordingly, if the price of the common stock is significantly below $0.25 per share the number of shares the convertible debt is convertible into could be significantly higher than 15,982,800 shares. The exercise of such outstanding warrants and options or the conversion into common stock of our convertible debt would dilute the then-existing stockholders' percentage ownership of the Company's stock, and any sales in the public market of common stock underlying such securities could adversely affect prevailing market prices for the common stock. Moreover, the terms upon which the Company would be able to obtain additional equity capital could be adversely affected since the holders of such securities can be expected to exercise or convert them at a time when the Company would, in all likelihood, be able to obtain any needed capital on terms more favorable to the Company than those provided by such securities. See sections entitled "Executive *Compensation - Stock Options* ".

We have a history of losses.

We have reported an operating loss in each of our fiscal quarters since inception, except the quarter ending September 30, 2014. There is a risk that we will continue to incur operating losses.

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

Our success depends highly upon the personal efforts and abilities of our senior management team, specifically the efforts of Paul Galvin, the Company's Chief Executive Officer and Director, Stevan Armstrong, the Company's President and Chief Operating Officer and Director, Brian Wasserman, the Company's Chief Financial Officer and Director, David Cross, the Company's Vice President of Business Development, and Jennifer Struminger, the Company's Chief Administrative Officer. The employment agreements with Messrs. Galvin, Armstrong and Ms. Struminger have expired and the Company is currently negotiating a new agreement with Mr. Galvin. Although there is a general agreement on the terms of the new agreement, there can be no assurance that the Company will be able to enter into a new agreement with Mr. Galvin on favorable terms. The loss of the services of one or more of these individuals could have a material adverse effect on our business. Our ability to achieve profitability and generate increased revenue will depend upon our ability to retain, and attract if necessary, experienced management personnel.

Ms. Struminger has informed the Company that she currently intends to resign from her position as Chief Administrative Officer as of June 1, 2015. Ms. Struminger will continue to serve in a consulting capacity and as a member of the Board of Directors of the Company following her resignation as Chief Administrative Officer.

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

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

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

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

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

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

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

- difficulties in assimilating acquired operations or products, including the loss of key employees from acquired businesses;
- diversion of management's attention from our core business;

- adverse effects on existing business relationships with supplies and customers; and

- risks of entering markets in which we have limited or no prior experience.

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

We rely on ConGlobal Industries, Inc. to supply us with containers used in our business and the unexpected termination of our exclusive 10 year Collaboration and Supply contract with ConGlobal to provide these containers would have a negative impact on our business.

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

We rely on certain vendors to supply us with materials and products that if we were unable to obtain could adversely affect our business.

We have relationships with key materials vendors, and we rely on suppliers for our purchases of products from them. Any inability to obtain materials or services in the volumes required and at competitive prices from our major trading partners, the loss of any major trading partner, or the discontinuation of vendor financing (if any) may seriously harm our business because we may not be able to meet the demands of our customers on a timely basis in sufficient quantities or at all. Other factors, including reduced access to credit by our vendors resulting from economic conditions, may impair our vendors' ability to provide products in a timely manner or at competitive prices. We also rely on other vendors for critical services such as transportation, supply chain and professional services. Any negative impacts to our business or liquidity could adversely impact our ability to establish or maintain these relationships. Ms. Struminger has informed the Company that she currently intends to resign from her position as Chief Administrative Officer as of June 1, 2015. Ms. Struminger will continue to serve in a consulting capacity and as a member of the Board of Directors of the Company following her resignation from that position.

Risks Relating to our Business

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

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

We may have difficulty protecting our proprietary technology.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to the Construction and Construction Management Industries

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

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

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

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

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

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

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

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

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

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

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

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

Risks of Being a Public Company

As a result of the merger between a wholly-owned subsidiary of the Company and SG Building in November 2011, we have become subject to more reporting requirements of federal securities laws, which can be expensive.

As a result of the merger between a wholly-owned subsidiary of the Company and SG Building in November 2011, we have become an operating company. See the section entitled " *Description of Business - SG Blocks Merger* " in Part I, Item 1 of this Annual Report on Form 10-K for a description of the Merger. Accordingly, we are subject to more information and reporting requirements of the Securities Exchange Act of 1934 and other Federal securities laws, including compliance with the Sarbanes-Oxley Act. The costs of preparing and filing annual and quarterly reports, proxy statements and other information with the Securities and Exchange Commission (including reporting of the Merger) and furnishing audited reports to stockholders have increased and caused our expenses to be higher.

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

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

There may be risks associated with us formerly being a shell company and acquiring an operating entity through a "reverse merger". Securities analysts of major brokerage firms may not provide coverage of us since there is no incentive to brokerage firms to recommend the purchase of our common stock. No assurance can be given that brokerage firms will, in the future, want to conduct any secondary offerings on our behalf. In addition, the ability of stockholders to sell their shares under Rule 144 can be prohibited if the Company is not current in their SEC filings.

Risks Relating to our common stock

Our stock price may be volatile.

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

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

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

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

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

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

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

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

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

Trading of our common stock may be restricted by Blue Sky eligibility and our common stock may be deemed a "penny stock", which would make it more difficult for the Company's investors to sell their shares.

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

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

Sale of a substantial number of shares of the common stock may cause the price of our common stock to decline.

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

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

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

In addition, the ability of the Board to designate and issue such undesignated shares could impede or deter an unsolicited tender offer or takeover proposal regarding the Company and the issuance of additional shares having preferential rights could adversely affect the voting power and other rights of holders of common stock and render more difficult the removal of current management, even if such removal may be in the stockholders' best interests.

Additional equity offerings may dilute current stockholders.

We completed a capital raise on April 10, 2014, pursuant to which we issued the 2014 Debentures, the 2014 Warrants and entered in to the 2014 SPA, which resulted in significant dilution. As a result of acquisitions or additional capital raisings, we may issue additional securities or instruments that may be convertible into or exercisable or exchangeable for, or otherwise entitle the holder thereof to receive common stock. The issuance of such additional securities will dilute the ownership of our then current stockholders.

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

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

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

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

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

There is a limited trading market for our common stock.

Our common stock has been quoted on the OTC Bulletin Board since 1999 and is currently quoted under the symbol "SGBX". Prior to November 9, 2011, our common stock was quoted under the symbol "CDSI." There is a limited trading market in our shares and a stockholder could likely find it difficult to sell or to obtain quotations as to prices of our common stock. Since the consummation of the Merger on November 4, 2011 there has been limited trading volume of our common stock, and on many days there has been no trading activity in our common stock.

No assurances can be given that our common stock will continue to be quoted on the OTC Bulletin Board or that an orderly trading market will be maintained for our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES.

We lease office space in New York City for use as our headquarters. We have three individual offices, with shared use of conference rooms, kitchen and other amenities. The lease originally expired December 31, 2014 and was extended to March 2015. Subsequent to March 2015, we will enter into a new month to month lease for office space. We also have use of storage and processing space at certain ConGlobal facilities pursuant to the ConGlobal Agreement. We believe that our current facilities are adequate for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS.

None

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASE OF EQUITY SECURITIES

The Company's common stock is currently quoted on the OTC Bulletin Board ("**OTCBB**") under the symbol "SGBX". The following table sets forth for the periods indicated, the reported high and low closing bid quotations per share for our common stock. The sale prices set forth below reflect inter-dealer quotations, do not include retail mark-ups, markdowns or commissions and do not necessarily represent actual transactions.

Year Ended December 31, 2014	**High**	**Low**
Fourth Quarter	$ 0.22	$ 0.08
Third Quarter	0.39	0.11
Second Quarter	0.30	0.16
First Quarter	0.31	0.21

Year Ended December 31, 2013	**High**	**Low**
Fourth Quarter	$ 0.33	$ 0.13
Third Quarter	0.36	0.14
Second Quarter	0.35	0.13
First Quarter	0.39	0.16

Stockholders

As of March 27, 2015, there were 42,918,927 shares of common stock outstanding, held by 108 holders of record.

Dividend Policy

We have never declared or paid dividends on our common stock and do not expect to pay any dividends in the foreseeable future.

Recent Sales of Unregistered Securities

During the three months ended December 31, 2014, the Company issued the following options to purchase the Company's common stock to consultants, directors, officers and employees of the Company:

Recipient	**Date**	**Exercise Price**	**Amount**
Stevan Amstrong	11 /21/14	0.275	50,000
David Cross	10 /8/14	0.21	250,000
Kevin King	10 /8/14	0.21	100,000
J. Bryant Kirkland	11 /21/14	0.275	62,500
Joseph Tacopina	11 /21/14	0.275	50,000
J. Scott Magrane	11 /21/14	0.275	62,500
Christopher Melton	11 /21/14	0.275	62,500
Marc Bell	11 /21/14	0.275	50,000
Frank Casano	11 /21/14	0.275	50,000
Edmund P. Giambastiani, Jr. *	12 /9/14	0.275	120,000
David Claghorn	10 /8/14	0.21	350,000
Paul Aquasanta	10 /8/14	0.21	250,000
*Consultant			
TOTAL			**1,457,500**

These options were awarded by approval of the Company's Board of Directors, or the Board, and under the 2014 Incentive Stock Plan (2014 Plan). The 2014 Plan was approved by the Company's Stockholders on July 15, 2014. One third of the 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. These options generally have the same terms and conditions as provided under the 2011 Incentive Stock Plan (2011 Plan) (See Note 16). The aggregate number of such options granted to consultants is 120,000 options. The issuance of such options was exempt from the registration requirements under the Securities Act, pursuant to Section 4(a)(2) thereof, because the transaction did not involve a public offering.

Issuer Purchases of Equity Securities

No securities of ours were repurchased by us during 2014.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction and Certain Cautionary Statements

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with our consolidated financial statements and related notes and schedules included elsewhere in this Annual Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, intensified competition and/or operating problems in its operating business projects and their impact on revenues and profit margins or additional factors, and those discussed in the section entitled "Risk Factors" in Part I, Item 1A of this Annual Report. In addition, certain 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, our wholly-owned subsidiary, 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.

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.

During 2011, the Company formed SG Blocks Sistema De Constucao Brasileiro LTDA. ("SG Brazil"), a wholly owned subsidiary of the Company. SG Brazil was formed in order to actively explore opportunities in Brazil. SG Brazil is currently inactive.

Results of Operations

Years Ended December 31, 2014 and 2013:

	Year Ended December 31	
	2014	**2013**
Loss from operations	**(752,796)**	**(1,858,775)**
Other income (expenses):	**(784,519)**	**(304,527)**
Net Loss	**(1,537,315)**	**(2,163,302)**

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013:

Revenue

Revenue for the year ended December 31, 2014 was $6,036,953 compared to $5,732,776 for the year ended December 31, 2013. This increase of $304,177 resulted mainly from an increase of revenue from block "green steel" jobs which was partially offset by a decrease in project management jobs. Revenue recognized from block "green steel" jobs increased by $2,531,243 and revenue recognized from project management job decreased by $2,227,273 for the year ended December 31, 2014 compared to the year ended December 31, 2013. Revenue from block "green steel" jobs increased primarily due to one job in the amount of $3,259,610 being recognized, which was partially offset by a decrease in revenue from a recurring customer of approximately $934,000, during the year ended December 31, 2014. During the year ended December 31, 2014, the Company recognized revenue from 3 project management jobs compared to 10 project management jobs for the year ended December 31, 2013.

Cost of Revenue and Gross Profit

Cost of revenue decreased by $579,081 to $4,570,138 for the year ended December 31, 2014 from $5,149,219 for the year ended December 31, 2013. The increase in cost of revenue resulted primarily from an increase of costs from block "green steel" costs which was partially offset by a decrease of costs from project management jobs. Costs recognized from block "green steel" jobs and project management jobs increased $1,839,037 and decreased $2,485,338, respectively, for the year ended December 31, 2014 compared to the year ended December 31, 2013. Gross profit increased by $883,258 to $1,466,815 for the year ended December 31, 2014 compared to $583,557 for the year ended December 31, 2013. Gross profit percentage increased to 24% for the year ended December 31, 2014 compared to 10% for the year ended December 31, 2013. This increase results primarily from losses on five jobs from one customer in the amount of $197,240 being recognized during the year ended December 31, 2013.

Payroll and Related Expense

Payroll and related expense for the year ended December 31, 2014 was $1,216,300 compared to $1,350,953 for the year ended December 31, 2013. Stock compensation decreased by $127,238 to $294,067 for the year ended December 31, 2014 compared to $421,305 for the year ended December 31, 2013.

Other Operating Expenses

Other operating expense for the year ended December 31, 2014 was $1,003,311 compared to $1,091,379 for the year ended December 31, 2013. The change results primarily from an increase of $38,658 and a decrease of $92,401, in insurance expense and professional fees respectively, for the year ended December 31, 2014, compared to the year ended December 31, 2013.

Interest Expense

Interest expense for the year ended December 31, 2014 was $1,066,833 compared to $689,156 for the year ended December 31, 2013. This increase of $377,677 results from accrued interest and interest paid, amortization of debt discount on the Company's convertible debentures and amortization of debt issuance costs.

Other Income (Expense)

During the year ended December 31, 2014 there was other income of $1,386,469 recognized due to a change in fair value of financial instruments, compared to $358,973 in 2013. Also, during the year ended December 31, 2014 there was a loss on extinguishment of debt recognized in the amount of $1,104,179.

Income Tax Provision

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

Impact of Inflation

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

Liquidity and Capital Resources

Since SG Building's inception in 2008, SG Building has generated losses from operations and the Company anticipates that it will continue to generate losses from operations for the foreseeable future. As of December 31, 2014 and 2013, the Company's stockholders' deficiency was approximately $3,330,000 and $2,089,000, respectively. The Company's net loss from operations for the years ended December 31, 2014 and 2013 was $1,537,315 and $2,163,302, respectively. Net cash used in operating activities was $1,053,687 and $1,075,604 for the years ended December 31, 2014 and 2013, respectively.

Through December 31, 2014, the Company has incurred an accumulated deficiency since inception of $10,737,393. At December 31, 2014, the Company had a cash balance of $884,188.

Since the Company's inception, it has generated revenues from SG Block sales, engineering services, and project management.

The Company expects that through the next 10 to 16 months, the capital requirements to fund the Company's growth will consume all of the cash flows that it expects to generate from its operations, as well as from the proceeds of the issuances of senior convertible debt securities. The Company further believes that during this period, while the Company is focusing on the growth and expansion of its business, the gross profit that it expects to generate from operations will not generate sufficient funds to cover expected operating costs. Accordingly, the Company requires further external funding to sustain operations and to follow through on the execution of its business plan. However, there can be no assurance that the Company's plans will materialize and/or that the Company will be successful in funding estimated cash shortfalls through additional debt or equity capital and through the cash generated by the Company's operations. Given these conditions, the Company's ability to continue as a going concern is contingent upon it being able to secure an adequate amount of debt or equity capital to enable it to meet its cash requirements. In addition, the Company's ability to continue as a going concern must be considered in light of the problems, expenses and complications frequently encountered by entrants into established markets, the competitive environment in which the Company operates and the current capital raising environment.

Since inception, the Company's operations have primarily been funded through proceeds from equity and debt financings and sales activity. Although management believes that the Company has access to capital resources, there are currently no commitments in place for new financing at this time, and there is no assurance that the Company will be able to obtain funds on commercially acceptable terms, if at all.

During the year ended December 31, 2013, the Company raised $850,000 in net new funds through the issuance of convertible debentures.

On April 10, 2014, the Company entered into an Exchange Agreement (the "Exchange Agreement") with certain of the holders of its existing Senior Convertible Debentures (the "Existing Debentures"). Under the terms of the Exchange Agreement, Existing Debentures with a stated maturity value of $1,680,000 have been surrendered in exchange for (a) new Senior Convertible Debentures with a stated interest rate of eight percent (8%) per year, a stated maturity value of $1,915,200, a conversion price of $.25 per share, subject to adjustment, with a final maturity date of April 1, 2016 (the "2014 Exchange Debentures"), and (b) five (5) year warrants to purchase up to 7,660,830 shares of the Company's common stock at an exercise price of $.275 per share (110% of the conversion price), subject to adjustment (the "2014 Exchange Warrants"). Existing Debentures with a maturity value of $392,000 were paid in accordance with the original terms.

On April 10, 2014, the Company entered into a Securities Purchase Agreement (the "2014 SPA") pursuant to which it issued and sold (a) $2,080,500 (maturity value) in Senior Convertible Debentures for a subscription amount of $1,825,000, which have the same terms as the 2014 Exchange Debentures, including a stated interest rate of eight percent (8%) per year and a conversion price of $.25 per share, subject to adjustment, with a final maturity date of April 1, 2016 (the "2014 New Debentures" together with the 2014 Exchange Debentures, the "2014 Debentures") and (b) five (5) year warrants to purchase up to 8,322,000 shares of the Company's common stock at an exercise price of $.275 per share (110% of the conversion price), subject to adjustment (the "2014 New Warrants" together with the 2014 Exchange Warrants, the "2014 Warrants"). Holders of the 2014 Debentures are referred to in this Annual Report on Form 10-K as the "2014 Holders".

The Exchange Agreement and the 2014 SPA triggered anti-dilution adjustments to the warrants issued on the Existing Debentures based on a $.25 per share conversion price (adjusted from the original stated conversion price of $.43 per share), which reduces the exercise price to $.25 per share and increased the number of shares issuable upon the exercise of these warrants to 8,288,000 shares.

At any time after April 10, 2014, (the "Original Issue Date") until the 2014 Debentures are no longer outstanding, the 2014 Debentures will be convertible, in whole or in part, into shares of Common Stock at the option of the 2014 Holders, subject to certain conversion limitations set forth in the 2014 Debentures. The initial conversion price for the 2014 Debentures is $.25 per share, subject to adjustments upon certain events, as set forth in the 2014 Debentures. The Company will pay interest on the aggregate unconverted and then outstanding principal amount of the 2014 Debentures at the rate of 8% per annum, payable quarterly on January 1, April 1, July 1 and October 1, beginning on October 1, 2014. Interest is payable in cash or at the Company's option in shares of Common Stock, provided certain terms and conditions are met as more fully described in the 2014 Debentures. On each of October 1, 2015 and January 1, 2016, the Company is obligated to redeem an amount equal to $ 998,925 and on April 1, 2016, an amount equal to $1,997,850, plus accrued but unpaid interest, liquidated damages and any other amounts then owing in respect of the 2014 Debentures (as to each of the forgoing periodic redemptions, each a "Periodic Redemption Amount"). In lieu of a cash redemption and subject to the Company meeting certain equity conditions described in the 2014 Debentures, the Company may elect to pay the Periodic Redemption Amount in shares on the terms set forth in the 2014 Debentures.

For additional information related to 2014 SPA and the transactions related thereto, see Note 10 in the Notes to Consolidated

Financial Statements included in Part IV of this Annual Report on Form 10-K.

Upon any Event of Default (as defined in the Debenture), the outstanding principal amount of the Debenture, plus liquidated damages, interest, a premium of 30% and other amounts owing in respect thereof through the date of acceleration, will become, at the 2014 Holders' election, immediately due and payable in cash. Commencing five days after the occurrence of any Event of Default, the interest rate on the Debenture shall accrue at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted under applicable law. The 20014 Debentures contain anti-dilution protective provisions as described therein. The Company is subject to compliance with certain covenants under the 2014 Debentures as set forth therein.

The 2014 Warrants may be exercised at any time on or after April 10, 2014 and on or prior to the close of business on April 10, 2019, at an exercise price of $.275 per share, subject to adjustment upon certain events. The 2014 Warrants contain anti-dilution protective provisions and limitations on exercise as described therein.

To secure the Company's obligations under the 2014 Debentures, the Company's wholly-owned subsidiary, SG Building Blocks, Inc. ("SG Building"), entered into a Subsidiary Guarantee, dated as of April 10, 2014 (the "Guarantee"), pursuant to which it unconditionally and irrevocably guaranteed the prompt and complete payment and performance when due of the obligations arising from the 2014 Debentures. The Company and SG Building have each granted the 2014 Holders a security interest in their assets to secure the payment, performance and discharge in full of all of the Company's obligations under the 2014 Debentures and the guarantor's obligations under the Guarantee, in accordance with that certain Security Agreement, dated as of April 10, 2014.

With respect to the Existing Debenture, sold in 2012 and 2013, at any time after such issuance until the debentures are no longer outstanding, the debentures are convertible, in whole or in part, into shares of Common Stock of the Company at the option of the holder, subject to certain conversion limitations set forth in the Existing Debenture. The initial conversion price for the Existing Debenture was $0.43 per share, subject to adjustments upon certain events, as set forth in the Existing Debenture. The Company shall pay interest on the outstanding principal amount of the Debenture that has not been converted, at the rate of 8% per annum, payable quarterly on July 1, October 1, January 1 and April 1, beginning on July 1, 2013. Interest is payable in cash or at the Company's option in shares of Common Stock, provided certain conditions are met, as described in the debenture. On each of April 1, 2014 and July 1, 2014, the Company is obligated to redeem $196,000 and $196,000 respectively, (plus accrued but unpaid interest, liquidated damages and any other amounts then owing in respect of the Debenture) (the "2012 Periodic Redemption Amount"). In lieu of a cash redemption and subject to the Company meeting certain equity conditions described in the Debenture, the Company may elect to pay the 2012 Periodic Redemption Amount in Common Stock on the terms set forth in the Existing Debentures. Upon any Event of Default (as defined in the Debenture), the outstanding principal amount of the Debenture, plus liquidated damages, interest, a premium of 30% and other amounts owing in respect thereof, shall become, at the holder's election, immediately due and payable in cash. Commencing five days after the occurrence of any Event of Default, the interest rate on the Debenture shall accrue at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted under applicable law. The Existing Debentures were extended in 2014 as described above.

The Company intends to raise additional funds in the future through a private placement of its senior convertible debentures. The additional capital would be used to fund the Company's operations, including the costs that it expects to incur as a public company. The current level of cash and operating margins is not enough to cover the existing fixed and variable obligations of the Company, so increased revenue performance and the addition of capital through issuances of securities are critical to the Company's success. Assuming that the Company is successful in its growth plans and development efforts, the Company believes that it will be able to raise additional funds through sales of its stock. There is no guarantee that the Company will be able to raise such additional funds on acceptable terms, if at all.

These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

The Company's financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should it be unable to continue as a going concern.

Off –Balance Sheet Arrangements

As of December, 2014 and 2013, the Company had no material off-balance sheet arrangements other than operating leases to which SG Building is a party.

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, 2014.

Critical Accounting Policies and New Accounting Pronouncements

Critical Accounting Policies

Accounting Estimates. The preparation of consolidated 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. Significant areas which require the Company to make estimates include revenue recognition, stock-based compensation and allowance for doubtful accounts.

Share-Based Payments. The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on interim financial reporting dates and vesting dates until the service period is complete. The fair value amount is then recognized over the period services are required to be provided in exchange for the award, usually the vesting period. The Company recognizes stock-based compensation expense on a graded-vesting basis over the requisite service period for each separately vesting tranche of each award. Stock-based compensation expense is reported within operating expenses in the consolidated statements of operations.

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

The Company's free standing derivatives consist of warrants to purchase common stock that were issued to a placement agent involved with the private offering memorandum as well as issuances of convertible debentures . The Company evaluated the common stock purchase warrants to assess their proper classification in the consolidated balance sheet and determined that the common stock purchase warrants feature a characteristic permitting cash settlement at the option of the holder. Accordingly, these instruments have been classified as warrant liabilities.

Convertible instruments – The Company bifurcates conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria includes circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

The Company has determined that the embedded conversion options should be bifurcated from their host and a portion of the proceeds received upon the issuance of the hybrid contract have been allocated to the fair value of the derivative. The derivative is subsequently marked to market at each reporting date based on current fair value, with the changes in fair value reporting in results of operations.

Revenue Recognition. The Company (through 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.

Related Party Transactions

See the section entitled “*Certain Relationships and Related Transactions, and Director Independence – Transactions with Related Persons*” in Part III, Item 13 of this Annual Report on Form 10-K for a description of related party transactions.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements and the notes thereto, together with the report thereon of Marcum LLP dated April 15, 2014, appear beginning on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES (A) DISCLOSURE CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures.

Management, with the participation of our Principal Executive Officer and Principal Financial Officer, carried out an evaluation of the effectiveness of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Annual Report on Form 10-K (the “Evaluation Date”). Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures are not effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms and (ii) is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Notwithstanding the conclusion that our disclosure controls and procedures were not effective as of the end of the period covered by this Annual Report, the Principal Executive Officer and the Principal Financial Officer believe that the consolidated financial statements and other information contained in this Annual Report present fairly, in all material respects, our business, financial condition and results of operations.

(b) Management’s Annual Report on Internal Control over Financial Reporting

Our management is also responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

As of December 31, 2014, we carried out an assessment of the effectiveness of our internal control over financial reporting based on the framework in “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992. Based on our evaluation, our management concluded that our internal control over financial reporting was not effective as of December 31, 2014.

As of December 31, 2014, we had identified certain matters that constituted material weaknesses in our internal controls over financial reporting, specific material weaknesses include the fact that we (i) have experienced difficulty in generating data in a form and format that facilitates the timely analysis of information needed to produce accurate financial reports, (ii) have experienced difficulty in applying complex accounting and financial reporting and disclosure rules required under GAAP and the SEC reporting regulations, and (iii) have limited segregation of duties. We have taken certain steps in an effort to correct these material weaknesses, including hiring of a Chief Financial Officer in 2011 who has significant experience with publicly held companies. Although this was an important step towards improving the application of complex accounting principles, the preparation of financial reports and the segregation of duties, we still believe we have not remediated our deficiencies. Because these remediation steps have not yet been completed, we have performed additional analyses and other procedures to ensure that our consolidated financial statements contained in this Annual Report were prepared in accordance with GAAP and applicable SEC regulations.

We believe that our weaknesses in internal control over financial reporting and our disclosure controls relate in part to the fact that SG Building is a relatively small company with few employees. Our internal controls are still in a state of transition as we work to remedy the significant deficiencies that together constitute a material weakness in our internal control over financial reporting.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the exemption provided to issuers that are neither “large accelerated filers” nor “accelerated filers” under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

(c) Changes in Internal Control over Financial Reporting

Notwithstanding our remedial actions and integration of our financial reporting systems, there was no change in our internal control over financial reporting that occurred during the fourth quarter of 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Effective March 27, 2015, Mr. Casano resigned as a member of the Board of Directors of the Company. Mr. Casano’s resignation was not a result of any disagreement with the Company or its executive officers, or any matter relating to the Company’s operations, policies or practices. Following Mr. Casano’s resignation, Ms. Struminger was appointed to the Board of Directors of the Company effective March 30, 2015. Ms. Struminger, the Company’s Chief Administrative Officer, has informed the Company that she currently intends to resign from her position as Chief Administrative Officer as of June 1, 2015. Ms. Struminger will continue to serve in a consulting capacity and as a member of the Board following her resignation as Chief Administrative Officer.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth information regarding the members of the Board of Directors and the executive officers of SG Blocks. Our directors are elected to serve until the next annual meeting of stockholders and serve until their respective successors have been duly elected and qualified. Additional information regarding our directors and executive officers, including their business experience for the past five years (and in some instances for prior years) and the key attributes, experience and skills that led the board of directors to conclude that each person should serve as a director is set forth below.

Current Directors and Executive Officers

Name	Age	Year First Elected Director	Position
Paul Galvin	52	2011	Chief Executive Officer and Director
Stevan Armstrong	66	2011	President, Chief Operating Officer and Director
J. Bryant Kirkland III	49	1998	Director
Joseph Tacopina	48	2011	Director
J. Scott Magrane	67	2011	Director
Christopher Melton	43	2011	Director
Brian Wasserman	49	2012	Chief Financial Officer and Director
Marc Bell	54	2014	Director
Jennifer Strumingher	39	2015	Director and Chief Administrative Officer

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

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

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

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

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

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

Brian Wasserman, CPA, has served as the Chief Financial Officer of the Company since consummation of the Merger on November 4, 2011, pursuant to a consulting agreement, dated November 7, 2011 between the Company, BAW Holdings Corp. ("**BAW**") and Mr. Wasserman (the "**Wasserman Agreement**"). Mr. Wasserman was appointed as a director of the Company on May 23, 2012. Although Mr. Wasserman will not devote all his professional time to serving as the Chief Financial Officer of the Company, he will devote as much time as is necessary to fully and professionally perform his duties as the Company's Chief Financial Officer. Mr. Wasserman served as the Chief Financial Officer of SG Building pursuant to the Wasserman Agreement since June 2011. Mr. Wasserman served as Chief Executive Officer of ContinuityX Solutions, Inc. from August 16, 2012 to February 7, 2013. Mr. Wasserman has been a Partner and a Director of Forensic Services at Janover, LLC, a public accounting firm since January 2010 and the Chief Executive Officer of BAW, a financial consulting business, since September 2005. Mr. Wasserman was a founder, the Chief Financial Officer and Treasurer of Newtek Business Services, Inc. ("**Newtek**" — NASDAQ Symbol "NEWT") from September 1997 through July 2005. Newtek is a direct distributor of a wide range of business services and financial products to the small- and medium-sized business market under the Newtek brand. Newtek serves as a "one-stop-shop" provider of business services to the small- and medium-sized business market. From 1992 thru 1997, Mr. Wasserman was the Chief Financial Officer for a Wall Street investment banking firm, the General Partner of various investment limited partnerships and the Treasurer of Engex, Inc., a publicly traded closed end mutual fund. Mr. Wasserman is a licensed New York State Certified Public Accountant and holds a BS in Accounting from Lehigh University. From 1987 thru 1992, Mr. Wasserman worked for Coopers & Lybrand (now PricewatershouseCoopers) and earned the title of Manager. Mr. Wasserman's pertinent experience, qualifications, attributes and skills include financial literacy expertise, managerial experience, as well as corporate finance and accounting expertise.

Marc Bell was appointed as a director of the Company on January 30, 2014. Mr. Bell has been the General Counsel and Secretary of Vector since 1994, the Vice President of Vector since January 1998 and the Senior Vice President and General Counsel of Vector Tobacco since April 2002. Since 1998, Mr. Bell has served as Vice President of New Valley Corporation, and its successor New Valley LLC. Vector is a publicly traded holding company listed on NYSE that is primarily engaged 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 New Valley LLC subsidiary. New Valley LLC owns 70.59% of Douglas Elliman Realty, LLC, which operates the largest residential brokerage company in the New York metropolitan area. Mr. Bell's pertinent experience, qualifications, attributes and skills include legal expertise and managerial experience and the knowledge gained through his services as an officer and director or manager of various companies.

***Jennifer Struminghe*r** was appointed as a director of the Company effective March 30, 2015. Ms. Strumingher was appointed as the Company's Chief Administrative Officer upon consummation of the Merger on November 4, 2011. Ms. Strumingher held various positions with SG Building and its predecessor entity since February 2008, and has served as the Chief Administrative Officer of SG Building since March 2010 and as a director since April 2009. From May 2007 to February 2008, Ms. Strumingher was involved in private real estate renovations. From November 2005 to May 2007, Ms. Strumingher worked for a boutique contemporary knitwear company in brand positioning, sales and product marketing. Prior to that Ms. Strumingher was an Equity Sales Manager for PaineWebber, Inc. from July 1996 to December 2000 where she communicated and marketed PaineWebber's equity research to a select group of Private Wealth Advisors. Additionally, Ms. Strumingher led conference calls, branch seminars and public speaking engagement to create equity positions recommended by the firm. Ms. Strumingher holds a B.S. in Management and Marketing from Binghamton University's (State University of New York) School of Management.

Family Relationships

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

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "SEC"). Based solely on a review of Forms 3, 4 and 5 and amendments thereto furnished to the Company, the Company believes that during the fiscal year ended December 31, 2014, its directors and officers have complied with all Section 16(a) filing requirements, except for the inadvertent late filing by Mr. Casano of one Form 4, reporting one transaction.

Effective March 27, 2015, Mr. Casano resigned as a member of the Board of Directors of the Company.

Code of Ethics

We have adopted a Code of Ethics that applies to our employees, our President and Chief Executive Officer and our Vice President and Chief Financial Officer. We will provide, without charge, a copy of the Code of Ethics on the written request of any person addressed to our Chief Financial Officer at SG Blocks, Inc., 3 Columbus Circle, 16th Floor, New York NY 10019.

Audit Committee

The Company has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee has adopted a written charter, which is available, without charge, upon written request to our Chief Administrative Officer at SG Blocks, Inc., 3 Columbus Circle, 16th Floor, New York, New York 10019. The adequacy of the charter has been reviewed and assessed by the Audit Committee on an annual basis. The members of the Audit Committee during 2014 were J. Bryant Kirkland III, J. Scott Magrane and Christopher Melton. Because we are not a "listed company" under the rules of the SEC, we are not required to comply with the director independence requirements of any securities exchange, and we therefore utilize the definition of "independent" set forth in Rule 10A-3 of the Exchange Act. Each of Messrs. Kirkland, Magrane and Melton is independent under the criteria for being "independent" set forth under Rule 10A-3 of the Exchange Act. In addition, the Board has determined that Bryant Kirkland III, the Chairman of the Audit Committee and a non-management director, is an audit committee financial expert serving on the Audit Committee. The primary purpose of the Audit Committee is to assist the Board in fulfilling its responsibility to oversee the Company's financial reporting activities. The Audit Committee annually selects independent public accountants to serve as auditors of the Company's books, records and accounts. The Audit Committee reviews the scope of the audits performed by such auditors, the audit reports prepared by them and discusses with the auditors those matters required to be discussed by Auditing Standard No. 16. The Audit Committee also reviews and monitors the Company's internal accounting procedures and discusses the Company's Audited Financial Statements with management.

Compensation Committee

The Compensation Committee reviews compensation arrangements and personnel matters. The Compensation Committee has adopted a written charter, which is available, without charge, upon written request to our Chief Administrative Officer at SG Blocks, Inc., 3 Columbus Circle, 16th Floor, New York, New York 10019. The members of the Compensation Committee during 2014 were Messrs. Kirkland, Magrane and Melton. Each member of the Compensation Committee meets the criteria for being "independent" set forth under Rule 10A-3 of the Exchange Act.

The Compensation Committee has the ultimate authority to determine compensation of the Company's executive officers, but may form and delegate authority to subcommittees when appropriate. The Compensation Committee has the authority to engage compensation consultants. The Compensation Committee reviews director compensation levels and practices, and recommends, from time to time, changes in such compensation levels and practices to the Board (including retainer, committee chairs' fees, stock options, restricted stock units, and other similar items, as appropriate).

Nominating Committee and Stockholder-Director Communications

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

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

ITEM 11. 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, 2014 and 2013: (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, 2014; (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, 2014. 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 ($)
Paul M. Galvin	2014	254,292	—	238,000(1(a))	—	492,292
Chief Executive Officer (1)	2013	212,333	—	3,770(1(b))	—	216,103
Stevan Armstrong	2014	97,000	—	2,000(2(a))	—	99,000
President and Chief Operating Officer(2)	2013	129,250	—	3,770(2(b))	—	133,020
Brian Wasserman	2014	—	—	119,000(3(a))	201,050(4(a))	320,050
Chief Financial Officer	2013	—	—	3,770(3(b))	167,000(4(b))	170,770

(1) (a) On July 30, 2014, an option to purchase 2,000,000 shares of the Company's common stock were granted to Mr. Galvin. The amounts shown represent the aggregate grant date fair value of stock options granted to Mr. Galvin during 2014, as determined in accordance with ASC Topic 718.

(b) On March 14, 2013, an option to purchase 50,000 shares of the Company's common stock were granted to Mr. Galvin as part of compensation for serving on the Company's Board of Directors. The amounts shown represent the aggregate grant date fair value of stock options granted to Mr. Galvin during 2013, as determined in accordance with ASC Topic 718.

(2) (a) On November 21, 2014, an option to purchase 50,000 shares of the Company's common stock were granted to Mr. Armstrong as part of compensation for serving on the Company's Board of Directors. The amounts shown represent the aggregate grant date fair value of stock options granted to Mr. Galvin during 2014, as determined in accordance with ASC Topic 718.

(b) On March 14, 2013, an option to purchase 50,000 shares of the Company's common stock were granted to Mr. Armstrong as part of compensation for serving on the Company's Board of Directors. The amounts shown represent the aggregate grant date fair value of stock options granted to Mr. Armstrong during 2013, as determined in accordance with ASC Topic 718.

(3) (a) On July 30, 2014, an option to purchase 1,000,000 shares of the Company's common stock were granted to Mr. Wasserman. The amounts shown represent the aggregate grant date fair value of stock options granted to Mr. Wasserman during 2014, as determined in accordance with ASC Topic 718.

(b) On March 14, 2013, an option to purchase 50,000 shares of the Company's common stock were granted to Mr. Wasserman as part of compensation for serving on the Company's Board of Directors. The amounts shown represent the aggregate grant date fair value of stock options granted to Mr. Wasserman during 2013, as determined in accordance with ASC Topic 718.

(4) (a) Amount reflects payments of $108,000 to BAW Holdings Corp. (BAW) pursuant to the Wasserman Agreement (Mr. Wasserman is the Chief Executive Officer of BAW, a financial consulting business), and payments of $93,050 to Janover, LLC, a public accounting firm that provides various services to the Company. Mr. Wasserman is a Partner and a Director of Forensic Services at Janover, LLC.

(b) Amount reflects payments of $92,000 to BAW pursuant to the Wasserman Agreement (Mr. Wasserman is the Chief Executive Officer of BAW, a financial consulting business), and payments of $75,000 to Janover, LLC, a public accounting firm that provides various services to the Company. 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

Prior to their expiration in October 2013, we were, 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 Struminger, our Chief Administrative Officer, each dated October 26, 2010 (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. As of June 1, 2012 Mr. Galvin's base salary was decreased to $214,000 per year. Mr. Armstrong's agreement is for a term of three (3) years with a base salary of $150,000 per year. As of June 1, 2012, Mr. Armstrong's base salary was decreased to $133,000 per year. Ms. Struminger's agreement is for a term of three (3) years with a base salary of $100,000 per year. As of June 1, 2012, Ms. Struminger's base salary was decreased to $88,000 per year. Subsequently, in March 2013, Ms. Struminger's base salary went back to $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. All of the SGB Employment Agreements expired in accordance with their terms and the Company is in the process of negotiating new agreements with Mr. Galvin and Ms. Struminger.

On April 14, 2014, the Compensation Committee approved and set annual cash compensation for: Mr. Galvin at $275,000 for fiscal 2014 and $300,000 for fiscal 2015; and for Ms. Struminger at $138,000 for fiscal 2014 and $150,000 for fiscal 2015. It is anticipated that any new employment agreement with Mr. Galvin will reflect these cash compensation levels. On April 14, 2014, the Compensation Committee also approved certain stock option grants that were subject to approval by the Company's Stockholders of the 2014 Plan, which the Company's Stockholders approved on July 15, 2014.

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. As of June 1, 2012, BAW's fee was reduced to $8,000 per month and as of November 1, 2013, BAW's fee was reduced to $6,000 per month. As of April 1, 2014, BAW's fee was increased to $10,000 per month. The Company is in the process of negotiating a new agreement with Mr. Wasserman.

On April 14, 2014, the Compensation Committee approved and set cash compensation for Mr. Wasserman at $10,000 per month for fiscal 2014 and $12,000 per month for fiscal 2015. It is anticipated that any new agreements with Mr. Wasserman and/or BAW will reflect these cash compensation levels. On April 14, 2014, the Compensation Committee also approved certain stock option grants that were subject to approval by the Company's Stockholders of the 2014 Plan, which the Company's Stockholders approved on July 15, 2014.

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"). 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.

During the year ended December 31, 2012, the Company's Board of Directors approved the issuance of up to an additional 2,000,000 shares of the Company's Common Stock in the form of restricted stock or options (the "2012 Board Equity Authorization"). These options generally have the same terms and conditions as those provided under the 2011 Plan, however, the authorization of these options is not subject to shareholder approval. The issuance of these options will be approved by the Company's Board of Directors on a case-by-case basis.

During the year ended December 31, 2013, the Company's Board of Directors approved the issuance of up to an additional 400,000 shares of the Company's Common Stock in the form of restricted stock or options (the "2013 Board Equity Authorization"). These options generally have the same terms and conditions as those provided under the 2011 Plan, however, the authorization of these options is not subject to shareholder approval. The issuance of these options will be approved by the Company's Board of Directors on a case-by-case basis.

During November 2013, the Company's Board of Directors approved the 2013 Stock Plan. The 2013 Stock Plan has not been approved by the Company's stockholders. The 2013 Stock Plan covers up to 2,000,000 shares of common stock, and all officers, directors, employees, consultants and advisors are eligible to be granted awards under the 2013 Stock Plan. The 2013 Stock Plan is administered by the Company's Board of Directors.

On July 15, 2014, at the annual meeting of the Company's shareholders, the shareholders holding a majority of the Company's outstanding common stock voted to approve the 2014 Incentive Stock Plan (2014 Plan). The 2014 Plan contains 12,000,000 shares of the Company's Common Stock, which is available for grant to directors, officers and employees of, and consultants and advisors to, the Company or any subsidiary of the Company; provided that incentive stock options may only be granted to employees of the Company and its subsidiaries. An incentive stock option may be granted under the 2014 Plan only to a person who, at the time of the grant, is an employee of the Company or its subsidiaries. Grants under the 2014 Plan may take the form of options, stock appreciation rights, restricted stock and other equity incentives. The 2014 Plan expires on July 14, 2024, and is administered by a committee consisting of two or more directors appointed by the Company's Board of Directors.

2014 Option Grants

On July 30, 2014, the Company granted 3,750,000 options to purchase common stock to executives and directors of the Company. (the "July Options") One third of the July Options vest upon grant date, 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. These options were granted under the 2014 Plan.

Outstanding Equity Awards at Fiscal Year End

Name	Option Vest Date(1)	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Paul M. Galvin	11/7/2011	666,666		0.2	11/6/2021
Current Chief Executive Officer	1/2/2012	666,666		0.75	1/1/2022
	11/7/2012	666,667		0.2	11/6/2021
	1/2/2013	666,667		0.75	1/1/2022
	3/14/2013	16,667		0.43	3/13/2022
	11/7/2013	666,667		0.2	11/6/2021
	7/30/2014	666,666		0.11	7/9/2024
	3/14/2014	16,667		0.43	3/13/2022
	1/2/2014	666,667		0.75	1/1/2022
	3/14/2015		16,666	0.43	3/13/2022
	7/30/2015		666,666	0.11	7/9/2024
	7/30/2016		666,667	0.11	7/9/2024
Stevan Armstrong	11/7/2011	116,666		0.2	11/6/2021
Current President and Chief Operating Officer	3/20/2012	6,666		0.5	3/19/2022
	8/7/2012	4,762		0.35	8/6/2022
	11/7/2012	116,667		0.2	11/6/2021
	3/14/2013	16,667		0.43	3/13/2022
	3/20/2013	6,667		0.5	3/19/2022
	8/7/2013	4,762		0.35	8/6/2022
	11/7/2013	116,667		0.2	11/6/2021
	3/14/2014	16,667		0.43	3/13/2022
	3/20/2014	6,667		0.5	3/19/2022
	8/7/2014	4,762		0.35	8/6/2022
	11/21/2014	16,666		0.275	11/20/2024
	3/14/2015		16,666	0.43	3/13/2022
	11/21/2015		16,666	0.275	11/20/2014
	11/21/2016		16,667	0.275	11/20/2024
Brian Wasserman	11/7/2011	333,334		0.2	11/6/2021
Current Chief Financial Officer	8/7/2012	4,762		0.35	8/6/2022
	11/7/2012	333,333		0.2	11/6/2021
	3/14/2013	16,667		0.43	3/13/2022
	8/7/2013	4,762		0.35	8/6/2022
	11/7/2013	333,333		0.2	11/6/2021
	7/30/2014	333,333		0.11	7/29/2024
	3/14/2014	16,667		0.43	3/13/2022
	8/7/2014	4,762		0.35	8/6/2022
	3/14/2015		16,666	0.43	3/13/2022
	7/30/2015		33,333	0.11	7/29/2014
	7/30/2016		333,334	0.11	7/29/2014

Compensation of Directors

Director Compensation Table

The table below summarizes the compensation paid by us to directors for the fiscal year ended December 31, 2014.

Name	Option Awards $ (1)	Fees Earned or Paid in Cash ($)	Total ($)
Richard J. Lampen*	—	—	—
J. Bryant Kirkland III	2,500(2)	—	2,500
J. Scott Magrane	2,500(2)	—	2,500
Christopher Melton	2,500(2)	—	2,500
Joseph Tacopina	2,000(2)	—	2,000
Marc Bell	2,000(2)	—	2,000
Frank Casano**	2,000(2)	—	2,000
Paul M. Galvin			(3)
Stevan Armstrong			(3)
Brian Wasserman			(3)

* Mr. Lampen resigned from the Board effective January 30, 2014.

**Effective March 27, 2015, Mr. Casano resigned as a member of the Board of Directors of the Company.

(1) The amounts shown represent the aggregate grant date fair value of stock options granted during 2014, 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 21, 2014, the Company's Compensation Committee granted options to purchase 50,000 shares of Company common stock to Armstrong, Tacopina, Bell and Casano, in connection with their service on the Board of Directors; and granted options to purchase 62,500 shares of Company common stock to Kirkland, Magrane and Melton, in connection with their service on the Board of Directors. The November 21, 2014 option grants were made pursuant to the 2014 Plan.

(3) The compensation arrangements for Galvin, Armstrong and Wasserman 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.

Risk Oversight

Management is responsible for the day-to-day management of risks the Company faces, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk management oversight role, the Board has the responsibility to satisfy itself that the risk management processes implemented by management are adequate and functioning as designed. As a critical part of this risk management oversight role, the Board encourages full and open communication between management and the Board. The Company's Chairman and CEO meet periodically with the President and other members of management to discuss strategy and risks facing the Company. Senior management attends Board meetings and is available to address any questions or concerns raised by the Board on risk management-related and other matters. The Board periodically receives presentations and reports from senior management on strategic matters involving the Company's operations to enable it to understand the Company's risk identification, risk management and risk mitigation strategies.

The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to risk management in areas of financial risk, internal controls, and compliance with legal and regulatory requirements. The Compensation Committee assists the Board in overseeing risk management in the areas of compensation policies and programs.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth the number of shares of common stock beneficially owned as of March 25, 2015 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 3 Columbus Circle, 16 th Floor, New York NY 10019.

Name of Beneficial Owner	Number of Shares(1)	Percent of Class(2)
5% or Greater Stockholders		
Vector Group Ltd.(8)	3,508,519	8.2%
Tag Partners, LLC (4)	2,658,127	6.2%
SMA Development Group, LLC (5)	3,327,266	7.8%
Hillair Capital Investments LP (19)	3,344,903	7.8%
Directors and Named Executive Officers		
Paul Galvin(3)(4)(11)	8,041,460	18.7%
Joseph Tacopina(3)(4)(12)	2,810,986	6.5%
Stevan Armstrong(3)(5)(13)	4,034,887	9.4%
J. Scott Magrane(3)(6)(14)	600,776	1.4%
Christopher Melton(3)(7)(15)	551,929	1.3%
J. Bryant Kirkland III (8)(9)(16)	245,473	*
Brian Wasserman(3)(17)	1,611,906	3.8%
Marc Bell (8)	16,667	*
Frank Casano (10)**	1,058,528	2.5%
Jennifer Strumingher (3)(7)(18)	390,954	*
All executive officers and directors as a group (10 persons)	17,294,128	40.3%

* Less than 1%.

** Effective March 27, 2015, Mr. Casano resigned as a member of the Board of Directors of the Company.

(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 42,918,927 shares of common stock outstanding on March 25, 2015.

(3) Paul Galvin, Joseph Tacopina, Stevan Armstrong, J. Scott Magrane and Christopher Melton were appointed as directors of the Company on November 4, 2011. Additionally, Mr. Galvin was appointed as Chief Executive Officer, Mr. Armstrong was appointed as President and Chief Operating Officer, Brian Wasserman was appointed as Chief Financial Officer and Ms. Strumingher was appointed as Chief Administrative Officer of the Company on November 4, 2011. Ms. Strumingher was appointed as a director of the Company effective March 30, 2015.

(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 409,708 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) Does not include shares held by TAG. Mr. Melton and Ms. Strumingher each has a membership interest in TAG. Mr. Melton and Ms. Strumingher each specifically disclaims beneficial ownership of the shares of common stock held by TAG, except to the extent of their pecuniary interest therein, and this shall not be deemed to be an admission that either Mr. Melton or Ms. Strumingher is a beneficial owner of such shares of common stock.

(8) J. Bryant Kirkland III, a director of the Company, serves as Vice President, Treasurer and Chief Financial Officer of Vector. Marc Bell has been the General Counsel and Secretary of Vector since 1994 and the Vice President of Vector since January 1998. Neither Mr. Kirkland nor Mr. Bell has investment authority or voting control over the 3,508,519 shares of Common Stock owned by Vector. The business address for Vector is 4400 Biscayne Boulevard, 10 th Floor, Miami, Florida 33137. 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. Bell has no investment authority or voting control over the securities owned by Vector.

(10) Includes 100,000 shares held by Mr. Casano.

On April 24, 2013, the Company issued and sold to Mr. Casano: (a) $448,000 in 8% Original Issue Discount Senior Secured Convertible Debentures due July 1, 2014, for a subscription amount of $400,000 (the "Casano 2013 Debenture"), and (b) a common stock purchase warrant (the "Casano 2013 Warrant") to purchase up to 1,041,861 shares of Common Stock for $0.4488 per share, subject to adjustments upon certain events. The initial conversion price for the Casano 2013 Debenture was $0.43 per share, subject to adjustments upon certain events, as set forth in the Casano 2013 Debenture. On April 10, 2014, the Company entered into an Exchange Agreement (the "Exchange Agreement") with certain of the holders of its existing Senior Convertible Debentures, including Mr. Casano. Under the terms of the Exchange Agreement, the Casano 2013 Debenture was exchanged for (a) a new 8% Original Issue Discount Senior Secured Convertible Debentures due April 1, 2016, in the principal amount of $510,720 (the "Casano 2014 Debenture") and (b) a common stock purchase warrant (the "Casano 2014 Warrant") to purchase up to 2,042,880 shares of Common Stock for $0.275 per share, subject to adjustments upon certain events. The initial conversion price for the Casano 2014 Debenture is $0.25 per share, subject to adjustments upon certain events, as set forth in the Casano 2014 Debenture. Entry into the Exchange Agreement triggered the anti-dilution provisions of the Casano 2013 Warrant, which reset the exercise price under the Casano 2013 Warrant at $0.25 per share and the number of shares issuable upon exercise of the Casano 2013 Warrant was increased to 1,792,000 shares.

If the Casano 2014 Debenture is converted and the Casano 2013 Warrant and Casano 2014 Warrant are exercised, Mr. Casano would hold an additional 5,877,760 shares. However, the aggregate number of shares of Common Stock into which such Debentures and Warrants are convertible and exercisable, respectively, and which Mr. Casano has the right to acquire beneficial ownership, is limited to the number of shares of Common Stock that, together with all other shares of Common Stock beneficially owned by Mr. Casano does not exceed 4.99% of the total outstanding shares of Common Stock (estimated to be 2,246,500 shares).

(11) Includes 4,700,000 shares that Mr. Galvin has the right to acquire at within 60 days upon exercise of stock options.

(12) Includes 134,286 shares that Mr. Tacopina has the right to acquire at within 60 days upon exercise of stock options.

(13) Includes 434,286 shares that Mr. Armstrong has the right to acquire at within 60 days upon exercise of stock options.

(14) Includes 167,857 shares that Mr. Magrane has the right to acquire at within 60 days upon exercise of stock options.

(15) Includes 404,909 shares held by Mr. Melton. Includes 167,857 shares that Mr. Melton has the right to acquire at within 60 days upon exercise of stock options.

(16) Includes 110,953 shares held by Mr. Kirkland. Includes 167,857 shares that Mr. Kirkland has the right to acquire at within 60 days upon exercise of stock options.

(17) Includes 1,380,952 shares that Mr. Wasserman has the right to acquire at within 60 days upon exercise of stock options.

(18) Includes 367,620 shares that Ms. Struminger has the right to acquire at within 60 days upon exercise of stock options.

(19) Based upon a Schedule 13G filed on June 6, 2013 with the SEC by Hillair Capital Investments LP ("Hillair Investments") (the "2013 Schedule 13G"). In the 2013 Schedule 13G, Hillair Investments disclosed that it beneficially owns actual 3,344,903 shares of Common Stock as of the date thereof. The 3,344,903 shares of Common Stock beneficially owned by Hillair Investments include only actual shares of Common Stock.

Additionally, Hillair Investments holds convertible debentures previously purchased and convertible into 9,667,200 shares of Common Stock, in the aggregate but subject to certain anti-dilution adjustments, and Common Stock Purchase Warrants previously purchased and exercisable into 14,147,200 shares of Common Stock, in the aggregate but subject to certain anti-dilution adjustments. However, the aggregate number of shares of Common Stock into which such debentures and warrants are convertible and exercisable, respectively, and which Hillair Investments has the right to acquire beneficial ownership, is limited to the number of shares of Common Stock that, together with all other shares of Common Stock beneficially owned by Hillair Investments does not exceed 4.99% of the total outstanding shares of Common Stock. Accordingly, such debentures and warrants are not currently convertible or exercisable, respectively, into Common Stock unless and until the actual shares of Common Stock held by Hillair Investments is less than 4.99% of the total outstanding shares of Common Stock.

The address for Hillair Investments is: c/o Hillair Capital Management LLC, 330 Primrose Road, Suite 660, Burlingame, CA 94010.

Equity Compensation Plan Information

On July 27, 2011, in connection with the Merger, we obtained the written consent of holders of a majority of our 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. Also, during the year ended December 31, 2012, the Company's Board of Directors approved the issuance of up to an additional 2,000,000 shares of the Company's common stock in the form of restricted stock or options. These options generally have the same terms and conditions as those provided under the 2011 Plan, however, the authorization of these options is not subject to shareholder approval. The issuance of these options will be approved by the Company's Board of Directors on a case-by-case basis. During November 2013, the Company's Board of Directors also approved the 2013 Stock Plan. The 2013 Stock Plan covers up to 2,000,000 shares of the Company's common stock. The 2013 Stock Plan is administered by the Company's Board of Directors. During 2014, the shareholders holding a majority of the Company's outstanding common stock voted to approve the 2014 Plan. The 2014 Plan covers up to 12,000,000 shares of the Company's common stock. The 2014 Plan is administered by a committee consisting of two or more directors appointed by the Company's Board. In addition to the options granted to our Directors and Executive Officers, described in the section entitled "Executive Compensation - 2014 Option Grants", the Company has also granted 1,070,000 options to employees and consultants during the period covered by this Annual Report on Form 10-K. The aggregate number of options granted during the period covered by this Annual Report on Form 10-K is 5,207,500.

As of December 31, 2014, there were 3,928 shares of common stock remaining available for future issuance under the 2011 Plan, 1,600,000 shares of common stock available for future issuance under the 2013 Stock Plan, 6,792,500 shares of common stock available for future issuance under the 2014 Plan, and 66,071 shares available for future issuances under the 2012 Board Equity Authorization.

Securities Authorized for Issuance Under Equity Compensation Plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	7,996,072	$ 0.36	3,928
Equity compensation plans not approved by security holders	7,541,429	$ 0.30	8,458,571
Total	15,537,501		8,462,499

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Transactions with Related Persons

An affiliated accounting firm of the Company's Chief Financial Officer provides accounting and consulting services to the Company. The Company recognized General and Administrative expenses in the amount of $74,300 and $80,050 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, $7,300 and $36,050 of such expenses are included in related party accounts payable and accrued expenses on the accompanying consolidated balance sheet, respectively.

Transactions with Vector

On March 26, 2009, the Company entered into a $50,000 revolving credit promissory note (the "Revolver") with Vector Group Ltd. ("Vector"), a principal stockholder of the Company. On January 26, 2011, the Company and Vector entered into an amendment to the Revolver increasing the amount that the Company may borrow from $50,000 to $100,000. The loan bears interest at 11% per annum and was due on December 31, 2013. During January 2014, the Revolver was extended from December 31, 2013 to June 30, 2015. As of December 31, 2014 and 2013, the balance due to Vector amounted to $73,500. As of December 31, 2014 and 2013, accrued interest related to the Revolver amounted to $36,833 and $28,636, respectively.

Transactions with Frank Casano

On April 24, 2013, the Company issued and sold to Mr. Casano: (a) $448,000 in 8% Original Issue Discount Senior Secured Convertible Debentures due July 1, 2014, for a subscription amount of $400,000 (the "Casano 2013 Debenture"), and (b) a common stock purchase warrant (the "Casano 2013 Warrant") to purchase up to 1,041,861 shares of Common Stock for $0.4488 per share, subject to adjustments upon certain events. The initial conversion price for the Casano 2013 Debenture was $0.43 per share, subject to adjustments upon certain events, as set forth in the Casano 2013 Debenture.

On April 10, 2014, the Company entered into an Exchange Agreement (the "Exchange Agreement") with certain of the holders of its existing Senior Convertible Debentures, including Mr. Casano. Under the terms of the Exchange Agreement, the Casano 2013 Debenture was exchanged for (a) a new 8% Original Issue Discount Senior Secured Convertible Debentures due April 1, 2016, in the principal amount of $510,720 (the "Casano 2014 Debenture") and (b) a common stock purchase warrant (the "Casano 2014 Warrant") to purchase up to 2,042,880 shares of Common Stock for $0.275 per share, subject to adjustments upon certain events. The initial conversion price for the Casano 2014 Debenture is $0.25 per share, subject to adjustments upon certain events, as set forth in the Casano 2014 Debenture. Entry into the Exchange Agreement triggered the anti-dilution provisions of the Casano 2013 Warrant, which reset the exercise price under the Casano 2013 Warrant at $0.25 per share and the number of shares issuable upon exercise of the Casano 2013 Warrant was increased to 1,792,000 shares.

If the Casano 2014 Debenture is converted and the Casano 2013 Warrant and Casano 2014 Warrant are exercised, Mr. Casano would hold an additional 5,877,760 shares.

Effective March 27, 2015, Mr. Casano resigned as a member of the Board of Directors of the Company.

Transactions with Hillair Capital Investments L.P.

Incorporated by reference herein are disclosures related to transactions with Hillair Capital Investments L.P. set forth in Note

10 and Note 15 to the Consolidated Financial Statements included in Part IV of this Annual Report on Form 10-K.

Director Independence and Board Committees

As we are not a “listed company” under SEC rules, we are not required to comply with the director independence requirements of any securities exchange, we currently utilize the definition of “independent” set forth in Rule 10A-3 of the Exchange Act. We believe that Messrs. Kirkland, Tacopina, Magrane and Melton are independent under Rule 10A-3 of the Exchange Act.

We currently have an Audit Committee consisting of Messrs. Kirkland, Magrane and Melton each of whom is an independent director. Mr. Kirkland is an “audit committee financial expert.” We also have a Compensation Committee, consisting of Messrs. Kirkland, Magrane and Melton, which is responsible for reviewing and approving all stock option grants. The Board of Directors does not have a nominating committee because the Board of Directors does not believe that a defined policy with regard to the consideration of candidates recommended by stockholders is necessary at this time. Given the scope of our operations, the Board of Directors believes a specific nominating policy would be premature and of little assistance until our business operations are at a more advanced level. Currently, the entire Board of Directors decides on director nominees, on the recommendation of any member of the Board of Directors, followed by a review by the Board of Directors of the candidates’ resumes and interviews of candidates. The committees of the Board of Directors are described in greater detail above in Part III, Item 10 - Directors, Executive Officers and Corporate Governance.

We do not believe it is necessary for the Board of Directors to have a separately designated lead director, because the volume of matters that came before the Board of Directors for consideration permits all directors to give sufficient time and attention to such matters to be involved in all decision making.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The Audit Committee reviews and approves audit and permissible non-audit services performed by the Company's independent registered public accounting firm, as well as the fees charged for such services. Marcum LLP has served as the Company's independent registered public accounting firm since November 8, 2011 and has been selected as the Company's independent registered public accounting firm for the year ending December 31, 2015. The appointment of Marcum LLP as our independent registered public accounting firm was approved by the Audit Committee. In our review of non-audit service fees and our appointment of Marcum LLP as our independent accountants, the Audit Committee considered whether the provision of such services is compatible with maintaining Marcum LLP independence. All of the services provided and fees charged by Marcum LLP were pre-approved by the Audit Committee.

Audit Fees. The aggregate fees billed by Marcum LLP for professional services rendered were $165,000 and $115,500 for the audits of the Company's annual financial statements for the fiscal years ended December 31, 2014 and 2013, respectively, which services included the cost of the reviews of the consolidated financial statements for the fiscal years ended December 31, 2014 and 2013, and other periodic reports for each respective year.

Audit-Related Fees. The aggregate fees billed by Marcum LLP for professional services categorized as Audit-Related Fees rendered was $0 and $0 for the years ended December 31, 2014 and 2013, respectively.

Tax Fees. There were no fees billed by Marcum LLP during the last two fiscal years for professional services rendered for tax compliance, tax advice and tax planning.

All Other Fees. Other than the services described above, the aggregate fees billed for services rendered by Marcum LLP were $0, for each of the fiscal years ended December 31, 2014 and 2013.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) INDEX TO 2014 CONSOLIDATED FINANCIAL STATEMENTS:

Our financial statements and the notes thereto, together with the report thereon of Marcum LLP dated March 30, 2015, appear beginning on page F-1 of this Annual Report. See Index at page F-1 to Consolidated Financial Statements included in Part IV of this Annual Report.

(a)(3) EXHIBITS

The information required by this Item is listed in the Exhibit Index of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SG BLOCKS, INC.
(Company)

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

Date: March 30, 2015

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below does hereby constitute and appoint jointly and severally, Paul Galvin and Brian Wasserman, or either of them, with full power of substitution and full power to act without the other, his or her true and lawful attorney-in-fact and agent to act for him or her in his or her name, place and stead, in any and all capacities, to sign any or all amendments to this report, and to file each of the same, with all exhibits thereto, and other documents in connection therewith or herewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully, to all intents and purposes, as they, he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Paul M. Galvin Paul M. Galvin	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 30, 2015
/s/ Brian Wasserman Brian Wasserman	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) and Director	March 30, 2015
/s/ Stevan Armstrong Stevan Armstrong	President, Chief Operating Officer and Director	March 30, 2015
/s/ J. Bryant Kirkland III J. Bryant Kirkland III	Director	March 30, 2015
/s/ Joseph Tacopina Joseph Tacopina	Director	March 30, 2015
/s/ J. Scott Magrane J. Scott Magrane	Director	March 30, 2015
/s/ Christopher Melton Christopher Melton	Director	March 30, 2015
/s/ Marc Bell Marc Bell	Director	March 30, 2015
/s/ Jennifer Strumingher Jennifer Strumingher	Director, Chief Administrative Officer	March 30, 2015

INDEX TO EXHIBITS

The exhibit number, description and sequential page number in the original copy of this document where exhibits can be found as follows:

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description of Exhibits
2.1	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.
3.1	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.
3.2	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of SG Blocks, Inc. Incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on July 18, 2014, as amended.
3.3	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 9, 2009.
4.1	Revolving Credit Promissory Note, dated as of March 26, 2009, by and between Vector Group Ltd., Lender, and CDSI Holdings Inc., as borrower. Incorporated herein by reference to Exhibit 4.1 to the Annual Report on Form 10-K for the year ended December 31, 2008.
4.2	Amendment, dated as of January 26, 2011, to the Revolving Credit Promissory Note between Vector Group Ltd., Lender, and CDSI Holdings Inc., as borrower. (4) 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.) on January 27, 2011.
4.3	Warrant issued by SG Blocks, Inc. to Ladenburg Thalmann & Co. Inc. on November 4, 2011. Incorporated herein by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-k for the fiscal year ended December 31, 2011.
4.4	Warrant issued by SG Blocks, Inc. to Ladenburg Thalmann & Co. Inc. on March 28, 2012. Incorporated herein by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-k for the fiscal year ended December 31, 2011.
4.5	8% Original Issue Discount Secured Convertible Debentures issued to Hillair Capital Investments, L.P. Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed January 3, 2013.
4.6	Common Stock Purchase Warrant, dated December 27, 2012, granted to Hillair Capital Investments, L.P. Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed January 3, 2013.
4.7	Form of Original Issue Discount Secured Convertible Debentures issued to additional investors. Incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed January 14, 2013.
4.8	Form of Common Stock Purchase Warrants issued to additional investors. Incorporated herein by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K, filed January 14, 2013.
4.9	Form of Original Issue Discount Secured Convertible Debentures issued to additional investors. Incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed April 30, 2013.
4.10	Form of Common Stock Purchase Warrants issued to additional investors. Incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed April 30, 2013.
4.11	Form of Original Issue Discount Senior Secured Convertible Debentures Due April 1, 2016, issued to investors pursuant to the Exchange Agreement, dated April 10, 2014, between the Company and such investors. Incorporated herein by reference to Exhibit 4.11 to the Annual Report on Form 10-K filed with the SEC on April 15, 2014, as amended.
4.12	Form of Common Stock Purchase Warrants issued to investors pursuant to the Exchange Agreement, dated April 10, 2014, between the Company and such investors. Incorporated herein by reference to Exhibit 4.12 to the Annual Report on Form 10-K filed with the SEC on April 15, 2014, as amended.
4.13	Form of Original Issue Discount Senior Secured Convertible Debentures issued to investors pursuant to the Securities Purchase Agreement, dated April 10, 2014, between the Company and such investors. Incorporated herein by reference to Exhibit 4.13 to the Annual Report on Form 10-K filed with the SEC on April 15, 2014, as amended.
4.14	Form of Common Stock Purchase Warrants issued to investors pursuant to the Securities Purchase Agreement, dated April 10, 2014, between the Company and such investors. Incorporated herein by reference to Exhibit 4.14 to the Annual Report on Form 10-K filed with the SEC on April 15, 2014, as amended.
10.1*	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.
10.2	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.
10.3*	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.
10.4*	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.
10.5*	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.

10.6*	Consulting Agreement, dated November 7, 2011 between SG Blocks, Inc., BAW Holdings Corp. and Brian Wasserman. Incorporated herein by reference to Exhibit 10.06 to the Current Report on Form 8-K/A as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on December 20, 2011.
10.7*	Form Option Grant Letter for Employees, entered into between SG Blocks, Inc. and each of Paul Galvin, Stevan Armstrong and Jennifer Strumingher.

Exhibit Number	Description of Exhibits
10.8*	Form Option Grant Letter for Non-Employee Directors and Consultants, entered into between SG Blocks, Inc. and each of Joseph Tacopina, J. Scott Magrane, Christopher Melton, J. Bryant Kirkland III, Richard J. Lampen, and Brian Wasserman.
10.9**	Collaboration and Supply Agreement, dated July 23, 2007, between SGBlocks, LLC (now known as SG Building, Inc.) and ConGlobal Industries, Inc. Incorporated herein by reference to Exhibit 10.7 to the Current Report on Form 8-K/A as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on January 13, 2012.
10.10	Form of Subscription/Registration Rights Agreement between the Company and each of J. Bryant Kirkland III, effective as of May 24, 2012; and Christopher Melton and Brian A. Wasserman, effective as of March 27, 2012. Incorporated herein by reference to Exhibit 10.7 to the Current Report on Form 8-K/A as filed by SG Blocks, Inc. (fka CDSI Holdings Inc.) on May 31, 2012.
10.10	Form Subsidiary Guarantee, dated December 27, 2012. Incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed January 3, 2013.
10.11	Form Security Agreement, dated December 27, 2012. Incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed January 3, 2013.
10.12	Form Securities Purchase Agreement, dated December 27, 2012 between the Company and Hillair Investments, L.P. Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed January 3, 2013.
10.13	Form of Addendum to Securities Purchase Agreement issued to additional investors. Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed April 30, 2013.
10.14	Form of Addendum to Security Agreement issued to additional investors. Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed April 30, 2013.
10.15	Form Securities Purchase Agreement, dated December 27, 2012 between the Company and Hillair Investments, L.P. Incorporated (as amended) herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed November 14, 2013.
10.16	Form of Securities Exchange Agreement, dated April 10, 2014, between the Company and investors party thereto. Incorporated herein by reference to Exhibit 10.16 to the Annual Report on Form 10-K filed with the SEC on April 15, 2014, as amended.
10.17	Form of Securities Purchase Agreement, dated April 10, 2014, between the Company and investors party thereto. Incorporated herein by reference to Exhibit 10.17 to the Annual Report on Form 10-K filed with the SEC on April 15, 2014, as amended.
10.18	Form of Subsidiary Guarantee, dated April 10, 2014, by SG Building Blocks, Inc. in favor of investors party to the Securities Purchase Agreement, dated April 10, 2014. Incorporated herein by reference to Exhibit 10.18 to the Annual Report on Form 10-K filed with the SEC on April 15, 2014, as amended.
10.19	Form of Security Agreement, dated April 10, 2014, between the Company and investors party thereto. Incorporated herein by reference to Exhibit 10.19 to the Annual Report on Form 10-K filed with the SEC on April 15, 2014, as amended.
10.21*	2014 Incentive Stock Plan. Incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on July 18, 2014, as amended.
21.1+	List of Subsidiaries.
31.1+	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32+	Certification by Chief Executive Officer and Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101.INS+	XBRL Instance Document.
101.SCH+	XBRL Taxonomy Extension Schema Document.
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB+	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document.

* Includes compensatory plan or arrangement.

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

\+ Transmitted herewith.

SG BLOCKS, INC.
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2014 and 2013

SG BLOCKS, INC. AND SUBSIDIARIES

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Stockholders of
SG Blocks, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of SG Blocks, Inc. and Subsidiaries (the “Company”) as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive loss, changes in stockholders’deficiency and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SG Blocks, Inc. and Subsidiaries, as of December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company’s significant operating losses raises substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ *Marcum LLP*

Marcum LLP
New York, New York
March 30, 2015

SG BLOCKS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31,		*2014*		*2013*
Assets				
Current assets:				
Cash and cash equivalents	$	884,188	$	594,248
Short-term investment		39,399		39,375
Accounts receivable, net		165,933		246,519
Costs and estimated earnings in excess of billings on uncompleted contracts		-		-
Inventory		198,970		34,052
Prepaid expenses and other current assets		7,717		15,493
Total current assets		1,296,207		929,687
Equipment, net		10,957		11,867
Security deposit		15,900		12,000
Debt issuance costs, net		26,019		44,830
Totals	$	1,349,083	$	998,384
Liabilities and Stockholders' Deficiency				
Current liabilities:				
Accounts payable and accrued expenses	$	279,066	$	306,144
Accrued interest, related party		36,833		28,636
Accrued interest		-		9,458
Related party accounts payable and accrued expenses		132,481		244,858
Related party notes payable		73,500		73,500
Convertible debentures, net of discounts of $198,200		800,726		1,802,612
Billings in excess of costs and estimated earnings on uncompleted contracts		3,500		24,349
Deferred revenue		303,427		379,765
Conversion option liabilities		110,000		2,873
Warrant liabilities		536,671		214,738
Total current liabilities		2,276,204		3,086,933
Convertible debentures, net of discounts of $594,599		2,402,176		-
Total liabilities		4,678,380		3,086,933
Commitments				
Stockholders' deficiency:				
Preferred stock, $0.01 par value, 5,000,000 shares authorized; 0 issued and outstanding at December 31, 2014 and 2013		-		-
Common stock, $0.01 par value, 100,000,000 shares authorized; 42,918,927 issued and outstanding at December 31, 2014, 43,223,093 issued and outstanding at December 31, 2013		429,189		432,231
Additional paid-in capital		6,978,907		6,679,298
Accumulated deficiency		(10,737,393)		(9,200,078)
Accumulated other comprehensive loss		-		-
Total stockholders' deficiency		(3,329,297)		(2,088,549)
Totals	$	1,349,083	$	998,384

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

SG BLOCKS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Loss

For the Years Ended December 31,	*2014*	*2013*
Revenue:		
SG Block sales	$ 5,727,007	$ 3,195,764
Engineering services	159,345	109,138
Project management	150,601	2,427,874
	6,036,953	5,732,776
Cost of revenue:		
SG Block sales	4,389,312	2,550,275
Engineering services	94,887	27,667
Project management	85,939	2,571,277
	4,570,138	5,149,219
Gross profit	1,466,815	583,557
Operating expenses:		
Payroll and related expenses	1,216,300	1,350,953
General and administrative expenses	793,476	932,862
Marketing and business development expense	178,505	124,496
Pre-project expenses	31,330	34,021
Total	2,219,611	2,442,332
Operating loss	(752,796)	(1,858,775)
Other income (expense):		
Interest expense	(1,066,833)	(689,156)
Interest income	24	126
Change in fair value of financial instruments	1,386,469	358,973
Cancellation of trade liabilities and unpaid interest	-	25,530
Loss on extinguishment	(1,104,179)	
Total	(784,519)	(304,527)
Net loss	$ (1,537,315)	$ (2,163,302)
Comprehensive loss		
Foreign currency translation adjustment	-	571
Total comprehensive loss	$ (1,537,315)	$ (2,162,731)
Net loss per share - basic and diluted:		
Basic and diluted	$ (0.04)	$ (0.05)
Weighted average shares outstanding:		
Basic and diluted	42,787,865	42,327,819

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

SG BLOCKS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Deficiency
For the Years Ended December 31, 2014 and 2013

	$0.01 Par Value Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Deficiency	Loss	Total
Balance - December 31, 2012	42,198,093	$ 421,981	$ 6,099,635	$ (7,036,776)	$ (571)	$ (515,731)
Stock-based compensation	-	-	421,305	-	-	421,305
Issuance of common stock for services	525,000	5,250	115,500	-	-	120,750
Issuance of common stock for services (unvested shares)	500,000	5,000	(5,000)	-	-	-
Vesting of consultant stock	-	-	45,000	-	-	45,000
Fair value of warrants issued	-	-	2,858	-	-	2,858
Foreign currency translation adjustment	-	-	-	-	571	571
Net loss	-	-	-	(2,163,302)	-	(2,163,302)
Balance - December 31, 2013	43,223,093	432,231	6,679,298	(9,200,078)	-	(2,088,549)
Stock-based compensation	-	-	294,067	-	-	294,067
Return of unvested consultant stock	(500,000)	(5,000)	(40,000)	-	-	(45,000)
Issuance of common stock	83,334	833	24,167	-	-	25,000
Excercise of common stock options	112,500	1,125	21,375	-	-	22,500
Net loss	-	-	-	(1,537,315)	-	(1,537,315)
Balance - December 31, 2014	42,918,927	$ 429,189	$ 6,978,907	$ (10,737,393)	$ -	$ (3,329,297)

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

SG BLOCKS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31,	***2014***	***2013***
Cash flows from operating expenses:		
Net loss	$ (1,537,315)	$ (2,163,302)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	3,978	2,982
Amortization of debt issuance costs	59,574	89,660
Accretion of discount on convertible debentures	718,640	436,947
Interest income on short-term investment	(24)	(126)
Change in fair value of financial instruments	(1,386,469)	(358,973)
Stock-based compensation	294,067	421,305
Issuance of common stock for services	-	165,750
Bad debts expense	36,099	70,960
Cancellation of trade liabilities and unpaid interest	-	(25,530)
Loss on extinguishment of debt	1,104,179	-
Return of unvested consultant stock	(45,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	44,487	(33,084)
Costs and estimated earnings in excess of billings on uncompleted contracts	-	36,476
Inventory	(164,918)	13,959
Prepaid expenses and other current assets	7,776	(14,088)
Accounts payable and accrued expenses	22,064	(11,405)
Accrued interest, related party	8,197	8,197
Accrued interest	(9,458)	9,458
Related party accounts payable and accrued expenses	(112,377)	142,002
Billings in excess of costs and estimated earnings on uncompleted contracts	(20,849)	(45,440)
Deferred revenue	(76,338)	178,648
Net cash used in operating activities	(1,053,687)	(1,075,604)
Cash flows used in investing activities		
Security deposit	(3,900)	(12,000)
Purchase of equipment	(3,068)	(8,786)
Net cash used in investing activities	(6,968)	(20,786)
Cash flows from financing activities:		
Expenditures on debt issuance costs	(40,763)	(28,000)
Proceeds from excercise of common stock options	22,500	-
Proceeds from issuance of convertible debentures and warrants	1,760,858	850,000
Principal payments of convertible debentures	(392,000)	-
Net cash provided by financing activities	1,350,595	822,000
Effect of exchange rate changes in cash	-	571
Net increase (decrease) in cash	289,940	(273,819)
Cash and cash equivalents - beginning of year	594,248	868,067
Cash and cash equivalents - end of year	$ 884,188	$ 594,248
Supplemental disclosure of cash flow information:		
Cash paid during the year/period for:		
Interest	$ 209,966	$ 144,893
Supplemental disclosure of non-cash financing activities:		
In connection with the issuance of convertible debentures, $40,000 was paid for accrued interest and $24,142 was paid for debt issuance costs.		
Issuance of common stock for settlement of debt	$ 25,000	$ -

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

1. Description of Business

SG Blocks, Inc. (the "Company") was previously known as CDSI Holdings, Inc. (a Delaware corporation incorporated on December 29, 1993). On November 4, 2011, the Company's wholly-owned subsidiary was merged with and into SG Building Blocks, Inc. ("SG Building", formerly SG Blocks Inc.) (the "Merger"), with SG Building surviving the Merger and becoming a wholly-owned subsidiary of the Company. The Merger was a reverse merger that was accounted for as a recapitalization of SG Building as SG Building was the accounting acquirer. Accordingly, the historical financial statements presented are the financial statements of SG Building.

During 2011, the Company formed SG Blocks Sistema De Constucao Brasileiro LTDA. ("SG Brazil"), a wholly owned subsidiary of the Company. The Company formed SG Brazil in order to actively explore opportunities in Brazil. SG Brazil had been inactive since 2013.

The Company is a provider of code engineered cargo shipping containers modified for use in "green" construction. The Company also provides engineering and project management services related to the use of modified containers in construction.

2. Liquidity and Financial Condition

Through December 31, 2014, the Company has incurred an accumulated deficiency since inception of $10,737,393. At December 31, 2014, the Company had a cash balance of $884,188.

Since the Company's inception, it has generated revenues from SG Block sales, engineering services, and project management.

In April 2014, the Company raised $1,825,000 in net funds through the issuance of convertible debentures. The proceeds from these issuances will be used to fund the Company's operations, including the costs that the Company incurs as a public company. The current level of cash and operating margins is not enough to cover the existing fixed and variable obligations of the Company, so increased revenue performance and the addition of capital through issuances of securities are critical to the Company's success. At March 29, 2015, the Company had a cash balance of approximately $636,000.

The Company expects that through the next 10 to 16 months, the capital requirements to fund the Company's growth will consume all of the cash flows that it expects to generate from its operations, as well as from the proceeds of the issuances of senior convertible debt securities. The Company further believes that during this period, while the Company is focusing on the growth and expansion of its business, the gross profit that it expects to generate from operations will not generate sufficient funds to cover expected operating costs. Accordingly, the Company requires further external funding to sustain operations and to follow through on the execution of its business plan. There is no assurance that the Company's plans will materialize and/or that the Company will be successful in funding estimated cash shortfalls through additional debt or equity capital and through the cash generated by the Company's operations. Given these conditions, the Company's ability to continue as a going concern is contingent upon it being able to secure an adequate amount of debt or equity capital to enable it to meet its cash requirements. In addition, the Company's ability to continue as a going concern must be considered in light of the problems, expenses and complications frequently encountered by entrants into established markets, the competitive environment in which the Company operates and the current capital raising environment.

Since inception, the Company's operations have primarily been funded through proceeds from equity and debt financings and sales activity. Although management believes that the Company has access to capital resources, there are currently no commitments in place for additional financing at this time, and there is no assurance that the Company will be able to obtain funds on commercially acceptable terms, if at all.

These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

The Company's financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should it be unable to continue as a going concern.

3. Summary of Significant Accounting Policies

Basis of consolidation – The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, SG Building and SG Brazil. All intercompany balances and transactions have been eliminated.

Accounting estimates – The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas which require the Company to make estimates include revenue recognition, stock-based compensation, warrant liabilities and allowance for doubtful accounts. Actual results could differ from those estimates.

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

Revenue recognition – The Company accounts for its long-term contracts associated with the design, engineering, manufacture and project management of building projects and related services, using the percentage-of-completion accounting method. Under this method, revenue is recognized based on the extent of progress towards completion of the long-term contract. The Company uses the cost to cost basis because management considers it to be the best available measure of progress on these contracts.

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

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

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

The Company offers a one-year warranty on completed contracts. For the year ended December 31, 2014, the Company recognized $24,925 in warranty claims. The Company does not anticipate that any additional claims are likely to occur for warranties that are currently outstanding. Accordingly, no warranty reserve is considered necessary for any of the year’s presented.

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

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

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

Short-term investment – The Company classifies its investment consisting of a certificate of deposit with a maturity greater than three months but less than one year as short-term investment.

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

The Company had a factoring agreement which provided for the Company to receive an advance of 75% of any accounts receivable that it factors. On August 13, 2012, the factoring agreement was increased for up to $1,000,000 for credit worthy retail clients. The factoring agreement also provides for discount fees ranging from 2.5% to 7.5% of the face value of any accounts receivable factored. The factoring agreement is with recourse except in an instance which the customer is insolvent. The agreement originally expired January 2013 and was automatically extended for a one year period. The agreement will continue to automatically extend for successive periods of one year unless either party formally cancels. For the years ended December 31, 2014 and 2013 there has been no activity with regard to this agreement. Under the convertible debentures agreement as described in Note 10, the Company is precluded from any borrowing under this factoring agreement. This agreement was terminated in January 2015.

Inventory – Raw construction materials (primarily shipping containers) are valued at the lower of costs (first-in, first-out method) or market. Finished goods and work-in-process inventories are valued at the lower of costs or market, using the specific identification method. As of December 31, 2014 and 2013, work-in-process inventory amounted to $198,970 and $34,052, respectively.

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

Debt issuance costs – All debt issuances are stated at cost, net of amortization. Amortization is computed over the estimated useful life of the related assets on a straight-line method. As of December 31, 2014 and 2013, all debt issuance costs are amortized over 18 months.

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

Convertible instruments – The Company bifurcates conversion options from their host instruments and accounts for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

The Company has determined that the embedded conversion options should be bifurcated from their host instruments and a portion of the proceeds received upon the issuance of the hybrid contract have been allocated to the fair value of the derivative. The derivative is subsequently marked to market at each reporting date based on current fair value, with the changes in fair value reported in results of operations.

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

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

The Company's free standing derivatives consist of warrants to purchase common stock that were issued to a placement agent involved with the private offering memorandum as well as issuances of convertible debentures as described in Note 10 and 15. The Company evaluated the common stock purchase warrants to assess their proper classification in the consolidated balance sheet and determined that the common stock purchase warrants feature a characteristic permitting cash settlement at the option of the holder. Accordingly, these instruments have been classified as warrant liabilities in the accompanying consolidated balance sheets as of December 31, 2014 and 2013.

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

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

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

The Company uses three levels of inputs that may be used to measure fair value:

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

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

	December 31, 2014	Quoted prices in active market for identical assets (Level l)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Warrant Liabilities	$ 536,671	$ -	$ -	$ 536,671
Conversion Option Liabilities	$ 110,000	$ -	$ -	$ 110,000

	December 31, 2013	Quoted prices in active market for identical assets (Level l)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Warrant Liabilities	$ 214,738	$ -	$ -	$ 214,738
Conversion Option Liabilities	$ 2,873	$ -	$ -	$ 2,873

Warrant and conversion option liabilities are measured at fair value the lattice pricing model and are classified within Level 3 of the valuation hierarchy. For fair value measurements categorized within Level 3 of the fair value hierarchy, the Company's Chief Financial Officer, who reports to the Chief Executive Officer, determines its valuation policies and procedures. The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's Chief Financial Officer and are approved by the Chief Executive Officer.

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

	For the year ended December 31, 2014	For the year ended December 31, 2013
Beginning balance	$ 217,611	$ 406,557
Aggregate fair value of conversion option liabilities and warrants issued	1,815,529	170,027
Change in fair value related to increase in warrants issued for anti-dilutive adjustment	745,920	-
Change in fair value of conversion option liabilities and warrants	(2,132,389)	(358,973)
Ending balance	$ 646,671	$ 217,611

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

The significant assumptions and valuation methods that the Company used to determine fair value and the change in fair value of the Company's derivative financial instruments are discussed in Note 10 and 15.

The Company presented warrant and conversion option liabilities at fair value on its consolidated balance sheets, with the corresponding changes in fair value recorded in the Company's consolidated statements of operations for the applicable reporting periods. As disclosed in Note 10 and 15, the Company computed the fair value of the warrant and conversion option liabilities at the dates of issuance and the reporting dates of December 31, 2014 and 2013 using the lattice pricing method.

The calculation of the lattice pricing model involves the use of the fair value of the Company's common stock, estimated term, volatility, risk-free interest rates, the size of the time step and dividend yield (if applicable). The Company developed the assumptions that were used as follows: The fair value of the Company's common stock was obtained from publicly quoted prices as well as valuation models developed by the Company. The results of the valuation were assessed for reasonableness by comparing such amount to sales of other equity and equity linked securities to unrelated parties for cash and intervening events affected in the price of the Company's stock. The term represents the remaining contractual term of the derivative; the volatility rate was developed based on analysis of the Company's historical stock price volatility and the historical volatility rates of several other similarly situated companies (using a number of observations that was at least equal to or exceeded the number of observations in the life of the derivative financial instrument at issue); the risk free interest rates were obtained from publicly available US Treasury yield curve rates; the dividend yield is zero because the Company has not paid dividends and does not expect to pay dividends in the foreseeable future. The size of the time step is used to determine the up ratio and down ratio probabilities applied in the lattice model and are proportional to the remaining term of the derivative instrument.

Share-based payments **–** The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on interim financial reporting dates and vesting dates until the service period is complete. The fair value amount is then recognized over the period services are required to be provided in exchange for the award, usually the vesting period. The Company recognizes stock-based compensation expense on a graded-vesting basis over the requisite service period for each separately vesting tranche of each award. Stock-based compensation expense is reported within operating expenses in the consolidated statements of operations.

Foreign currency translation – The Company's international subsidiary consider their local currency to be their functional currency. Assets and liabilities of the Company's subsidiary operating in a foreign country are translated into U.S. dollars using both the exchange rate in effect at the balance sheet date or historical date, as applicable. Results of operations are translated using the average exchange rates prevailing throughout the period. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are included in stockholders' equity (deficiency) as a component of accumulated other comprehensive loss, while gains and losses resulting from foreign currency translations are included in operations.

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

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

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

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

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

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

With respect to receivables, concentrations of credit risk are limited to a few customers in the construction industry. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers other than normal lien rights. At December 31, 2014 and 2013, 85% and 87%, respectively, of the Company's accounts receivable were due from two customers, respectively.

Revenue relating to two customers, represented approximately 79% and 57% of the Company's total revenue for the years ended December 31, 2014 and 2013, respectively.

Costs of revenue relating to one vendor, who is a related party and disclosed in Note 18, represented approximately 25% and 31% of the Company's total cost of revenue for the years ended December 31, 2014 and 2013, respectively. Cost of revenue relating to one unrelated vendor represented approximately 61% and 27% of the Company's total cost of revenue for the years ended December 31, 2014 and 2013, respectively. The Company believes it has access to alternative suppliers, with limited disruption to the business, should circumstances change with its existing suppliers.

4. Accounts Receivable

At December 31, 2014 and 2013, the Company's accounts receivable consisted of the following:

	2014	2013
Billed:		
SG block sales	$ 172,837	$ 258,287
Engineering services	2,000	12,344
Project management	15,842	71,594
Total gross receivables	190,679	342,225
Less: allowance for doubtful accounts	(24,746)	(95,706)
Total net receivables	$ 165,933	$ 246,519

5. Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings on uncompleted contracts consist of the following at December 31, 2014 and 2013:

	2014	2013
Costs incurred on uncompleted contracts	$ -	$ 228,643
Provision for loss on uncompleted contracts	-	9,896
Estimated earnings (losses)	-	(47,932)
	-	190,607
Less: billings to date	(3,500)	(214,956)
	$ (3,500)	$ (24,349)

The above amounts are included in the accompanying consolidated balance sheets under the following captions at December 31, 2014 and 2013.

	2014	2013
Costs and estimated earnings in excess of billings on uncompleted contracts	$ -	$ -
Billings in excess of cost and estimated earnings on uncompleted contracts	(3,500)	(24,349)
	$ (3,500)	$ (24,349)

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

There were no accrued anticipated losses on uncompleted contracts as of December 31, 2014. As of December 31, 2013, the Company has accrued anticipated losses on uncompleted contracts in the amount $9,896. This amount is included in cost of revenue on the accompanying consolidated statements of operations and comprehensive loss and is included in accounts payable and accrued expenses on the accompanying consolidated balance sheets.

6. Inventory

At December 31, 2014 and 2013, the Company's inventory consisted of the following:

	2014	2013
Contract building	$ 198,970	$ 34,052
	$ 198,970	$ 34,052

7. Equipment

At December 31, 2014 and 2013, the Company's equipment consisted of the following:

	2014	2013
Computer equipment and software	$ 22,786	$ 20,324
Furniture and other equipment	2,997	2,391
	25,783	22,715
Less: accumulated depreciation	(14,826)	(10,848)
	$ 10,957	$ 11,867

Depreciation expense for the years ended December 31, 2014 and 2013 amounted to $3,978 and $2,982, respectively.

8. Debt Issuance Costs

Debt issuance costs consisted of the following at December 31, 2014 and 2013:

	2014	2013
Financial advisor fee	$ 108,000	$ 108,000
Legal fees	56,229	15,466
Fair value of warrants issued (as disclosed in Note 15)	11,024	11,024
	175,253	134,490
Less: accumulated amortization	(149,234)	(89,660)
	$ 26,019	$ 44,830

Amortization expense of debt issuance costs for the years ended December 31, 2014 and 2013 amounted to $59,574 and $89,660, respectively, and is included in interest expense on the accompanying consolidated statements of operations. Future estimated amortization expense of deferred loan costs as of December 31, 2014 is as follows:

	For the year ending December 31,
2015	$ 20,815
2016	5,204
Total	$ 26,019

9. Related Party Notes Payable

On March 26, 2009, the Company entered into a $50,000 revolving credit promissory note (the "Revolver") with Vector Group Ltd. ("Vector"), a principal stockholder of the Company. On January 26, 2011, the Company and Vector entered into an amendment to the Revolver increasing the amount that the Company may borrow from $50,000 to $100,000. The loan bears interest at 11% per annum and was due on December 31, 2013. During January 2014, the Revolver was extended from December 31, 2013 to June 30, 2015. As of December 31, 2014 and 2013, the balance due to Vector amounted to $73,500. As of December 31, 2014 and 2013, accrued interest related to the Revolver amounted to $36,833 and $28,636, respectively, and is included in accrued interest, related party on the accompanying consolidated balance sheets.

Interest expense for other related party notes payable amounted to $8,197 for the years ended December 31, 2014 and 2013, respectively.

10. Convertible Debentures

Existing Debentures

On December 27, 2012, the Company entered a Securities Purchase Agreement ("Securities Purchase Agreement") with Hillair Capital Investments L.P. ("Hillair), whereby the Company issued and sold to Hillair: (i) $1,120,000 in 8% Original Discount Senior Secured Convertible Debentures due July 1, 2014, for $1,000,000 ("Debenture"), and (ii) a Common Stock purchase warrant to purchase up to 2,604,651 shares of the Company's Common Stock with a fair value of $199,806 at issuance, which has been recorded as a discount to the debenture. (As disclosed in Note 15) The Company recorded a discount of $120,000, which is being amortized over the term of the debenture, using the effective interest method. At the date of issuance the fair value of the conversion option liability was determined to be $69,502, which has been recorded as a discount to the debenture. At any time after December 28, 2012, until the Debenture is no longer outstanding, the Debenture shall be convertible, in whole or in part, into shares of Common Stock at the option of Hillair, subject to certain conversion limitations set forth in the Debenture. The initial conversion price for the Debenture is $0.43 per share, subject to adjustments upon certain events, as set forth in the Debenture. The Company shall pay interest on the aggregate unconverted and then outstanding principal amount of the Debenture at 8% per annum, payable quarterly on January 1, April 1, July 1 and October 1, beginning on July 1, 2013. Interest is payable in cash or at the Company's option in shares of Common Stock, provided certain conditions are met, based on a share value equal to the lesser of (a) $0.43 per share, subject to adjustments upon certain events, and (b) 90% of the average of the volume weighted average price for 20 consecutive trading days prior to the applicable interest payment date, provided that the price shall be equal to at least a $0.01 discount to the volume weighted average price for the trading day that is immediately prior to the applicable interest payment date. Merriman Capital, Inc. ("Merriman") acted as financial advisor to the Company in connection with the transaction and received a fee consisting of $80,000 and warrants to purchase up to 104,186 shares of the Company's Common Stock. (As disclosed in Note 15) In connection with the issuance of the Debenture, the Company also paid Hillair $45,000 for due diligence which has been recorded as a discount to the debenture, and will be amortized over the term of the debenture, using the effective interest method. In addition, the Company incurred $15,466 in legal fees which are included in debt issuance costs in the accompanying consolidated balance sheet at December 31, 2014 and December 31, 2013. As of December 31, 2013, the discount related to the Debenture amounted to $144,769. As described below, in April 2014 the Company exchanged certain outstanding debentures, including the 2012 Hillair Debenture, for new Senior Convertible Debentures ("2014 Exchange Debentures"). The surrendered debentures, including the 2012 Hillair Debenture, were cancelled at the time of the exchange.

On January 8, 2013 and January 9, 2013, the Company issued and sold to Next View Capital LP ("Next View") and another investor ("Another Investor") an aggregate of (i) $392,000 in 8% Original Discount Senior Secured Convertible Debentures due July 1, 2014, for $350,000 ("January 2013 Debentures"), and (ii) Common Stock purchase warrants to purchase up to 911,628 shares of the Company's Common Stock with a fair value of $69,933 at issuance, which has been recorded as a discount to the January 2013 Debentures. (As disclosed in Note 15). The Company recorded a discount of $42,000, which will be amortized over the term of the debenture, using the effective interest method. At the date of issuance the fair value of the conversion option liability was determined to be $24,322, which has been recorded as a discount to the debenture. Except for the date of issuance, these debentures and warrants have the same terms and conditions as the debenture and warrant issued to Hillair as described above. Also, the conversion price for the January 2013 Debentures was adjusted to $0.23 per share. Merriman acted as financial advisor to the Company in connection with this transaction and received a fee consisting of $28,000 and warrants to purchase up to 36,466 shares of the Company's Common Stock. (As disclosed in Note 15) As of December 31, 2013, the discount related to the January 2013 Debentures amounted to $145,418.

On each of April 1, 2014 and July 1, 2014, the Company is obligated to redeem a total amount equal to $756,000 in connection with the Hillair, Next View and Another Investor debentures. In lieu of a cash redemption and subject to the Company meeting certain equity conditions described in the Debenture, the Company may elect to pay the Periodic Redemption Amount in shares based on a conversion price equal to the lesser of (a) $0.43 per share, subject to adjustments upon certain events, and (b) 90% of the average of the volume weighted average price for the 20 consecutive trading days prior to the applicable redemption date, provided that the conversion price shall be equal to at least a $0.01 discount to the volume weighted average price for the 20 consecutive days that is immediately prior to the applicable redemption date. The Company made a payment of $252,000 in April 2014 and $140,000 in July 2014.

10. Convertible Debentures *(continued)*

In April 2013, the Company issued and sold to Frank Casano ("Casano") and Scott Masterson ("Masterson") an aggregate of (i) $560,000 in 8% Original Discount Senior Secured Convertible Debentures due October 15, 2014, for $500,000 ("April 2013 Debentures"), and (ii) Common Stock purchase warrants to purchase up to 1,302,326 shares of the Company's Common Stock with a fair value of $60,801 at issuance, which has been recorded as a discount to the April 2013 Debentures. (As disclosed in Note 15) The Company recorded a discount of $60,000, which will be amortized over the term of the debenture, using the effective interest method. At the date of issuance the fair value of the conversion option liability was determined to be $14,971, which has been recorded as a discount to the debenture. Except for the date of issuance, these debentures and warrants have the same terms and conditions as the debenture and warrant issued to Hillair as described above. As of December 31, 2013, the discount related to the April 2013 Debentures amounted to $79,200. As described below, in April 2014 the April 2013 Debentures were exchanged for 2014 Exchange Debentures. The surrendered April 2013 Debentures were cancelled at the time of the exchange.

On July 15, 2014 and on October 15, 2014, the Company was obligated to redeem a total amount equal to $280,000 in connection with the April 2013 Debentures. In lieu of a cash redemption and subject to the Company meeting certain equity conditions described in the April 2013 Debentures, the Company may elect to pay the Periodic Redemption Amount in shares based on a conversion price equal to the lesser of (a) $0.43 per share, subject to adjustments upon certain events, and (b) 90% of the average of the volume weighted average price for the 20 consecutive trading days prior to the applicable redemption date, provided that the conversion price shall be equal to at least a $0.01 discount to the volume weighted average price for the 20 consecutive days that is immediately prior to the applicable redemption date. As described below, in conjunction with an exchange agreement and the exchange of the April 2013 Debentures for 2014 Exchange Debentures, the Company was not required to make a payment on July 15, 2014 and October 15, 2014.

2014 Debentures

On April 10, 2014, the Company entered into a Securities Exchange Agreement (the "Exchange Agreement") with Hillair, Casano and Masterson who held certain of the existing Senior Convertible Debentures described above (the "Existing Debentures"). Under the terms of the Exchange Agreement, Existing Debentures with a stated maturity value of $1,680,000 were surrendered in exchange for (i) new Senior Convertible Debentures with a stated interest rate of eight percent (8%) per year, a stated maturity value of $1,915,200, a conversion price of $0.25 per share, subject to adjustment, with a final maturity date of April 1, 2016 (the "2014 Exchange Debentures"), and (ii) a five (5) year Common Stock purchase warrant to purchase up to 7,660,800 shares of the Company's common stock at an exercise price of $0.275 (110% of the conversion price), subject to adjustment (the "2014 Exchange Warrants"). At April 10, 2014, the carrying value of 2014 Existing Debentures was $1,680,000 and the fair value of the conversion option liability was $2,366. The fair value of the conversion option liability of the 2014 Exchange Debentures was determined to be $380,744 and the fair value of the warrants issued was determined to be $490,601. The Company recognized a loss of $1,104,179 on this exchange transaction. In connection with the Exchange Agreement, the Company incurred $20,763 in legal fees which are included in debt issuance costs in the accompanying consolidated balance sheet at December 31, 2014.

On April 10, 2014, the Company entered into a Securities Purchase Agreement (the "2014 SPA") with four investors, including Hillair pursuant to which the Company issued and sold (i) $2,080,500 in 8% Original Discount Senior Secured Convertible Debentures, for $1,825,000, with a conversion price of $0.25 per share, subject to adjustment, with a final maturity date of April 1, 2016 (the "2014 New Debentures" together with the 2014 Exchange Debentures, the "2014 Debentures"), and (ii) a five (5) year Common Stock purchase warrant to purchase up to 8,322,000 shares of the Company's common stock at an exercise price of $0.275 (110% of the conversion price), subject to adjustment with a fair value of $532,944 at issuance, which has been recorded as a discount to the 2014 New Debentures. (As disclosed in Note 15) Holders of the 2014 Debentures are referred to in this Annual Report on Form 10-K as the "2014 Holders". The Company recorded a discount of $255,500, which is being amortized over the term of the 2014 New Debentures, using the effective interest method. The initial conversion price for the 2014 New Debentures is $0.25 per share, subject to adjustments upon certain events, as set forth in the 2014 New Debentures. At the date of issuance the fair value of the conversion option liability was determined to be $413,606, which has been recorded as a discount to the 2014 New Debentures. In connection with the 2014 New Debentures, the Company incurred $20,000 in legal fees which are included in debt issuance costs in the accompanying consolidated balance sheet at December 31, 2014. As of December 31, 2014, the discount related to the 2014 New Debentures amounted to $792,798.

The Exchange Agreement and the 2014 SPA trigger anti-dilution adjustments to the warrants issued on the Existing Debentures based on a $0.25 per share conversion price (adjusted from the original stated conversion price of $0.43 per share), which reduces the exercise price to $0.25 per share and increases the number of shares issuable upon the exercise of the Existing Warrants from 4,818,605 to 8,288,000 shares.

10. Convertible Debentures *(continued)*

At any time after April 10, 2014, (the "Original Issue Date") until the 2014 Debentures are no longer outstanding, the 2014 Debentures are convertible, in whole or in part, into shares of Common Stock at the option of the 2014 Holders, subject to certain conversion limitations set forth in the 2014 Debentures. The initial conversion price for the 2014 Debentures is $0.25 per share, subject to adjustments upon certain events, as set forth in the 2014 Debentures. The Company will pay interest on the aggregate unconverted and then outstanding principal amount of the 2014 Debentures at the rate of 8% per annum, payable quarterly on January 1, April 1, July 1 and October 1, beginning on October 1, 2014. Interest is payable in cash or at the Company's option in shares of Common Stock, provided certain terms and conditions are met as more fully described in the 2014 Debentures. On each of October 1, 2015 and January 1, 2016, the Company is obligated to redeem an amount equal to $998,925 and on April 1, 2016, an amount equal to $1,997,850, plus accrued but unpaid interest, liquidated damages and any other amounts then owing in respect of the 2014 Debentures (as to each of the forgoing periodic redemptions, each a "Periodic Redemption Amount"). In lieu of a cash redemption and subject to the Company meeting certain equity conditions described in the 2014 Debentures, the Company may elect to pay the Periodic Redemption Amount in shares on the terms set forth in the 2014 Debentures.

Upon any Event of Default (as defined in the Debenture), the outstanding principal amount of the Debenture, plus liquidated damages, interest, a premium of 30% and other amounts owing in respect thereof through the date of acceleration, shall become, at the 2014 Holders' election, immediately due and payable in cash. Commencing five days after the occurrence of any Event of Default, the interest rate on the Debenture shall accrue at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted under applicable law. The 2014 Debentures contain anti-dilution protective provisions as described therein. The Company is subject to compliance with certain covenants under the 2014 Debentures as set forth therein.

The 2014 Warrants may be exercised at any time on or after April 10, 2014 and on or prior to the close of business on April 10, 2019, at an exercise price of $0.275 per share, subject to adjustment upon certain events. The 2014 Warrants contain anti-dilution protective provisions and limitations on exercise as described therein.

To secure the Company's obligations under the 2014 Debentures, SG Building entered into a Subsidiary Guarantee, dated as of April 10, 2014 (the "Guarantee"), pursuant to which it unconditionally and irrevocably guaranteed the prompt and complete payment and performance when due of the obligations arising from the 2014 Debentures. The Company and SG Building have each granted the 2014 Holders a security interest in their assets to secure the payment, performance and discharge in full of all of the Company's obligations under the 2014 Debentures and the guarantor's obligations under the Guarantee, in accordance with that certain Security Agreement, dated as of April 10, 2014.

10. Convertible Debentures *(continued)*

A summary of the Company's convertible debentures as of December 31, 2014 and 2013 is as follows:

	2014	2013
2012 Hillair Debentures, net of $144,769 discount	$ -	$ 975,231
January 2013 Debentures, net of $45,419 discount	-	346,581
April 2013 Debentures, net of $79,200 discount	-	480,800
2014 Exchange Debentures	1,915,200	-
2014 New Debentures, net of $792,798 discount	1,287,702	-
Total debt	3,202,902	1,802,612
Less current portion, net of $198,200 discount	800,726	1,802,612
Long-term debt	$ 2,402,176	$ -

For the years ended December 31, 2014 and 2013, interest expense on the convertible debentures amounted to $280,422 and $154,351, respectively, and is included on the accompanying condensed consolidated statements of operations. For the years ended December 31, 2014 and 2013 total amortization relating to the discount amounted to $718,640 and $436,947, respectively, and is included in interest expense on the accompanying consolidated statements of operations.

The Company bifurcated the conversion option from its debt host. The fair value of the conversion option liabilities were determined to be $794,350 at the date of issuance, utilizing the lattice method. Consequently, the Company recorded a discount of $794,350 on the debentures, which will be amortized over the term of the debenture, using the effective interest method. The fair value of the conversion option liabilities as of December 31, 2014 was $110,000. The significant assumptions which the Company used to measure the fair value at the date of issuance and December 31, 2014 of the conversion option liability are as follows:

	Date of Issuance	December 31, 2014
Stock price	$ 0.25	$ 0.14
Term	1.48 – 1.98 years	0.75 – 1.25 years
Volatility	50%	50%
Risk-free interest rate	0.09 – 0.37%	0.25%
Exercise price	$ 0.25	$ 0.25

10. Convertible Debentures *(continued)*

In connection with the Securities Purchase Agreement and the 2014 SPA, the Company is required to maintain compliance with a variety of contractual provisions which include certain affirmative and negative covenants. The requirements principally consist of a requirement to maintain timely filings with the SEC, reserve sufficient authorized shares to issue upon the exercise of the underlying conversion option, and permit the debenture holders to participate in future financing transactions. The Company is also restricted, among other things, from incurring new indebtedness, permitting additional liens, making material changes to its charter documents, repay or repurchase more than a de minimis number of shares of its common stock or common stock equivalents, repay or repurchase any indebtedness, pay cash dividends, enter into transactions with affiliates or use the proceeds of the convertible debentures to provide funding to its Brazilian subsidiary. The underlying securities purchase and debenture agreements also provide for the Company to pay liquidated damages in the event of its failure to (i) deliver shares upon the conversion of the debentures, in which case the liquidated damages would amount to a cash payment of $10 per trading day (increasing to $15 per trading day on the fifth trading day) for each $1,000 of principal amount being converted until such certificates are delivered (ii) maintain timely required filings with the SEC, in which case the liquidated damages would amount to a cash payment of two percent (2.0%) of the aggregate subscription amount of such purchasers securities on the day of the failure to maintain timely filings with the SEC and on every thirtieth (30th) day thereafter until the required documents are filed with the SEC or is no longer required for the purchaser to transfer the underlying shares pursuant to Rule 144 and (iii) to compensate the debenture holder for a Buy-In (as defined in the debentures) of securities previously sold by the debenture holder on a failure to timely deliver certificates upon conversion by the debenture holder. If the holder is subject to a Buy-In, then the Company will (A) pay in cash to the debenture holder (in addition to any other remedies available to or elected by the debenture holder) the amount, if any, by which (x) the debenture holder's total purchase price (including any brokerage commissions) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that the debenture holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of the debenture holder, either reissue (if surrendered) this debenture in a principal amount equal to the principal amount of the attempted conversion (in which case such conversion shall be deemed rescinded) or deliver to the debenture holder the number of shares of Common Stock that would have been issued if the Company had timely complied with its delivery requirements.

11. Income Taxes

The Company's benefit for income taxes consists of the following for the year ended December 31, 2014 and 2013:

	2014	2013
Deferred:		
Federal	$ (426,761)	$ (692,787)
State and local	(71,638)	(389,582)
Total deferred	(498,399)	(1,082,369)
Total benefit for income taxes	(498,399)	(1,082,369)
Less: valuation reserve	498,399	1,082,369
Income Tax provision	$ -	$ -

A reconciliation of the federal statutory rate to 0% for the year ended December 31, 2014 and 2013 to the effective rate for income from operations before income taxes is as follows:

	2014	2013
Benefit for income taxes at federal statutory rate	34.0%	34.0%
State and local income taxes, net of federal benefit	8.2	9.6
Differences attributable to change in state business apportionment	(6.2)	(1.9)
Change in fair value of derivative liabilities	19.3	7.3
Loss on extinguishment of debt	(28.2)	-
True-up	5.8	1.8
Other	(0.5)	(0.5)
Less valuation allowance	(32.4)	(50.3)
Effective income tax rate	0.0%	0.0%

During 2014, the Company adjusted its estimate of business apportionment, thus decreasing its tax effective state and local tax rate from 9.6% to 8.2%. The decrease is primarily due to allocation of business receipts from New York State and New York City.

11. Income Taxes *(continued)*

The tax effects of these temporary differences along with the net operating losses, net of an allowance for credits, have been recognized as deferred tax assets (liabilities) at December 31, 2014 and 2013 as follows:

	2014	2013
Net operating loss carryforward	$ 2,910,932	$ 2,294,888
Bad debt reserve	128,313	121,792
Employee stock compensation	618,512	510,816
Net conversion feature discount	(225,938)	-
Accrued losses on uncompleted jobs	-	4,318
Depreciation	1,083	419
Related party expenses	-	2,618
Charity	348	-
Net deferred tax asset	3,433,250	2,934,851
Less valuation allowance	(3,433,250)	(2,934,851)
Net deferred tax asset	$ -	$ -

The Company establishes a valuation allowance, if based on the weight of available evidence; it is more likely than not that some portion or all of the deferred assets will not be realized. The valuation allowance increased $498,399 and $1,082,369 during 2014 and 2013, respectively, offsetting the increase in the deferred tax asset attributable to the net operating loss and reserves.

As of December 31, 2013, the Company has a net operating loss carry forward of approximately $6,893,000 for Federal tax purposes. The net operating loss expires through 2034.

As required by the provisions of ASC 740, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely that not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. Differences between tax positions taken or expected to be taken in a tax return and the net benefit recognized and measured pursuant to the interpretation are referred to as “unrecognized benefits.” A liability is recognized (or amount of net operating loss or amount of tax refundable is reduced) for an unrecognized tax benefit because it represents an enterprise’s potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of ASC 740.

The Company recognizes interest and penalties related to uncertain tax positions in general and administrative expenses. As of December 31, 2014, the Company has no unrecognized tax positions, including interest and penalties. The tax years 2011 - 2013 are still open to examination by the major tax jurisdictions in which the Company operates. The Company files returns in the United States Federal tax jurisdiction and various other state jurisdictions.

12. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares consist of the common shares issuable upon the exercise of stock options and warrants. Potentially dilutive common shares are excluded from the calculation if their effect is antidilutive. At December 31, 2014, there were options and warrants to purchase 15,425,001 and 25,572,059 shares of common stock, respectively, outstanding which could potentially dilute future net income (loss) per share. At December 31, 2014 the Company also has outstanding convertible debt which is initially convertible into 15,982,800 shares of common stock, which could potentially dilute future net income (loss) per share. The number of shares the convertible debt could be converted into could potentially increase under certain circumstances related to the market price of the Company's common stock at the time of conversion. At December 31, 2013 basic and diluted common shares outstanding exclude 500,000 common shares that are held in escrow and subject to forfeiture. At December 31, 2013, there were options and warrants to purchase 10,330,001 and 6,119,864 shares of common stock, respectively, outstanding which could potentially dilute future net income (loss) per share. At December 31, 2013 the Company also has outstanding convertible debt which is initially convertible into 4,818,605 shares of common stock, which could potentially dilute future net income (loss) per share. The number of shares the convertible debt could be converted into could potentially increase under certain circumstances related to the market price of the Company's common stock at the time of conversion.

Basic and diluted net loss per share was calculated for the years ending December 31, 2014 and 2013 as follows:

	2014	2013
Net loss	$ (1,537,315)	$ (2,163,302)
Weighted average shares outstanding - basic	42,787,865	42,327,819
Dilutive effect of stock options and warrants	-	-
Weighted average shares outstanding - diluted	42,787,865	42,327,819
Net loss per share - basic and diluted	$ (0.04)	$ (0.05)

13. Construction Backlog

The following represents the backlog of signed engineering and project management contracts in existence at December 31, 2014 and 2013:

	2014	2013
Balance - January 1	$ 49,593	$ 1,405,803
New contracts and change orders during the period	271,503	1,180,802
	321,096	2,586,605
Less: contract revenue earned during the period	(314,896)	(2,537,012)
	6,200	49,593
Contracts signed but not started	-	-
Balance - December 31	$ 6,200	$ 49,593

14. Stockholders' Equity

Issuance of common stock for services – On October 1, 2013, the Company issued 1,000,000 shares of Common Stock for services provided by a consultant. These shares were deemed to have a fair market value of $220,000. 500,000 of the shares vested immediately and 500,000 shares vest on May 1, 2014. As of December 31, 2013, the Company recognized professional fees in the amount of $160,000 related to the shares issued to the consultant. On April 22, 2014, the Company terminated the consulting agreement with the consultant. 500,000 of these shares were due to vest on May 1, 2014 and as outlined in the underlying agreement have been returned to the Company.

On November 8, 2013, the Company issued 25,000 shares of Common Stock for services provided by a consultant. These shares were deemed to have a fair market value of $5,750.

Issuance of common stock – On November 18, 2014, the Company issued 83,334 shares of Common Stock to their former lessor for settlement of $25,000 that was owed to them.

Stock options issued – During 2014, two directors of the Company exercised options to purchase an aggregate of 112,500 shares of the Company's Common Stock at $0.20 per share.

15. Warrants

In conjunction with a private placement in October 2010 (the "2010 Private Placement"), the Company issued warrants to Ladenburg, the placement agent for the 2010 Private Placement. The warrants entitle Ladenburg to purchase up to a total of 1,044,584 shares of Common Stock for $0.25 per share. The warrants expire October 28, 2015. The warrants are exercisable, at the option of the holder, at any time prior to their expiration. The fair value of warrants issued to placement agents was calculated utilizing the lattice method. The warrants issued to Ladenburg contain provisions that make them redeemable for cash by the holder of the warrant under certain circumstances that are not within the control of the Company. Accordingly, the fair market value of the warrants as of the date of issuance has been classified as liabilities. The fair value of the 2010 Private Placement warrants as of December 31, 2014 and 2013 was $3,476 and $41,078, respectively.

In conjunction with a private placement in 2012 (the "2012 Private Placement"), the Company issued warrants to Ladenburg in March 2012. The warrants entitle Ladenburg to purchase up to a total of 86,323 shares of common stock for $0.35 per share and expire March 27, 2017. The Company also issued warrants to Ladenburg in May 2012 in connection with the additional 702,872 shares of common stock issued in the 2012 Private Placement. These warrants entitle Ladenburg to purchase 29,700 shares of common stock at $0.35 per share and expire May 22, 2017. These warrants are exercisable, at the option of the holder, at any time prior to their expiration. The fair value of warrants issued to placement agents were calculated utilizing the lattice method. The warrants issued to Ladenburg contain provisions that make them redeemable for cash by the holder of the warrant under certain circumstances that are not within the control of the Company. Accordingly, the fair market value of the warrants as of the date of issuance has been classified as liabilities. The fair value of the 2012 Private Placements warrants as of December 31, 2014 and 2013 was $750 and $4,050, respectively.

As part of the issuance of convertible debentures to Hillair as disclosed in Note 10, the Company issued warrants to Hillair. The warrants entitle Hillair to purchase up to 2,604,651 shares of Common Stock for $0.4488, subject to adjustments upon certain events. The warrants may be exercised at any time on or after June 27, 2013 and expire on June 27, 2018. The fair value of warrants issued to Hillair was calculated utilizing the lattice method. The warrants issued to Hillair contain provisions that make them redeemable for cash by the holder of the warrant under certain circumstances that are not within the control of the Company. Accordingly, the fair market value of the warrants as of the date of issuance has been classified as liabilities and has been included as a debt discount of the convertible debentures described in Note 10. The fair value of the Hillair warrants as of December 31, 2014 and 2013 was $96,931 and $89,940, respectively.

In connection, with the issuance of convertible debentures to Hillair, the Company issued warrants to Merriman. The warrants entitle Merriman to purchase up to 52,093 shares of Common Stock for $0.4488 and 52,093 shares of Common Stock at $0.43 per share. The fair market value of the warrants as of the date of issuance has been classified as equity and is recorded in deferred loan costs on the accompanying consolidated balance sheets. The fair value of the Merriman warrants as of the date of issuance was $8,166.

As part of the issuance of convertible debentures to Next View and Another Investor as disclosed in Note 10, the Company issued warrants to Next View and Another Investor. The warrants entitle Next View and Another Investor to purchase up to 651,163 and 260,465, respectively, shares of Common Stock for $0.4488 per share, subject to adjustments upon certain events. As of December 31, 2013, the exercise price of these warrants was adjusted to $0.23. The warrants issued to Next View and Another Investor contain substantially all of the same terms as the warrants issued to Hillair. The fair market value of the warrants as of the date of issuance has been classified as liabilities and has been included as a debt discount of the convertible debentures described in Note 10. The fair value of the Next View and Another Investor warrants as of December 31, 2014 and 2013 was $33,926 and $31,479, respectively.

In connection, with the issuance of convertible debentures to Next View and Another Investor, the Company issued warrants to Merriman. The warrants entitle Merriman to purchase up to 18,233 shares of Common Stock for $0.4488 per share and 18,233 shares of Common Stock at $0.43 per share. The fair market value of the warrants as of the date of issuance has been classified as equity and is recorded in deferred loan costs on the accompanying consolidated balance sheets. The fair value of the Merriman warrants as of the date of issuance was $2,858.

15. Warrants *(continued)*

As part of the issuance of the April 2013 Debentures to Casano and Masterson as disclosed in Note 10, the Company issued the April 2013 Warrants to Casano and Masterson. The April 2013 Warrants originally entitled Casano and Masterson to purchase up to 1,041,861 and 260,465, respectively, shares of Common Stock for $0.4488 per share, subject to adjustments upon certain events. The April 2013 Warrants issued to Casano and Masterson contain substantially all of the same terms as the 2012 Hillair Warrants. As a result of the transactions consummated pursuant to the Exchange Agreement and the 2014 SPA as disclosed in Note 6, the number of shares of Common Stock Casano and Masterson are entitled to purchase has increased to 1,792,000 and 448,000, respectively and can be purchased for $0.25 per share. The fair value of the April 2013 Warrants as of the date of issuance has been classified as liabilities and has been included as a debt discount of the April 2013 Debentures described in Note 10. The fair value of the April 2013 Warrants issued to Casano and Masterson as of December 31, 2014 and December 31, 2013 was $51,153 and $48,191, respectively.

Pursuant to the Exchange Agreement disclosed in Note 10, the Company issued 2014 Exchange Warrants to Hillair, Casano and Masterson. The 2014 Exchange Warrants entitle Hillair, Casano and Masterson to purchase up to 5,107,200, 2,042,880, and 510,720, respectively, shares of Common Stock at $0.275 per share, subject to adjustments upon certain events. The 2014 Exchange Warrants may be exercised at any time after April 10, 2014 and expire on April 10, 2019. The fair value of the 2014 Exchange Warrants issued to Hillair, Casano and Masterson was calculated utilizing the lattice method. The 2014 Exchange Warrants contain provisions that make them redeemable for cash by the holder of the warrant under certain circumstances that are not within the control of the Company. Accordingly, the fair value of the 2014 Exchange Warrants as of the date of issuance has been classified as liabilities and has been included in the loss on extinguishment of debt on the accompanying condensed consolidated statements of operations. The fair value of these warrants as of December 31, 2014 and the date of issuance was $167,969 and $490,601, respectively.

As part of the issuance of the 2014 New Debentures as disclosed in Note 10, the Company issued warrants to purchase up to 8,322,000 shares of Common Stock at $0.275 per share (the “2014 New Warrants”), subject to adjustments upon certain events. The 2014 New Warrants contain substantially all of the same terms as the 2014 Exchange Warrants. The fair value of the 2014 New Warrants as of the date of issuance has been classified as liabilities and has been included as a debt discount of the 2014 New Debentures described in Note 10. The fair value of the 2014 New Warrants as of December 31, 2014 and the date of issuance was $182,466 and $532,944, respectively.

A summary of warrant activity and changes during the years ended December 31, 2014 and 2013 are presented below:

	Number of Warrants	Weighted Average Exercise Price Per Share	Weighted Average Remaining Terms (in years)	Aggregate Intrinsic Value
Outstanding - December 31, 2013	6,119,864	$ 0.26	3.38	-
Issued	15,982,800	0.275		
Anti-Dilutive Adjustment	3,469,395	0.25		
Exercised	-	-		
Forfeited	-	-		
Outstanding - December 31, 2014	25,572,059	$ 0.27	3.89	$ -
Exercisable - December 31, 2014	25,572,059	$ 0.27	3.89	$ -

The change in fair value of the warrants of $701,612 and $253,051 is included in the accompanying consolidated statement of operations for the years ended December 31, 2014 and 2013, respectively.

The significant assumptions which the Company used to measure the fair value of warrants at December 31, 2014 and 2013 is as follows:

	2014	2013
Stock price	$ 0.14	$ 0.21
Term	0.83-4.28 Years	1.83-4.79 Years
Volatility	50%	50%
Risk-free interest rate	0.25-1.38%	0.38-1.75%
Exercise prices	$ 0.25-0.4488	$ 0.25-0.4488
Dividend yield	0.00%	0.00%

16. Stock Options and Grants

2011 Plan – 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"). The 2011 Plan covers up to 8,000,000 shares of common stock, and all officers, directors, employees, consultants and advisors 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. As of December 31, 2014, there were 3,928 shares of common stock available for issuance under the 2011 Plan.

During 2012, the Company's Board of Directors approved the issuance of up to an additional 2,000,000 shares of the Company's common stock in the form of restricted stock or options (the "2012 Board Equity Authorization"). These options generally have the same terms and conditions as those provided under the 2011 Plan, however, the authorization of these options is not subject to shareholder approval. The 2012 Board Equity Authorization has not been approved by the Company's stockholders. The issuance of these options will be approved by the Company's Board of Directors on a case-by-case basis. As of December 31, 2014, there were 66,071 shares of common stock available for issuance under this approval.

2013 Plan - During November 2013, the Company's Board of Directors approved the issuance of up to 2,000,000 shares of the Company's Common Stock in the form of restricted stock or options ("2013 Stock Plan"). The options granted under the 2013 Stock Plan have generally the same terms and conditions as those provided under the 2011 Plan. The 2013 Plan has not been approved by the Company's stockholders. The Stock Plan is administrated by the Company's Board of Directors. As of December 31, 2014, there were 1,600,000 shares of common stock available for issuance under the 2013 Stock Plan.

2014 Plan - On July 15, 2014, at the annual meeting of the Company's shareholders, the shareholders holding a majority of the Company's outstanding common stock voted to approve the 2014 Incentive Stock Plan ("2014 Stock Plan"). The 2014 Stock Plan contains 12,000,000 shares of the Company's Common Stock, which is available for grant to directors, officers and employees of, and consultants and advisors to, the Company or any subsidiary of the Company; provided that incentive stock options may only be granted to employees of the Company and its subsidiaries. An incentive stock option may be granted under the 2014 Plan only to a person who, at the time of the grant, is an employee of the Company or its subsidiaries. Grants under the 2014 Stock Plan may take the form of options, stock appreciation rights, restricted stock and other equity incentives. The 2014 Plan expires on July 14, 2024, and is administered by a committee consisting of two or more directors appointed by the Company's Board. As of December 31, 2014, there were 6,792,500 shares of common stock available for issuance under the 2014 Stock Plan.

A summary of stock option activity and changes during the years ended December 31, 2014 and 2013 are presented below:

	Shares	Weighted Average Fair Value Per Share	Weighted Average Exercise Price Per Share	Weighted Average Remaining Terms (in years)	Aggregate Intrinsic Value
Outstanding – January 1, 2013	9,317,501	$ 0.11	$ 0.36	9.03	539,650
Granted	1,012,500	0.09	0.41		
Exercised	-	-	-		
Cancelled	-	-	-		
Outstanding – December 31, 2013	10,330,001	$ 0.10	$ 0.36	8.16	$ 109,050
Granted	5,207,500	0.11	0.14		
Exercised	(112,500)	0.09	0.20		
Cancelled	-	-	-		
Outstanding – December 31, 2014	15,425,001	$ 0.07	$ 0.30	8.00	$ 112,500
Exercisable – December 31, 2013	8,416,668	$ 0.10	$ 0.32	8.05	$ 107,517
Exercisable – December 31, 2014	11,625,835	$ 0.09	$ 0.33	7.50	$ 37,500

For the year ended December 31, 2014 and 2013, the Company recognized stock-based compensation expense of $294,067 and $421,305, respectively, which is included in payroll and related expenses in the accompanying consolidated statements of operations.

As of December 31 2013, there was $321,157 of total unrecognized compensation costs related to non-vested stock options, which will be expensed over a weighted average period of 1.52 years. The intrinsic value is calculated as the difference between the fair value of the stock price at year end and the exercise price of each of the outstanding stock options. The fair value of the stock price at December 31, 2014 and December 31, 2013 was $0.14 per share and $0.21 per share, respectively, as determined by using a weighted value between the income approach method and the weighted average bulletin board price.

16. Stock Options and Grants *(continued)*

On March 14, 2013, under the 2011 Plan, three employees and directors of the Company were granted options to purchase 150,000 shares of the Company's Common Stock with an exercise price of $0.43 per share. One-third of the options vest upon the grant date, the second third vests on the first anniversary date of the grant date, and the remaining third vests on the second anniversary of the grant date. The fair value of these options upon issuance amounted to $11,310.

On March 14, 2013, seven employees and directors of the Company were granted options to purchase 362,500 shares of the Company's Common Stock with an exercise price of $0.43 per share. These options were granted separate and apart from the 2011 Plan and were not granted from the shares available under the Company's 2011 Plan. One-third of the options vest upon the grant date, the second third vests on the first anniversary date of the grant date, and the remaining third vests on the second anniversary of the grant date. The fair value of these options upon issuance amounted to $27,333.

On November 8, 2013, two consultants of the Company were granted options to purchase 400,000 shares of the Company's Common Stock with an exercise price of $0.43 per share. These shares were granted under the 2013 Stock Plan. One-third of the options vest upon the grant date, the second third vests on the first anniversary date of the grant date, and the remaining third vests on the second anniversary of the grant date. The fair value of these options upon issuance amounted to $37,600.

On July 30, 2014, Paul Galvin, the Company's Chief Executive Officer, Brian Wasserman, the Company's Chief Financial Officer, and Jennifer Strumingher, the Company's Chief Administrative Officer were granted options to purchase 2,000,000, 1,000,000 and 750,000, respectively, shares of the Company's Common Stock with an exercise price of $0.11 per share. These options were granted under the 2014 Plan. One-third of the options vest upon the grant date, the second third vests on the first anniversary date of the grant date, and the remaining third vests on the second anniversary of the grant date. The fair value of these options upon issuance amounted to $446,250.

On October 8, 2014, four employees of the Company were granted options to purchase 950,000 shares of the Company's Common Stock with an exercise price of $0.21 per share. These shares were granted under the 2014 Plan. One-third of the options vest upon the grant date, the second third vests on the first anniversary date of the grant date, and the remaining third vests on the second anniversary of the grant date. The fair value of these options upon issuance amounted to $93,100.

On November 21, 2014, seven directors of the Company were granted options to purchase 387,500 shares of the Company's Common Stock with an exercise price of $0.275 per share. These shares were granted under the 2014 Plan. One-third of the options vest upon the grant date, the second third vests on the first anniversary date of the grant date, and the remaining third vests on the second anniversary of the grant date. The fair value of these options upon issuance amounted to $15,500.

During December 2014, the Company executed a one year consulting agreement with a consultant, to act as a Senior Advisor of the Company. In consideration for the services to be performed under the agreement, the Company granted options to purchase 120,000 of the Company's Common Stock with an exercise price of $0.21 per share. Half of the options vest upon the grant date and half vest on the first anniversary of the grant date. The fair value of these options upon issuance amounted to $7,920.

16. Stock Options and Grants *(continued)*

The fair value of the stock-based option awards granted during the years ended December 31, 2014 and 2013 were estimated at the date of grant using the Black-Scholes option valuation model with the following assumptions:

	2014	2013
Expected dividend yield	0.00%	0.00%
Expected stock volatility	50%	50%
Risk-free interest rate	1.57 – 2.57%	0.88 – 3.04%
Expected life	5.25-10 years	5.25-10 years

Because the Company does not have significant historical data on employee exercise behavior, the Company uses the “Simplified Method” to calculate the expected life of the stock-based option awards granted to employees. The simplified method is calculated by averaging the vesting period and contractual term of the options.

17. Commitments

Operating lease – The Company leases office space in New York City to conduct its business. The Company's previous lease began in October 2011 and was terminated as of September 30, 2013. As of December 31, 2013, the Company owed $25,000 to the former lessor which was settled with the issuance of 83,334 shares of the company's common stock in November 2014. Non-contingent rent increases were being amortized over the life of the lease on a straight line basis. The Company's current lease originally began on October 1, 2013 and expired December 31, 2014. The Company extended the life of the lease through March 2015 for $3,500 per month. Subsequent to March 2015, the Company will enter into an additional month-to-month lease for office space. The rental expense charged to operations for the year ended December 31, 2014 and 2013 amounted to $57,600 and $51,483 (net of approximately $43,000 in reversal of accrued rent upon termination of lease), respectively. The Company also entered into a month-to-month lease for additional office space in November 2014 for $2,600 a month.

18. Related Party Transactions

On March 26, 2009, the Company entered into a $50,000 revolving credit promissory note (the "Revolver") with Vector Group Ltd. ("Vector"), the former controlling stockholder of the Company. On January 26, 2011, the Company and Vector entered into an amendment to the Revolver increasing the amount that the Company may borrow from $50,000 to $100,000. The loan bears interest at 11% per annum and was due on December 31, 2013. During January 2014, the Revolver was extended from December 31, 2013 to June 30, 2015. As of December 31, 2014 and 2013, the balance due to Vector amounted to $73,500. As of December 31, 2014 and 2013, accrued interest related to the Revolver amounted to $36,833 and $28,636, respectively, and is included in accrued interest, related party on the accompanying condensed consolidated balance sheets. Interest expense for other related party notes payable amounted to $8,197 for the years ended December 31, 2014 and 2013.

ConGlobal Industries, Inc. is a minority stockholder of the Company and provides containers and labor on domestic projects. The Company recognized Cost of Goods Sold of $1,140,315 and $1,595,468, for services ConGlobal Industries, Inc. rendered during the years ended December, 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, $92,792 and $176,929, respectively, of such expenses are included in related party accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

The Lawrence Group is a minority stockholder of the Company and is a building design, development and project delivery firm. The Company recognized Cost of Goods Sold of $4,760 and $52,966, for services The Lawrence Group rendered during the years ended December 31, 2014 and 2013. For the years ended December 31, 2014 and 2013, $32,389 and $27,629, respectively, of pre-project expenses were included in related party accounts payable and accrued expenses in the accompanying condensed consolidated balance sheet.

An affiliated accounting firm of the Company's Chief Financial Officer provides accounting and consulting services to the Company. The Company recognized General and Administrative expenses in the amount of $74,300 and $80,050 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, $7,300 and $36,050 of such expenses are included in related party accounts payable and accrued expenses on the accompanying condensed consolidated balance sheet, respectively.

19. Cancellation of Trade Liabilities and Unpaid Interest

For the years ended December 31, 2013, the Company recognized debt forgiveness income of $25,530, as shown on the accompanying statements of operations, which represents forgiveness of trade accounts payable resulting from settlement agreements with vendors.

20. Subsequent Events

Management has evaluated events and transactions occurring after the date of the balance sheet and through the date of the report of independent registered public accounting firm to determine whether any of these events or transactions were required to be recognized or disclosed in the consolidated financial statements. The date of the report of independent registered public accounting firm is the date that the consolidated financial statements were available to be issued.

Exhibit 21.1

Subsidiaries of the Registrant

Subsidiary	Jurisdiction of Incorporation or Organization
SG Building Blocks, Inc.	Delaware

Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul M. Galvin, certify that:

1. I have reviewed this annual report on Form 10-K of SG Blocks, Inc. for the year ended December 31, 2014;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 30, 2015

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

Exhibit 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brian Wasserman, certify that:

1. I have reviewed this annual report on Form 10-K of SG Blocks, Inc. for the year ended December 31, 2014;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 30, 2015

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

Exhibit 32

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

In connection with the annual report on Form 10-K of SG Blocks, Inc., (the "Company") for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul M. Galvin, the Chief Executive Officer of the Company, and I, Brian Wasserman, the Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 30, 2015

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

March 30, 2015

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

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.